

**FESH FASH SNACK FOOD PRODUCTION COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**



Crowe

Al Azem, Al Sudairy, Al Shaikh & Partners
CPA's & Consultants - Member Crowe Global

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INDEPENDENT AUDITOR'S REPORT

**TO: THE SHAREHOLDERS
FESH FASH SNACK FOOD PRODUCTION COMPANY
(A Saudi Joint Stock Company)**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **FESH FASH SNACK FOOD PRODUCTION COMPANY (the "Company")**, which comprise the statement of financial position as at December 31, 2021 and the statements of profit or loss and other comprehensive income, changes in Shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and its financial performance and its 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 Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") 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 financial statements section of our report. We are independent of the Company in accordance with the ethical requirements in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT - Continued
**FESH FASH SNACK FOOD PRODUCTION COMPANY
(A Saudi Joint Stock Company)**
Key Audit Matters

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

Revenue recognition	
Key audit matter	How our audit addressed the key audit matter
<p>The Company applies IFRS 15 "Revenue from Contracts with Customers".</p> <p>The company generated revenues of SAR 29.8 million for the year ended 31 December 2021 (2020: SAR 31.6 million).</p> <p>- Revenue is a key indicator for measuring performance, and this implies the presence of inherent risks by overstatement of revenue recognition to increase profitability. Therefore, revenue recognition was considered a key audit matter.</p>	<p>Our audit procedures included, among others, based on our judgement, the following</p> <ul style="list-style-type: none"> - Assessing the appropriateness of the Company's accounting policies related to revenue recognition, as well as the extent of compliance with the requirements of associated accounting standards. - Test the design and implementation of internal control procedures related to revenue recognition and their operating effectiveness, including anti-fraud control procedures. - Conducting analytical audit procedures for revenues, by comparing sales quantities and prices for the current year with the previous year, and determining whether there are any significant trends or fluctuations in light of our understanding of the current market conditions. - On a sample basis, test revenue transactions with the supporting documents to verify the occurrence of revenues and its recognition in the correct periods.
<p>Refer to note (3) for the accounting policy and note (17) for related disclosures.</p>	

INDEPENDENT AUDITOR'S REPORT - *Continued*

FESH FASH SNACK FOOD PRODUCTION COMPANY
(A Saudi Joint Company)

Key audit matters (continued)

Expected Credit Loss	
Key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2021 the carrying value of accounts receivables amounted to Saudi Riyals 6,53 Million (31 December 2020: Saudi Riyals 4,56 million) and the provision for expected credit losses as on December 31, 2021 amounted to SR 1,63 million (31 December 2020: Saudi Riyals 679 thousand).</p> <p>The ability to collect trade receivables is a key component of the Company's management of working capital, which is managed on an ongoing basis.</p> <p>The management determines and records expected credit losses based on what is required by IFRS 9. Significant judgments, estimates and assumptions have been made by management in calculating the impact of the expected credit losses.</p> <p>Due to the determination of impairment of account receivable using expected credit loss models involves significant judgments and estimates that could have a material impact on the financial statements of the Company, including the use of the expected credit loss model was considered as a key audit matter.</p>	<p>We have evaluated procedures and controls for trade receivables and customer credit risk checks.</p> <p>We have also evaluated the appropriateness of judgments, estimates and underlying assumptions made by management.</p> <p>We have verified the general IT controls around the accounting system and found them to be effective. We have performed one test to check the aging accuracy of trade receivables from the system.</p> <p>We also evaluated the methodological methods implemented by the company in the light of the requirements of criterion (9), and specifically evaluated the company's method in assessing the probability of default, and the extent to which information related to future expectations is included in the calculation of expected credit losses and changes in the standard of loss that may lead to failure.</p> <p>We also evaluated the disclosures in the financial statements required under Standard 9 and Standard 7 "Financial Instruments: Disclosures".</p>
<p>Refer to note (3) for the accounting policy and note (8) for related disclosures.</p>	

**FESH FASH SNACK FOOD PRODUCTION COMPANY
(A Saudi Joint Stock Company)****Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 ISAs 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 financial statements.

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 financial statements of the current year 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.

INDEPENDENT AUDITOR'S REPORT – *Continued*
FESH FASH SNACK FOOD PRODUCTION COMPANY
(A Saudi Joint Stock Company)

Report on Other Legal and Regulatory Requirements:

Paragraph 135 of the Companies Law requires that the auditor includes in his report what might come to his attention with respect to non-compliance of the terms of the regulations for companies or the terms of Company's by-law. During our course of current audit of the financial statements, we have noted that the company had non-compliance of the regulations of Companies, which having no material impact on the financial statements, with respect to the resignation of the members of the Internal Audit Committee on January 2022. As no Audit Committee has been formed by a decision of the ordinary General Assembly until the date of issuing these financial statements, which is considered a case of non-compliance with the Companies Law in the Kingdom of Saudi Arabia.

