THOB AL ASEEL COMPANY
(A Saudi Joint Stock Company)

Consolidated Financial Statements and Independent Auditor's Report for the year ended 31 December 2021

Thob Al Aseel Company
(A Saudi Joint Stock Company)

Consolidated financial statements for the year ended 31 December 2021

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Independent auditor's report to the shareholders of Thob Al Aseel Company

Report on the audit of consolidated financial statements

Our Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Thob Al Aseel Company (the "Company") and its subsidiary (together the "Group") as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2021;
- The consolidated statement of income for the year then ended;
- The consolidated statement of comprehensive income for the year then ended;
- The consolidated statement of changes in shareholders' equity for the year then ended;
- The consolidated statement of cash flows for the year then ended; and
- The notes to the consolidated financial statements, which include significant accounting policies and other expalnatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Key audit matter	• Impairment losses on trade receivables

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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Our Audit approach (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Impairment losses on trade receivables As at 31 December 2021, the Group's gross trade receivables balance was SAR 291.2 million (2020:SAR 233.2 million) with an impairment loss of SAR 50 million (2020: SAR 35.2 million). The Group engaged with external expert to assess at each reporting date whether the trade receivables (carried at amortised cost) are credit impaired. The Group's management has applied a simplified expected credit loss (ECL") model to determine the allowance for impairment of trade receivables. The ECL model contains various estimates that include the Group's historical credit loss experience, adjusted for forward-looking factors specific to the trade receivables and the overall economic environment. We considered this as a key audit matter as the management applies significant judgment in determining an appropriate impairment loss allowance for receivables. For further details, Refer to Note 2.9 and Note 28 in the accompanying consolidated financial statements for the accounting policy and related disclosures.	We performed the following procedures as part of our audit: • Tested the completeness and accuracy of underlying information used in the model and re-performed the arithmetical accuracy of the computation of ECL. • Involved our experts to verify the methodology of the ECL model developed by the management experts with the requirements of IFRS 9. • Evaluated the reasonableness of key assumptions made and judgments applied; and, • Considered the appropriateness of forward-looking macro-economic factors to reflect the impact of future events on expected credit losses. We also reviewed the adequacy and appropriateness of disclosures made in the accompanying consolidated financial statements in relation to implementation of the new standard.

Other information

Management is responsible for the other information. The other information comprises the information included in the Group's Annual Report, but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Group's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers

Mufaddal Abbas Ali
License No. 447

26 Rajab 1443H
(27 February 2022)

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Thob Al Aseel Company
(A Saudi Joint Stock Company)
Consolidated statement of financial position
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	As at 31 December	
		2021	2020
Assets			
Non-current assets			
Property and equipment	4	**16,877,542**	15,721,185
Right of use assets	5	**18,597,131**	18,486,525
Intangible assets	6	**715,741**	918,620
Total non-current assets		**36,190,414**	35,126,330
Current assets			
Inventory	7	**263,992,974**	340,877,734
Trade receivables	9	**241,153,345**	197,959,507
Prepayments and other receivables	10	**10,824,825**	9,907,014
Cash and cash equivalents	12	**134,510,281**	65,743,784
Total current assets		**650,481,425**	614,488,039
Total assets		**686,671,839**	649,614,369
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	17	**400,000,000**	300,000,000
Other reserves		**-**	42,912,185
Statutory reserve	18	**64,282,586**	58,309,559
Retained earnings		**114,933,098**	141,585,540
Total shareholders' equity		**579,215,684**	542,807,284
Liabilities			
Non-current liabilities			
Lease liabilities	5	**4,256,698**	4,516,184
Employees' end of service benefits	16	**14,247,611**	12,701,232
Total non-current liabilities		**18,504,309**	17,217,416
Current Liabilities			
Trade payables		**38,706,127**	30,536,792
Credit facilities	13	**-**	9,110,316
Lease liabilities	5	**14,999,709**	13,727,906
Accrued expenses and other liabilities	14	**18,187,121**	20,829,938
Provision for zakat	15	**17,058,889**	15,384,717
Total current liabilities		**88,951,846**	89,589,669
Total liabilities		**107,456,155**	106,807,085
Total shareholders' equity and liabilities		**686,671,839**	649,614,369

Notes on pages 10 to 34 form an integral part of these consolidated financial statements.

Chief Financial Officer **Chief Executive Officer** **Chairman of the Board**

Thob Al Aseel Company
(A Saudi Joint Stock Company)
Consolidated statement of income
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December 2021	2020
Revenue	22	**481,898,919**	527,337,700
Cost of sales		**(307,387,319)**	(338,849,110)
Gross profit		**174,511,600**	188,488,590
General and administrative expenses	23	**(33,619,889)**	(33,579,949)
Selling and distribution expenses	24	**(48,262,216)**	(39,807,006)
Impairment losses on trade receivables	9	**(14,841,754)**	(17,170,242)
Other income	25	**553,180**	1,152,727
Operating profit		**78,340,921**	99,084,120
Finance cost	5	**(1,545,411)**	(1,388,299)
Profit for the year before zakat		**76,795,510**	97,695,821
Zakat expense	15	**(17,065,242)**	(15,307,911)
Profit for the year		**59,730,268**	82,387,910
Basic and diluted earnings per share attributable to the shareholders of the Company (in Saudi Riyals)	21	**1.49**	2.06

Notes on pages 10 to 34 form an integral part of these consolidated financial statements.

Chief Financial Officer **Chief Executive Officer** **Chairman of the Board**

Thob Al Aseel Company
(A Saudi Joint Stock Company)
Consolidated statement of comprehensive income
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December	
		2021	2020
Profit for the year		**59,730,268**	82,387,910
Other comprehensive loss			
Items that may not be reclassified subsequently in the statement of income:			
Re-measurement of employees' end of service benefits	16	**(821,868)**	(615,207)
Total comprehensive income for the year		**58,908,400**	81,772,703

Notes on pages 10 to 34 form an integral part of these consolidated financial statements.

Chief Financial Officer **Chief Executive Officer** **Chairman of the Board**

Thob Al Aseel Company
(A Saudi Joint Stock Company)
Consolidated statement of changes in shareholders' equity
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	Share capital	Other reserves	Statutory reserve	Retained earnings	Total shareholders' equity
Balance as at 1 January 2020		300,000,000	42,912,185	50,070,768	135,551,628	528,534,581
Profit for the year		-	-	-	82,387,910	82,387,910
Other comprehensive loss		-	-	-	(615,207)	(615,207)
Total comprehensive income for the year		-	-	-	81,772,703	81,772,703
Transfer to statutory reserve	18	-	-	8,238,791	(8,238,791)	-
Transactions with shareholders' in their capacity as owners:						
Dividends	19	-	-	-	(67,500,000)	(67,500,000)
Balance as at 31 December 2020		300,000,000	42,912,185	58,309,559	141,585,540	542,807,284
Balance as at 1 January 2021		**300,000,000**	**42,912,185**	**58,309,559**	**141,585,540**	**542,807,284**
Profit for the year		**-**	**-**	**-**	**59,730,268**	**59,730,268**
Other comprehensive loss		**-**	**-**	**-**	**(821,868)**	**(821,868)**
Total comprehensive income for the year		**-**	**-**	**-**	**58,908,400**	**58,908,400**
Transfer to statutory reserve	18	**-**	**-**	**5,973,027**	**(5,973,027)**	**-**
Transactions with shareholders' in their capacity as owners:						
increase share capital	17	**100,000,000**	**(42,912,185)**		**(57,087,815)**	**-**
Dividends	19	**-**	**-**	**-**	**(22,500,000)**	**(22,500,000)**
Balance as at 31 December 2021		**400,000,000**	**-**	**64,282,586**	**114,933,098**	**579,215,684**

Notes on pages 10 to 34 form an integral part of these consolidated financial statements.