AlAzem, AlSudairy, AlShaikh & Partners
Certified Public Accountants



Salman B. Al Sudairy
License No. 283

27 Sha'ban 1443H (March 30, 2022)
Riyadh, Kingdom of Saudi Arabia

FESH FASH SNACK FOOD PRODUCTION COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021
(SAUDI RIYALS)

	Note	December 31, 2021	December 31, 2020
ASSETS			
Non-current assets			
Property, plant and equipment , net	5	11,071,281	11,907,258
Right of use assets , net	6A	440,142	497,356
TOTAL NON-CURRENT ASSETS		11,511,423	12,404,614
Current assets			
Inventory	7	4,181,062	5,416,255
Accounts receivables, net	8	4,891,773	3,884,444
Prepaid expenses and other debit balances	9	895,237	624,270
Cash and cash equivalents	10	1,042,180	1,708,148
TOTAL CURRENT ASSETS		11,010,252	11,633,117
TOTAL ASSETS		22,521,675	24,037,731
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	11	11,300,000	11,300,000
Statutory reserve	12	1,019,912	879,818
Retained earnings		1,690,118	3,824,786
TOTAL SHAREHOLDER'S EQUITY		14,010,030	16,004,604
LIABILITIES			
Non-current liabilities			
Employees' benefits obligations	13	853,027	560,007
Non-current portion of lease liabilities	6B	409,784	418,217
Non-current portion of long term loan	14	1,141,789	1,214,590
TOTAL NON-CURRENT LIABILITIES		2,404,600	2,192,814
Current liabilities			
Estimated zakat provision	16B	177,472	175,474
Accrued expenses and other credit balances	15	2,251,471	2,766,810
Trade payables		3,416,558	2,802,094
Current portion of lease liabilities	6B	61,544	95,935
Current portion of long term loan	14	200,000	-
TOTAL CURRENT LIABILITIES		6,107,045	5,840,313
TOTAL LIABILITIES		8,511,645	8,033,127
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		22,521,675	24,037,731

The accompanying notes from (1) to (25) are an integral part of these financial statements.

FESH FASH SNACK FOOD PRODUCTION COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021
(SAUDI RIYALS)

	Note	December 31, 2021	December 31, 2020
Sales, net	17	29,819,143	31,596,625
Cost of sales	18	(21,047,401)	(22,955,408)
Gross profit		8,771,742	8,641,217
Selling and distribution expenses	19	(3,018,055)	(2,308,951)
General and administrative expenses	20	(4,186,957)	(2,344,892)
Net operating profit		1,566,730	3,987,374
Other income		86,307	141,804
Finance costs		(74,629)	(20,367)
Net Profit for the year before estimated zakat		1,578,408	4,108,811
Estimated zakat	16B	(177,472)	(175,474)
Net Profit for the year		1,400,936	3,933,337
Items of other comprehensive income:			
Items that will not be reclassified to statement of profit or loss during the subsequent periods:			
Re-measurement of employees' end of service benefits	13	(5,510)	139,535
Total comprehensive income for the year		1,395,426	4,072,872
Earnings per share from:			
Operating profit	21A	1,39	3,53
Net profit for the year	21B	1,24	3,48

The accompanying notes from (1) to (25) are an integral part of these financial statement.

FESH FASH SNACK FOOD PRODUCTION COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021
(SAUDI RIYALS)

	Share Capital	Statutory Reserve	Retained Earnings	Total SHAREHOLDER 'S Equity
Balance at 1 January 2020	11,300,000	472,531	4,396,701	16,169,232
Transferred to statutory reserve during the year	-	407,287	(407,287)	-
Dividends (note 23)	-	-	(4,237,500)	(4,237,500)
Net Profit for the year	-	-	3,933,337	3,933,337
Other comprehensive income	-	-	139,535	139,535
Total comprehensive income for the year	-	-	4,072,872	4,072,872
Balance at 31 December 2020	11,300,000	879,818	3,824,786	16,004,604
Balance at 1 January 2021	11,300,000	879,818	3,824,786	16,004,604
Transferred to statutory reserve during the year	-	140,094	(140,094)	-
Dividends (note 23)	-	-	(3,390,000)	(3,390,000)
Profit for the year	-	-	1,400,936	1,400,936
Other comprehensive income	-	-	(5,510)	(5,510)
Total comprehensive income for the year	-	-	1,395,426	1,395,426
Balance at 31 December 2021	11,300,000	1,019,912	1,690,118	14,010,030

The accompanying notes from (1) to (25) are an integral part of these financial statements.