Chief Financial Officer **Chief Executive Officer** **Chairman of the Board**

Thob Al Aseel Company
(A Saudi Joint Stock Company)
Consolidated statement of cash flows
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December 2021	2020
Cash flows from operating activities			
Profit for the year before zakat		**76,795,510**	97,695,821
Adjustments for non-cash items			
Depreciation of property and equipment	4	**1,539,993**	1,783,666
Amortisation of intangible assets	6	**202,879**	201,347
Depreciation expense of the right of use assets	5	**10,907,536**	11,199,032
Provision for slow-moving inventories	7	**9,710,234**	2,138,683
Lease Concession -IFRS 16	5	**-**	(1,305,640)
Provision for impairment of prepayments and other receivables	10	**1,125,000**	-
Gains on disposal of property and equipment	25	**(48,059)**	(235,778)
Impairment losses on trade receivables	9	**14,841,754**	17,170,242
Provision for employees' end of service benefits	16	**1,601,234**	1,662,744
Finance cost	5	**1,545,411**	1,388,299
Change in working capital			
Inventory		**67,174,526**	(43,042,226)
Trade receivables		**(58,035,592)**	(69,452,608)
Prepayments and other receivables		**(2,042,811)**	12,280,583
Trade payables		**8,169,335**	7,046,069
Accrued expenses and other liabilities		**(2,642,817)**	5,659,983
Zakat paid	15	**(15,391,070)**	(14,709,570)
Employees' end of service benefits paid	16	**(876,723)**	(1,188,345)
Net cash generated from operating activities		**114,576,340**	28,292,302
Cash flows from investing activities			
Purchase of property, equipment and intangible assets	4-6	**(2,696,351)**	(12,977,544)
Proceeds from disposal of property and equipment		**48,060**	285,360
Net cash used in investing activities		**(2,648,291)**	(12,692,184)
Cash flows from financing activities			
Lease payments	5	**(11,551,236)**	(8,334,242)
(payments) / Proceeds from credit facilities		**(9,110,316)**	9,110,316
Dividends paid	19	**(22,500,000)**	(67,500,000)
Net cash used in financing activities		**(43,161,552)**	(66,723,926)
Net change in cash and cash equivalents		**68,766,497**	(51,123,808)
Cash and cash equivalents at the beginning of the year		**65,743,784**	116,867,592
Cash and cash equivalent at the end of the year	12	**134,510,281**	65,743,784
Significant non-cash transactions:			
increase share capital	17	**100,000,000**	-
Right of use assets	5	**11,018,142**	11,476,383
Re-measurement of employees' end of service benefits	16	**(821,868)**	(615,207)

Notes on pages 10 to 34 form an integral part of these consolidated financial statements.

Chief Financial Officer **Chief Executive Officer** **Chairman of the Board**

(All amounts are in Saudi Riyals unless otherwise stated)

1- General information

Thob Al Aseel Company (the "Company") is a Saudi joint stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration number 1010071301 on 1 Dhu Al-hijah 1437H (corresponding to 5 September 2016).

The Company's registered address is Kingdom of Saudi Arabia, Riyadh, King Fahad Road, opposite to the Insurance Complex, Postal code: 11426, PO box: 23236.

The Company's main activity is to import, export, wholesale retail in fabrics and readymade clothes.

The Company practices its activities through 20 branches (2020: 20 branches), each having a separate commercial registration.

As at 4 November 2019, The Capital Market Authority (CMA) approved Thob Al Aseel Company's request dated 16 October 2019 to be listed from the parallel market to the main market. The Company's shares were listed and traded in the main market as of 10 November 2019.

The consolidated financial statements include the accounts of the Company and its subsidiary (collectively referred to as the "Group") as follows:

		Ownership percentage as at 31 December	
Subsidiary	Country of incorporation	2021	2020
AlJedaie Fabrics Company	Kingdom of Saudi Arabia	**100%**	100%

Subsidiary

AlJedaie Fabrics Company (the "Subsidiary") was incorporated as a limited liability Company in Riyadh in the Kingdom of Saudi Arabia under commercial registration number 1010048637 dated 22 Jumada Al-Awal 1438H (corresponding to 19 February 2017). The Subsidiary is mainly engaged in sales of textiles, clothing and wholesale of women's and men's fabrics, sewing supplements, men's clothing, women's clothing, children's clothing and retail for fabrics and men's clothing. Other reserves represent the amount resulted from the merge of AlJedaie Fabrics Company during 2017 before it was re-incorporated during the same year. Such reserves are not available for distribution without shareholders approval.

The subsidiary practices its activities through 33 branches (2020: 33 branches, each having a separate commercial registration.

2- Summary of significant accounting policies

The significant accounting policies set out below have been applied in preparing these consolidated financial statements, and these policies are applied consistently over all the presented periods, unless otherwise stated.

2-1 Basis of preparation

2-1-1 Compliance with International Financial Reporting Standards ("IFRS")

The Group's consolidated financial statements have been prepared in accordance with IFRS, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA..

2-1-2 Historical cost convention

These consolidated financial statements have been prepared on a historical cost basis, except for the following:

- Employees' end of service benefits, which have been measured at the present value of future obligations using the projected unit credit method.
- Lease obligations are measured at net present value of lease payments.

2- Summary of significant accounting policies (continued)

2-1 Basis of preparation (continued)

2-1-3 New standards and interpretations adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing on or after 1 January 2021:

- **Covid-19-related Rent Concessions – Amendments to IFRS 16**

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

The relief was originally limited to reduction in lease payments that were due on or before 30 June 2021. However, the IASB subsequently extended this date to 30 June 2022.If a lessee already applied the original practical expedient, it is required to continue to apply it consistently, to all lease contracts with similar characteristics and in similar circumstances, using the subsequent amendment. If a lessee did not apply the original practical expedient to eligible lease concessions, it is prohibited from applying the expedient in the 2021 amendment. However, if a lessee has not yet established an accounting policy on applying (or not) the practical expedient to eligible lease concessions, it can still decide to do so.

- **Interest rate benchmark reform phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7,IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one.

The Phase 2 amendments provide the following reliefs:

- When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement.

- The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

Affected entities need to disclose information about the nature and extent of risks arising from IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition.Given the pervasive nature of IBOR-based contracts, the reliefs could affect companies in all industries

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2- Summary of significant accounting policies (continued)

2-1 Basis of preparation (continued)

2-1-4 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for Annual reporting periods ending 31 December 2021 and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. See below:-

Title	New and revised IFRSs	Effective date
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	1 January 2022
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent,depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.	*1 January 2023 (deferred from 1 January 2022)*
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	*1 January 2023*
Definition of Accounting Estimates – Amendments to IAS 8	The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, butchanges in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	*1 January 2023*

2- Summary of significant accounting policies (continued)

2-2 Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary.

Subsidiary

Subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its right to direct the activities of this entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intergroup transactions, balances and unrealised gains on transactions between Group companies are disposed. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

2-3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Chief Executive Officer, who is the Chief Operating Decision Maker ("CODM"). An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

2-4 Foreign currency translations

a) Functional and presentation currency

Items included in the financial statements of each of the Group and its subsidiary are measured using the currency of the primary economic environment in which the Group and its subsidiary operate ('the functional currency').

The consolidated financial statements are presented in Saudi Riyals ("SAR"), which is the Group's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in shareholders' equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

2-5 Property and equipment

Initial recognition

Property and equipment are recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the property and equipment will flow to the Group, and the cost of the asset can be measured reliably. Property and equipment are recognised and measured initially at cost, net of accumulated depreciation and impairment losses, if any. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost, such as site preparation cost, delivery, installation costs, relevant professional fees and the estimated cost of dismantling and removing the asset and restoring the site (to the extent that such cost is recognised as a provision). When parts of property and equipment are significant in cost in comparison to the total cost of the item and such parts have a useful life different than other parts, the Group recognises such parts as individual assets and depreciates them accordingly.

Subsequent measurement

The Group adopts the cost model to measure the entire classes of property and equipment. After recognition as an asset, an item of property and equipment is carried as its cost less accumulated depreciation and impairment losses, if any.

Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

2- Summary of significant accounting policies (continued)

2-5 Property and equipment (continued)

Depreciation

Useful lives are determined by management based on the expected usage of the asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors. Depreciation is calculated on a straight-line basis over the below useful lives and is recognised in the consolidated statement of income:

Category	**Depreciation rate**
Buildings	3%
Vehicles	25%
Computers	10–33%
Office furniture and equipment	20–25%

Land and assets under construction are not depreciated.

De-recognition

Property and equipment are derecognised when it has been disposed or no future economic benefits are expected to arise from its use or disposal. Gains or losses arising from de-recognition of an item of property and equipment is included in the consolidated statement of income at the time the item is derecognised.

2-6 The Group's leasing activities and how these are accounted for

The Group leases various warehouse facilities, offices and branches rentals and others. Lease terms are negotiated on an individual basis. Rental contracts are typically made for fixed periods of 1 year to 5 years but may have extension options the lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from the lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including significant fixed payments), less any lease incentive receivables;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases, which does not have recent third-party financing, and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2- Summary of significant accounting policies (continued)

2-6 The Group's leasing activities and how these are accounted for (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of income. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

2-7 Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are classified to be either definite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Software

Intangible assets, consisting of computer software, are recorded at cost, net of accumulated amortisation and impairment losses, if any. Software is amortised on a straight-line basis over a period of 8 to 10 years.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

2-8 Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2-9 Financial instruments

Classification of financial assets

The Group classifies its financial assets under the following categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group business model for managing the financial assets and the contractual terms of the cash flows.

2- Summary of significant accounting policies (continued)

2-9 Financial instruments (continued)

Classification of financial assets (continued)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

The Group measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Classification of financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortised cost using the effective interest rate method except for financial liabilities at fair value through profit or loss, if any.

The Group designates a financial liability at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a group of financial liabilities is managed, and its performance is evaluated on a fair value basis.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Reclassifications

Financial assets are reclassified when the Group changes its business model for managing financial assets. For example, when there is a change in management's intention to hold the asset for a short term or long term. Financial liabilities are not reclassified.

Initial measurement

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed through recognition in the consolidated statement of income. In the case of financial assets or financial liabilities not at fair value through profit or loss, its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount. Trade receivables are measured at transaction price.

Subsequent measurement

After initial recognition, financial assets and financial liabilities are measured in accordance with their classification.

De-recognition

The Group derecognises a financial asset when, and only when the contractual rights to the cash flows from financial asset expire, or it transfers substantially all the risks and rewards of ownership of the financial asset.

Financial liabilities are derecognised when the obligations specified in the contract is discharged, cancelled or expires. A substantial change in the terms of a debt instrument is considered as an extinguishment of the original liability and the recognition of a new financial liability.

Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its as part of its financial assets carried at amortised cost and debt instruments carried at fair value through other comprehensive income.

For trade receivable, the Group applies the simplified approach, which requires recognising the expected losses based on the age from the date of the initial recognition of the accounts receivable. To measure expected credit losses, trade receivable is grouped based on the characteristics of the joint credit risk and the number of obsolete days. The expected loss rates were derived from the historical information of the Group and adjusted to reflect the expected future result, which also includes future information for macroeconomic factors such as inflation and the rate of growth of GDP.

2- Summary of significant accounting policies (continued)

2-9 Financial instruments (continued)

Impairment (continued)

Other financial assets such as employees' receivables and bank balances have low credit risk. Therefore, the effect of the expected credit loss is insignificant.

The Group recognises the expected credit loss provision of the financial asset at each reporting date, the Group recognises in the consolidated statement of income the amount of the change in lifetime expected credit losses as a reverse or charge of impairment.

2-10 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the active market for the asset or liability, or
- In the absence of a principal market, in the alternative market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing

categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

2-11 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2-12 Trade receivables

Trade receivables are recognised initially at the unconditional transaction cost unless these receivables include a significant financing component at fair value. They are subsequently measured at amortised cost using the effective interest rate method less loss allowance.

The Group applies the simplified approach to make a provision for expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. Provision for impairment is made based on the Group's management best estimate of expected credit losses relating to those receivables. Such estimate is based on the customers' financial status and historical write-off experience. Trade receivable balances are written off against such provision after all means of collection have been exhausted and potential of recovery is remote. Bad debts written off as such are recorded in the consolidated statement of income as incurred.

2- Summary of significant accounting policies (continued)

2-13 Inventories

Inventories are finished goods that are stated at the lower of cost or net realisable value. The cost includes import duties, non-refundable taxes, transport and handling costs and any other directly attributable costs less discounts, rebates and similar items. Costs are assigned to individual items of inventory on the basis of weighted average cost. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the year the write-down or loss occurs. The amount of reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as an increase in the amount of inventories recognised as a gain in the year in which the reversal occurs.

2.14 Employee benefit obligations

Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leaves that are expected to be settled wholly within twelve months, after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

Employees' end of service benefits

The liability recognised in the consolidated statement of financial position in respect of employees' end of service benefits is the present value of the employees' end of service benefit at the end of the reporting period. The employees' end of service benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Since there is no deep market in the Kingdom of Saudi Arabia of high-quality corporate bonds, the market return rate on governmental bonds in the Kingdom of Saudi Arabia was used to reach the present value of employees' end of service benefit obligation by adjusting for estimated future cash flows.

The net interest cost is calculated by using the discount rate to the net balance of the employees' end of service benefit obligation. This cost is included in employee benefit expense in the consolidated statement of income.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in the consolidated statement of comprehensive income. They are included in retained earnings in the consolidated statement of changes in shareholders' equity and in the consolidated statement of financial position.

Changes in the present value of employees' end of service benefit obligation arising from adjustments or a curtailment in plan are recognised directly in the consolidated statement of income as past service costs.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses that takes into consideration the profit attributable to the Company's shareholders. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2- Summary of significant accounting policies (continued)

2-15 Trade payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within 30 to 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

2-16 Credit facilities

Borrowings are initially calculated at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all the facilities will be drawn down. In this case, the fees are deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all the facilities will be drawn down, the fees are amortized over the period of the facilities to which they relate.

2-17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. The discount rate before zakat used to determine the present value is reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2-18 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period. As per the corporate laws in KSA, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognized directly in shareholders' equity.

2-19 Earnings per share

The Group presents basic and diluted earnings per share, if any. Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Group excluding any costs of servicing equity other than ordinary shares by the weighted average number of common shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares if any. Diluted earnings per share, if any adjusts the figures used in the determination of basic earnings per share to take into account the interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2-20 Revenue

Sales revenues are measured based on the compensation defined in a contract with a customer, excluding the amounts collected on behalf of any third parties, if any. The Group generally recognises revenues when it transfers control of a product to a customer, which occurs when the product is delivered to the customer. Sales revenues do not include the value-added tax collected. Sales are included in the consolidated statement of income net of returns and any granted discounts.

The Group recognises revenues from contracts with customers based on a five-step model as set out in IFRS (15) as follows:

Step 1. Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2. Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

2- Summary of significant accounting policies (continued)

2-20 Revenue (continued)

Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognise revenue when (or as) the Group satisfies a performance obligation.

Below is a description of the principal activities, from which the Group earns its revenues:

(a) Sales at the retail outlets

The Group has a chain of retail outlets under the "Al-Jedaie" brand, which sell men's fabrics. Sales revenues are recorded when the customer acquires the product sold by the Group. The transaction cost is paid directly upon the customer's purchase of the product. The Group's return policy gives customers the right to return within three days with certain requirements and some exceptions.

(b) Wholesale

The Group sells men's clothing and fabrics to other retailers. Sales are recognised when control of the products is transferred, that is, when the products are delivered to other retailers and there is no impermissible obligation that may affect other retailers' acceptance of the products. This type of sales includes a credit period of 30 to 180 days. Generally, wholesale sales are not returned, and merchandise returns may only be accepted at the management's discretion.

For all types of sales, historical experience indicates that the refund amounts are completely insignificant and therefore, at the time of sale, no liability is recognised against any expected recoveries. The validity of this conclusion is evaluated at the date of each reporting period. If the pattern of returns changes, the Group recognises a liability for any expected refunds and the corresponding asset (the right to return goods for the products expected to be returned), with the related revenues and sales costs adjusted accordingly.

In all types of the sales mentioned above, the price mentioned is the transaction price. The Group does not have any contracts where the period between the transportation of the promised goods to the customer and the date of payment by the customer exceeds one year; therefore, the Group does not adjust the transaction prices to reflect the time value of the money.

2-21 General and administrative expenses

General and administrative expenses include direct and indirect costs not specifically part of cost of revenue as required under IFRS, that are endorsed in KSA by SOCPA. Allocations between general and administrative expenses and cost of revenue, when required, are made on a consistent basis.

2-22 Selling and distribution expenses

Selling and marketing expenses principally consist of costs incurred in the distribution and sales of the Group's products and services. All other expenses are classified as general and administrative expenses.

2-23 Zakat

Zakat is provided in accordance with the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia and on accruals basis. The zakat expense is charged to the consolidated statement of income. Differences, if any, resulting from the final assessments are adjusted in the reporting period in which the assessments are finalized.

2-24 Statutory reserve

In accordance with the Group's By-Laws and Saudi Arabian Regulations for companies, the Group must set aside 10% of its annual consolidated net income as a statutory reserve until it reaches 30% of the Company's share capital. The reserve is not available for distribution. The reserve allocation is made on annual basis.

(All amounts are in Saudi Riyals unless otherwise stated)

3- Significant estimates and judgements

The preparation of the Group's consolidated financial statements requires the use of certain accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

The estimates and associated assumptions are constantly reviewed. Adjustments resulting from the revision of estimates are recognised prospectively. Information about uncertain assumptions and estimates that have a significant risk that of resulting in a material adjustment in the year ended 31 December 2021 is included in the following notes:

- Assessment of assumptions of employees' end of service benefits - Note (2-14).
- Estimate of impairment of trade receivables – Note (2-12).
- Estimate of lease term - Note (5-D).

4- Property and equipment

	Land	Buildings	Vehicles	Computers	Office furniture and equipment	Total
Cost						
1 January 2021	10,402,473	3,944,528	11,617,014	2,539,490	10,817,994	39,321,499
Additions for the year	-	-	381,000	167,637	2,147,714	2,696,351
Disposals for the year	-	-	(143,000)	-	(74,522)	(217,522)
31 December 2021	10,402,473	3,944,528	11,855,014	2,707,127	12,891,186	41,800,328
Accumulated depreciation						
1 January 2021	-	1,445,522	10,371,178	2,421,293	9,362,321	23,600,314
Charge for the year	-	113,333	579,696	87,087	759,877	1,539,993
Disposals for the year	-	-	(142,999)	-	(74,522)	(217,521)
31 December 2021	-	1,558,855	10,807,875	2,508,380	10,047,676	24,922,786
Net carrying amount						
31 December 2021	**10,402,473**	**2,385,673**	**1,047,139**	**198,747**	**2,843,510**	**16,877,542**
31 December 2020	10,402,473	2,499,006	1,245,836	118,197	1,455,673	15,721,185

	Land	Buildings	Vehicles	Computers	Office furniture and equipment	Total
Cost						
1 January 2020	977,473	1,869,528	11,649,125	2,480,645	10,237,104	27,213,875
Additions for the year	9,425,000	2,075,000	762,139	58,845	644,310	12,965,294
Disposals for the year	-	-	(794,250)	-	(63,420)	(857,670)
31 December 2020	10,402,473	3,944,528	11,617,014	2,539,490	10,817,994	39,321,499
Accumulated depreciation						
1 January 2020	-	1,331,305	10,287,018	2,336,618	8,669,795	**22,624,736**
Charge for the year	-	114,217	831,738	84,675	753,036	1,783,666
Disposals for the year	-	-	(747,578)	-	(60,510)	(808,088)
31 December 2020	-	1,445,522	10,371,178	2,421,293	9,362,321	23,600,314
Net carrying amount						
31 December 2020	**10,402,473**	**2,499,006**	**1,245,836**	**118,197**	**1,455,673**	**15,721,185**
31 December 2019	977,473	538,223	1,362,107	144,027	1,567,309	4,589,139

(All amounts are in Saudi Riyals unless otherwise stated)

5- Leases

The Group recognised right of use assets and related lease liabilities for operating lease contracts for warehouse lease contracts, warehouse facilities, offices and branches rentals and others.

a) Amounts recognised in the consolidation statement of financial position

Cost	**2021**	2020
Opening balance	**41,863,552**	30,387,169
Additions during the year	**11,018,142**	11,476,383
Ending balance	**52,881,694**	41,863,552
Accumulated depreciation		
Opening balance	**23,377,027**	12,177,995
Charge for the year	**10,907,536**	11,199,032
	34,284,563	23,377,027
Net carrying amount		
As at December 31	**18,597,131**	18,486,525

b) Lease liabilities

	2021	2020
Current	**14,999,709**	13,727,906
Non-current	**4,256,698**	4,516,184
	19,256,407	18,244,090

Lease Liabilities include a due to shareholders amounting to SAR 2.45 million as of 31 December 2021 (31 December 2020: SAR 2.32 million) (note 11).

c) The following table shows the movement during the year in lease liabilities:

	2021	**2020**
Balance at the beginning of the year	**18,244,090**	15,019,290
Additions during the year	**11,018,142**	11,476,383
Interest during the year	**1,545,411**	1,388,299
Lease Concession -IFRS 16	**-**	(1,305,640)
Payment during the year	**(11,551,236)**	(8,334,242)
Balance at end of the year	**19,256,407**	18,244,090

d) Maturity profile

Minimum lease payments falling due during the following years:

	2021	**2020**
2021	**-**	13,727,906
2022	**14,999,709**	4,516,184
2023 and beyond	**4,256,698**	-
Total	**19,256,407**	18,244,090

e) Amounts recognised in the consolidation statement of profit or loss

	2021	2020
Amortisation charge of right-of-use assets-Buildings	**10,907,536**	11,199,032
Lease Concession related to Covid 19 -IFRS 16 – (Note 2-1-3)	**-**	(1,305,640)

Interest expense (included in finance cost) recognized during the period ended 31 December 2021 amounted to SAR 1.55 Million (31 December 2020: 1.39 Million).

(All amounts are in Saudi Riyals unless otherwise stated)

5- Leases (continued)

f) Key estimates: estimate lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated) taking into consideration other factors such as:

- Significant leasehold improvements undertaken (or expected to be undertaken) over the term of the contract that are expected to have significant economic benefit for the Group;
- Costs relating to the termination of the lease, such as negotiation costs, relocation costs, costs of identifying another underlying asset suitable for the Group's needs;
- The importance of that underlying asset to the Group's operations.

6- Intangible assets

	2021	2020
Cost		
Opening balance	**2,263,982**	2,251,732
Additions for the year	**-**	12,250
	2,263,982	2,263,982
Accumulated amortisation		
Opening balance	**1,345,362**	1,144,015
Charge for the year	**202,879**	201,347
	1,548,241	1,345,362
Net carrying amount at year end	**715,741**	918,620

Intangible assets primarily consist of computer software licenses and their implementation cost.

7- Inventories

	31 December 2021	31 December 2020
Finished goods	**256,437,347**	328,644,769
Raw materials in process	**17,146,882**	13,813,800
Goods in transit	**6,246,819**	4,547,005
Less: provision for slow-moving inventory	**(15,838,074)**	(6,127,840)
	263,992,974	340,877,734

Movement in the provision for slow-moving inventories is as follows:

	2021	2020
Opening balance	**6,127,840**	3,989,157
Provided for the year	**9,710,234**	2,138,683
Ending balance	**15,838,074**	6,127,840

8- Financial instruments

8-1 Financial assets at amortized cost

	31 December 2021	31 December 2020
Trade receivable	**241,153,345**	197,959,507
Other financial assets at amortized cost	**1,246,236**	335,416
Cash and cash equivalents	**134,510,281**	65,743,784
	376,909,862	264,038,707

(All amounts are in Saudi Riyals unless otherwise stated)

8- Financial instruments (continued)

8-2 Financial liabilities at amortized cost

	31 December 2021	31 December 2020
Trade payables	38,706,127	30,536,792
Credit facilities	-	9,110,316
Lease liabilities	19,256,407	18,244,090
	57,962,534	57,891,198

9- Trade receivables

	31 December 2021	31 December 2020
Trade receivable *	291,191,704	233,156,112
Less: impairment losses on trade receivables	(50,038,359)	(35,196,605)
	241,153,345	197,959,507

* Due to the short-term nature of trade receivables, their carrying value is expected to approximate their fair value.

Movement in impairment losses on trade receivables are as follows:

	2021	2020
Opening balance	35,196,605	18,026,363
Provided for the year	14,841,754	17,170,242
Written off during the year	-	-
Closing balance	50,038,359	35,196,605

10- Prepayments and other receivables

	31 December 2021	31 December 2020
Suppliers' advances	9,174,897	7,864,055
Employees' advances and receivables	937,323	1,612,563
Prepaid insurance	781,567	936,119
Insurance claims	185,257	897,590
other receivables	819,233	450,960
Others	747,125	320,463
	12,645,402	12,081,750
Provision for impairment of prepayments and other receivables	(1,820,577)	(2,174,736)
	10,824,825	9,907,014

Movement in the Provision for impairment of prepayments and other receivablesare as follows:

	2021	2020
Opening balance	2,174,736	2,174,736
Provided for the year	1,125,000	-
	(1,479,159)	-
Ending balance	1,820,577	2,174,736

11- Related parties

a) Transactions with key management personnel:

The following table describes compensations of key management personnel:

	2021	2020
Remuneration of key management	2,645,900	5,073,750
Short term employees' benefits	2,628,366	2,353,115
Employees' end of service benefits	133,539	97,644
	5,407,805	7,524,509

(All amounts are in Saudi Riyals unless otherwise stated)

11- Related parties (continued)

b) Significant transaction with related parties

During the ordinary course of its business, the Group had the following significant related party transactions:

	Nature of transaction	2021	2020
	Purchase of warehouses	-	11,500,000
Shareholders	Rentals	**1,389,331**	1,616,356

c) Due to related parties

	Note	Nature of relationship	31 December 2021	31 December 2020
Shareholders	5	Shareholders	**2,448,094**	2,317,043

12- Cash and cash equivalents

	31 December 2021	31 December 2020
Bank balances	**134,251,137**	65,415,137
Cash on hand	**259,144**	328,647
	134,510,281	65,743,784

13- Credit facilities

As at 31 December 2021, there are no credit facilities. As at 31 December 2020 the Group has a short term credit facilities in use from a local bank amounting of Saudi Riyals 9.1 million.as a part of Deferred payments program by Saudi central bank ("SAMA") supporting the efforts of the government in combating the Coronavirus (COVID-19) and mitigating its expected financial and economic impacts on the private sector. The Group does not incur any costs or expenses against these facilities

14- Accrued expenses and other liabilities

	31 December 2021	31 December 2020
Accrued bonuses	**3,789,632**	6,525,000
VAT – net	**4,613,980**	5,859,214
Accrued salaries	**2,509,158**	2,750,321
Contract liabilities	**2,307,549**	1,450,676
Meetings attendance allowance	**1,100,000**	1,131,000
Commissions payable	**1,003,186**	774,742
Advances from customers	**707,978**	734,919
Others	**2,155,638**	1,604,066
	18,187,121	20,829,938

15- Zakat

15-1 Zakat status

The Group is subject to zakat according to the regulations of the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia. The Group files its zakat returns on consolidated basis, starting from the financial year ended 31 December 2018 and thereafter, Zakat declarations were submitted until 2020 to the Zakat, Tax and Customs Authority and the payment of Zakat due thereunder. The Group also obtained a certificate of zakat valid until 29 Ramadan 1443H corresponding to 30 April 2022.

The Group received Zakat assessments on Zakat returns for the years from 2014 to 2018 claiming zakat differences amounting to Saudi Riyals 7.51 million compared to the zakat paid for those years. The Group appealed to these amendments and the amount was reduced to Saudi Riyals 3.50 million. Then the appeals for the years mentioned has been escalated to the General Secretariat of Tax Committees.Then General Secretariat of Tax Committees issued its ruling that not accepted the appeal with the right of the company to file an appeal. On December 28, 2021, the company submitted a request to the appeal committees within the legal period to object to the ruling issued by the General Secretariat of the Zakat and Tax Committees, and the application is being studied by the appeal committees. Management believes that it has good reasons to rebut these assessments and has concluded that there is no need to adjust the zakat provision.

For the years 2019 and 2020, the Zakat, Tax and Customs Authority examined the zakat returns submitted by the company, and based on the notification received from the company'saccount manager with the Zakat, Tax and Customs Authority, the examination case was closed without any additional claims.

(All amounts are in Saudi Riyals unless otherwise stated)

15- **Zakat** (continued)

15-2 Calculation of adjusted net profit

	2021	2020
Profit before zakat	**76,795,510**	97,695,821
Adjustments to net profit	**27,278,222**	20,971,669
Adjusted net profit	**104,073,732**	118,667,490

15-3 Components of zakat base

	2021	2020
Share capital	**400,000,000**	300,000,000
Adjusted net profit	**104,073,732**	118,667,490
Retained earnings	**61,997,725**	68,051,628
Provisions	**53,844,531**	34,690,343
Reserves	**58,309,559**	92,982,953
Other additions	**1,774,239**	1,595,939
Property and equipment	**(17,593,283)**	(16,639,805)
zakat base	**662,406,503**	599,348,548
Zakat expense	**16,993,896**	15,391,071

15-4 Zakat provision

The movement in the zakat provision of the Group:

	2021	2020
Opening Balance	**15,384,717**	14,786,376
Charged for the year	**17,065,242**	15,307,911
Payments during the year	**(15,391,070)**	(14,709,570)
	17,058,889	15,384,717

16- Employees' end of service benefits

Employees' end of service benefits – Defined benefit plan

The Group operates a defined benefit plan in line with the Labour Law requirement in the Kingdom of Saudi Arabia The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labour Laws of the Kingdom of Saudi Arabia. Employees' end of service benefit plans are unfunded plans and the benefit payment obligation are met when they due.

Amounts recognised in the consolidated statement of financial position.

The amounts recognised in the consolidated statement of financial position and the movements in the net defined benefit obligation during the year are as follows:

	2021	2020
Opening Balance	**12,701,232**	11,611,626
Current service cost	**1,422,484**	1,334,702
Interest expense	**178,750**	328,042
Total amount recognised in consolidated statement of income	**1,601,234**	1,662,744
Re-measurement		
(Gain) / Loss on change in financial assumptions	**(42,091)**	242,148
Loss on change in experience	**892,837**	373,059
(Gain) on change in demographic assumptions	**(28,878)**	-
Total amount recognised in other comprehensive income	**821,868**	615,207
Payment during the year	**(876,723)**	(1,188,345)
	14,247,611	12,701,232

(All amounts are in Saudi Riyals unless otherwise stated)

16- Employees' end of service benefits (continued)

Significant actuarial assumptions

The significant actuarial assumptions are as follows:

	2021	2020
Discount rate	2.00%	1.40%
Salary increase rate	1.50%	1.50%

Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

2021	Movement	Decrease Saudi Riyal	%	Increase Saudi Riyal	%
Discount rate	0.5%	401,084	2.82%	(378,371)	(2.66%)
Salary increase	0.5%	(346,067)	(2.43%)	363,302	2.55%

2020	Movement	Decrease Saudi Riyal	%	Increase Saudi Riyal	%
Discount rate	0.5%	370,324	2.92%	(349,172)	(2.75%)
Salary increase	0.5%	(264,956)	(2.09%)	278,335	2.19%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the consolidated statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Effect of defined benefit plan on Group's future cash flows

The weighted average duration of the defined benefit obligation is 5.46 years. The expected maturity analysis of undiscounted defined benefit obligation is as follows:

	2021
2022	1,494,530
2023	4,151,031
2024	1,273,851
2025 and beyond	11,195,591
Total	**18,115,003**

17- Share capital

On October 21, 2021, the extra ordinary general assemply meeting approved the board of directors recommendation to increase share capital from Saudi Riyals 300 million to Saudi Riyals 400 million equivalent to 33% to increase the number of the company's shares from 30 million shares to 40 million shares, by granting one free share for every three shares and the eligibility to be for shareholders who are registered in the company's shareholder register with the Securities Depository Center at the end of the second trading day following the date of extra ordinary general assembly meeting.The value of the share capital increased through transferring an amount of Saudi Riyals 57.1 million from retained earnings and transferring Saudi Riyals 42,9 million from other reserves. The company aims to strengthen the Company's capital to match the size of its business and expansion of its business during the coming years and maintaining Financial solvency.

The share capital of the Company as at 31 December 2021 comprises of 40 million shares (31 December 2020 : 30 million shares) stated at SAR 10 per share.

(All amounts are in Saudi Riyals unless otherwise stated)

18- Statutory reserve

Saudi Regulations for Companies require the Company to set aside 10% of net profits for the year as statutory reserves until such reserve equals 30% of the Company's share capital. The balance of the reserve ast of 31 December 2021 amountd to SAR 64.3 million (31 December 2020 : SAR 58.3 million) represents amounts transferred from net profits during 2021 and previous periods. This reserve is not currently available for distribution to the shareholders.

19 Dividends

Dividends are recorded in the period in which they are approved by the shareholders during the General Assembly meeting.The Board of Directors, in its meeting held on 14 July 2021, decided to distribute 22.5 million Saudi Riyals (0.75 SAR per share) as dividends for the first half of the fiscal year 2021 in accordance with the authorization granted by the Ordinary General Assembly to the Board of Directors to distribute interim dividends for the year 2021, which was held on 28 June 2021, Dividends have been paid on 30 September 2021.

The Board of Directors decided in its meetings dated 17 February 2020 and 19 July 2020 to distribute SAR 37.5 million (SAR 1.25 per share) and SAR 30 million (SAR 1 per share) respectively as dividends for the second half of financial year 2019 and the first half of the financial year 2020 in accordance with an authorization made by the Ordinary General Assembly on 22 May 2019 and 9 June 2020 for the Board of Directors to distribute interim dividends for 2019 and 2020. Dividends have been paid on 18 March 2020 and 27 September 2020.

20- Segment information

20-1 Description of segments and principal activities

The Group manages its operations by business segments. Management treats the operations of these segments separately for the purposes of monitoring, decision making and performance assessment. The Group mainly trades in fabrics and Thobs where all activities are acrried out in the Kingdom of Saudi Arabia.

Segment	Principal Activity
Thobs	Main activities include readymade clothes sales.
Fabrics	Main activities include Fabrics sales.

20-2 Segments financial information's

	31 December 2021			31 December 2020		
	Thobs	**Fabrics**	**Gross**	Thobs	Fabrics	Gross
Segment sales	**390,363,286**	**91,535,633**	**481,898,919**	440,754,516	86,583,184	527,337,700
Inter-segment sales	**-**	**-**	**-**	-	-	-
Gross sales to external customers	**390,363,286**	**91,535,633**	**481,898,919**	440,754,516	86,583,184	527,337,700

Timing of revenues recognition

	31 December 2021			31 December 2020		
	Thobs	**Fabrics**	**Gross**	Thobs	Fabrics	Gross
At certain point of time	**390,363,286**	**91,535,633**	**481,898,919**	440,754,516	86,583,184	527,337,700
Over time	**-**	**-**	**-**	-	-	-
Gross revenue	**390,363,286**	**91,535,633**	**481,898,919**	440,754,516	86,583,184	527,337,700
Adjusted EBITDA	66,143,433	24,847,896	90,991,329	91,530,365	20,737,800	112,268,165

Total segments assets

	Thobs sector	Fabrics sector	Eliminations	Gross
31 December 2021	**656,107,621**	**110,075,526**	**(79,511,308)**	**686,671,839**
31 December 2020	602,875,639	105,044,846	(58,306,116)	649,614,369

Total segments liabilities

	Thobs sector	Fabrics sector	Eliminations	Gross
31 December 2021	**76,835,888**	**61,260,316**	**(30,640,049)**	**107,456,155**
31 December 2020	60,012,306	71,575,449	(24,780,670)	106,807,085

(All amounts are in Saudi Riyals unless otherwise stated)

20- Segment information (continued)

20-2 Segments financial information's (continued)

A reconciliation of adjusted EBITDA to operating profit before Zakat is provided as follows:

	2021	2020
Adjusted EBITDA	90,991,329	112,268,165
Depreciation and amortisation	(12,650,408)	(13,184,045)
Finance costs	(1,545,411)	(1,388,299)
Profit before Zakat	76,795,510	97,695,821

20-3 Major customers

The Group's sales during 2021 for two of the main customers amounting to 18% of the Group's total sales (2020: for one of the main customers: 25%).

21- Earnings per share

Earnings per share has been calculated by dividing net income for the year ended 31 December 2021 and 2020 by 40 million shares.

22- Revenue

	For the year ended 31 December	
	2021	2020
Wholesale	429,748,666	481,989,516
Retail sales	52,150,253	45,348,184
	481,898,919	527,337,700

23- General and administrative expenses

	For the year ended 31 December	
	2021	2020
Salaries and employees' benefits	19,811,007	20,711,062
Employees' other expenses	3,835,913	3,712,689
Amortization expense of right of use assets	1,675,320	1,578,365
Depreciation and amortization	612,856	1,366,442
Professional and legal consultancy fees	1,322,267	1,260,497
Board of directors' remuneration and allowances	1,181,000	1,131,000
Maintenance expenses	767,439	878,599
Insurance	803,322	860,533
Printings, cleaning and hospitality	429,920	350,151
Post, telephone and internet	594,085	239,647
Business travel	263,423	175,895
Provision for impairment of prepayments and other receivables	1,125,000	-
Rental concessions related to covid 19	-	(241,667)
Others	1,198,337	1,556,736
	33,619,889	33,579,949

(All amounts are in Saudi Riyals unless otherwise stated)

24- Selling and distribution expenses

	For the year ended 31 December 2021	2020
Salaries and employees' benefits	**20,209,945**	17,680,339
Amortisation expense of right of use assets	**9,232,216**	9,620,667
Employees' other expenses	**4,864,349**	5,836,284
Marketing and advertising	**5,874,915**	2,102,639
Insurance	**1,052,756**	1,061,128
Vehicles expenses	**1,283,627**	1,037,299
Printings, cleaning, hospitality and electricity	**1,050,123**	925,031
Loading, unloading, packing and packaging	**686,451**	805,872
Depreciation and amortization	**1,130,016**	618,571
Banking expenses	**715,548**	231,444
Maintenance expenses	**536,912**	375,389
Post, telephone and internet	**239,625**	196,231
Rental concessions related to covid 19	**-**	(1,063,973)
Others	**1,385,733**	380,085
	48,262,216	39,807,006

25- Other income

	For the year ended 31 December 2021	2020
Gains on disposal of property and equipment	**48,059**	235,778
Miscellaneous income	**505,121**	916,949
	553,180	1,152,727

26- Commitments and Contingencies

	31 December 2021	31 December 2020
Letters of credit	**58,612,335**	49,767,454
Others - purchases contracts	**19,876,967**	19,172,307
	78,489,302	68,939,761

27- Seasonality of activity

The Group's activity and revenues are influenced by seasonal factors during the year due to the different purchasing patterns, and these changes are reflected in the financial results of the Group's business during the year.

28- Risk management

The Group's activities expose it to a variety of financial risks: credit risk, currency risk, liquidity and market risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the management under policies approved by the board of directors. The most significant risks are credit risks, liquidity risks, currency risks and market risks.

Financial instruments carried on the consolidated statement of financial position principally include cash and cash equivalents, receivables and certain other assets, payables, credit facilities and certain other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

(All amounts are in Saudi Riyals unless otherwise stated)

28- Risk management (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.
The table below shows the maximum exposure to credit risk for the significant components of the consolidated statement of financial position:

	Note	31 December 2021	31 December 2020
Bank balances	12	**134,251,137**	65,415,137
Trade receivables, prepayments and other receivables	8	**242,399,581**	198,294,923
		376,650,718	263,710,060

Credit risks on trade receivable and bank balances are limited to the following:

Bank balances

Cash balances held with banks having a credit rating of BBB+ and above.

Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, permits the use of the lifetime expected loss provision for all lifetime trade receivables. The loss provision as at 31 December 2021 and 31 December 2020 is determined as follows:

In monitoring customer credit risk, customers are grouped according to their credit characteristics (including the type of customer such as retail/ wholesale, etc), trading history with the Group and existence of previous financial difficulties. As at 31 December 2021, the exposure to credit risks for trade receivables by types of customers was as follows:

Trade receivables as at 31 December 2021

1- **Thobes sector:**

Debt status	**Expected loss rate**	**Total carrying amount**	**Expected credit losses**
Current	0.18% - 0.99%	25,219,251	245,660
Past due > 30 days	1.19%	17,104,748	204,001
Past due > 60 days	1.49%	22,227,813	330,634
Past due > 90 days	1.96%	40,397,737	792,504
Past due > 120 days	3.03%	22,163,163	671,203
Past due > 180 days	5.92%	75,619,176	4,478,565
Past due > 270 days till 1 year	12.75%	16,551,387	2,109,534
Past due > 1 year till 2 years	32.85%	22,306,433	7,327,303
Overdue for more than two years and defaulters	72.64% - 100%	31,585,151	29,911,361
		273,174,859	**46,070,765**

2- **Fabrics sector:**

Debt status	**Expected loss rate**	**Gross carrying amount**	**Expect credit losses**
Current	1.35%	1,199,948	16,192
Past due > 30 days	1.58%	2,216,339	35,029
Past due > 60 days	1.73%	1,079,597	18,662
Past due > 90 days	1.99%	757,218	15,070
Past due > 120 days	2.64%	1,424,253	37,567
Past due > 180 days	4.32%	3,485,419	150,690
Past due > 270 days till 1 year	9.13%	2,781,675	254,087
Past due > 1 year till 2 years	23.90%	1,851,833	442,610
Overdue for more than two years and defaulters	63.72% - 100%	3,220,563	2,997,687
		18,016,845	**3,967,594**
Total		**291,191,704**	**50,038,359**

(All amounts are in Saudi Riyals unless otherwise stated)

28- Risk management (continued)

Credit risk (continued)

Trade receivables as at 31 December 2020:

1- Thobes sector:

Debt status	Expected loss rate	Total carrying amount	Expected credit losses
Current	0.07%-0.75%	43,132,250	239,392
Past due > 30 days	0.91%	16,829,350	152,859
Past due > 60 days	1.16%	19,780,164	229,036
Past due > 90 days	1.58%	8,708,982	137,387
Past due > 120 days	2.57%	16,237,668	416,542
Past due > 180 days	5.35%	38,884,417	2,079,917
Past due > 270 days till 1 year	11.81%	26,802,324	3,166,300
Past due > 1 year till 2 years	31.21%	25,197,662	7,865,203
Overdue for more than two years and defaulters	73.26% - 100%	16,402,656	15,739,848
		211,975,473	30,026,484

2- Fabrics sector:

Debt status	Expected loss rate	Gross carrying amount	Expect credit losses
Current	1.47%	1,638,413	24,020
Past due > 30 days	1.71%	2,010,516	34,414
Past due > 60 days	1.88%	1,725,438	32,415
Past due > 90 days	2.18%	431,125	9,383
Past due > 120 days	2.90%	711,773	20,661
Past due > 180 days	4.78%	2,529,342	120,813
Past due > 270 days till 1 year	10.07%	5,913,652	595,687
Past due > 1 year till 2 years	26.09%	2,255,252	588,319
Overdue for more than two years and defaulters	68.44% - 100%	3,965,128	3,744,409
		21,180,639	5,170,121
Total		233,156,112	35,196,605

Impairment losses on trade receivables and provision for impairment of prepayments and other receivables are as follows:

	Trade receivable	Prepayments and other receivables	Total
At 1 January 2021	**35,196,605**	**2,174,736**	**37,371,341**
Charge for the year	**14,841,754**	**1,125,000**	**15,966,754**
Written off during the year	**-**	**(1,479,159)**	**(1,479,159)**
At 31 December 2021	50,038,359	**1,820,577**	**51,858,936**

Sensitivity analysis for future circumstances expectations as at 31 December 2021

	Value in SAR
Basic value for impairment losses in trade receivables	50,038,359
If the expectations of future circumstances increased by 10%	50,132,803
If the expectations of future circumstances decreased by 10%	49,943,916

(All amounts are in Saudi Riyals unless otherwise stated)

28- Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter inability to secure the required liquidity to meet commitments associated with financial instruments. The Group limits its liquidity risk by monitoring the collection of trade receivable, managing the payment of accounts payable and ensuring the availability of bank facilities.

The Group's terms of revenue require trade receivable to be paid normally within 30 to 180 days of the date of invoice. Trade payables are normally settled within 90 days of the date of invoice.

The table below summarises the maturity profiles of the Group's financial liabilities based on contractual undiscounted payments.

Contractual maturities of financial liabilities

At 31 December 2021	Less than 6 months	6 - 12 months	1-2 years	Total contractual cash flows
Trade payables	38,706,127	-	-	38,706,127
Lease liabilities	9,687,457	5,688,282	4,300,526	19,676,265
Total	48,393,584	5,688,282	4,300,526	58,382,392

At 31 December 2020	Less than 6 months	6 - 12 months	1-2 years	Total contractual cash flows
Trade payables	30,536,792	-	-	30,536,792
Credit facility	9,110,316	-	-	9,110,316
Lease liabilities	8,576,167	5,529,557	4,385,201	18,490,925
Total	48,223,275	5,529,557	4,385,201	58,138,033

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Saudi Riyal is the Group's functional currency.

The Group did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars during the year. As SAR is pegged to US Dollar, the Group is not exposed to significant currency risk.

Market risk

Market risk is the risk related to losses due to factors that affect the overall performance of such risk. The Group believes that the exposure to these factors are not material, thus the Group can manage the effect on the consolidated financial statements.

Capital management

It is the Board of Directors' policy to maintain an adequate capital base in order to maintain the confidence of investors, creditors and the market and to further develop its future activity. The Board of Directors monitors the return on capital used and the level of dividends to ordinary shareholders. The Group aims, when managing capital, to:

1- protect the Group's ability to continue as a going concern so that it can continue to provide returns to the shareholders and benefits to other stakeholders.

2- provide sufficient return for the shareholders.

29- Significant events during the year

In response to the spread of the new Coronavirus (Covid-19) in the Kingdom of Saudi Arabia, where the Group operates, and the consequent disruption of some aspects of economic and social activities in the Kingdom, the management since the pandemic start has assessed the impact of this pandemic on its operations and took a series of preventive measures, to ensure the health and safety of its employees, its customers and the wider community as well as to ensure the continuity of supplying its products to the market. Despite these challenges, the Group was able to create additional sales channels, which supported the Group's operations during 2021., the Covid-19 pandemic did not have a material negative impact on the consolidated financial statements except for the increase in the balance of trade receivables as of 31 December 2021 and impact of this on the impairment losses on trade receivables (Note 28). The Group continues to monitor the situation closely to take any necessary actions when needed.

30- Subsequent events

According to the meeting held on 20 February 2022,The Board of Directors decided to distribute SR 30 million (0.75 SAR per share) as dividends for the Second half of the fiscal year 2021 in accordance with the authorization of the Ordinary General Assembly to the Board of Directors to distribute interim dividends for the year 2021, which was held on 28 June 2021. Other than mentioned above, In management's view,There were no significant subsequent events, since 31 December 2021 till the approval date of consolidated financial statements that will have a material effect on the Group's financial position and disclosures as mentioned in these consolidated financial statements.

31- Board of Directors approval

These consolidated financial statements have been approved by the Board of Directors on Rajab 19, 1443AH (corresponding to February 20, 2022).