FESH FASH SNACK FOOD PRODUCTION COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(SAUDI RIYALS)

	December 31, 2021	December 31, 2020
Operating activities:		
Net profit for the year before estimated zakat	1,578,408	4,108,811
Adjustments to reconcile Net profit for the year before estimated zakat to net cash provided from operating activities;		
Depreciation	1,878,118	1,434,162
Additions of expected credit loss	1,150,000	50,000
Employees' defined benefits obligations during the year	329,905	231,914
Depreciation of right of use assets	57,214	57,387
Finance costs	74,629	20,367
Gains from disposal of property, plant and equipment	(34,318)	(2,113)
	5,033,956	5,900,528
Changes in Assets and liabilities:		
Net change in inventory	1,235,193	(109,054)
Net change in accounts receivables	(2,157,329)	(917,652)
Prepaid expenses and other debit balances	(270,967)	342,239
Accounts payable	614,464	(34,776)
Accrued expenses and other credit balances	(571,248)	1,279,556
Cash provided by operating activities	3,884,069	6,460,841
Employees benefits obligations paid during the year	(42,395)	(42,557)
Zakat paid during the year	(175,474)	(199,236)
Net cash generated from operating activities	3,666,200	6,219,048
Investing activities:		
Purchase of property, plant and equipment	(1,134,673)	(1,598,069)
Proceeds from disposal of property, plant and equipment	164,750	143,500
Change in projects under progress	(37,900)	(2,148,315)
Net cash flows used in investing activities	(1,007,823)	(3,602,884)
Financing activities:		
Dividends paid during the year	(3,390,000)	(4,237,500)
Payment of lease liabilities	(61,544)	(61,544)
Proceeds from loans during the year	127,199	1,214,590
Net cash flows used in financing activities	(3,324,345)	(3,084,454)
Net change in cash and cash equivalents during the year	(665,968)	(468,290)
Cash and cash equivalents at the beginning of the year	1,708,148	2,176,438
Cash and cash equivalents at the end of the year	1,042,180	1,708,148
Additional information about non - cash transactions		
Written off bad debts	194,333	21,365

The accompanying notes from (1) to (25) are an integral part of these financial statements.

FESH FASH SNACK FOOD PRODUCTION COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. ACTIVITIES

FESH FASH SNACK FOOD PRODUCTION COMPANY (A Saudi Joint Stock Company) - registered in Kingdom of Saudi Arabia under commercial registration No (1010044728) dated 19/07/1402 AH.

The main activity of the company is in the manufacture of food products manufactured from potatoes, including (potato chips), the manufacture of cereal breakfast foods in the form of chips, including (corn flakes, chips, etc.).

Establishing, managing, operating, owning and investing in industrial projects, especially food industries of all kinds, marketing their products and carrying out all works related to them, manufacturing foodstuffs of various kinds, importing raw materials, equipment and supplies, wholesale and retail trade, selling and buying in agricultural crops and foodstuffs, storage, cooling, food preservation and packaging, establishment and operation of warehouses, tenders, undertakings, commercial services, marketing, import, export and agencies.

The main address of the company is in Riyadh, New Industrial Area, Al-Kharj Road 90621, 11623 Kingdom of Saudi Arabia.

The Capital Market Authority "CMA" Board has issued its resolution dated 18/08/1442H corresponding to 31/03/2021G approving Fesh Fash Snack Food Production Company's "the Company" application for the registration of its shares for direct listing in the Parallel Market. Moreover, Saudi Tadawul Group announces the listing and trading shares of "Fesh Fash Snack Food Production Company" on Nomu – Parallel Market on Tuesday 04/05/2021, as a direct listing with the symbol 9515

Covid-19 update

In response to the spread of the Covid-19, Management had proactively assessed its impacts on its operations and took a series of preventive measures to ensure the health and safety of its employees and consumers. Management believes that the Covid-19 pandemic has had no material effect on the company reported financial results for the year ended 31 December 2020.

The company continues to monitor the Covid-19 situation closely although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the company's operations during 2021 or beyond.

2. BASIS OF PREPARATION

2.1 Applicable Accounting Standards

The financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed in Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

The Capital Market Authority issued the decision of the Board of Commissioners on (15) Muharram 1438H (16 October 2016) to require listed companies to apply the cost model when measuring the assets of property and equipment, investment properties and intangible assets when adopting the IFRS for a period of 3 years begin from the date of adoption of the International Financial Reporting Standards, On December 31, 2019, it issued a decision including the following:

- Requiring listed companies to continue using the cost model option to measure real estate and investment properties for the financial periods of the fiscal year that begin before 2022.
- Allowing listed companies to use the fair value or revaluation model to measure real estate and investment properties for the financial periods of the fiscal year starting during or after 2022.

2. BASIS OF PREPARATION (CONTINUED)

2.1 APPLICABLE ACCOUNTING STANDARDS (CONTINUED)

Listed companies will continue to be required to use the cost model option to measure machinery, equipment, and intangible assets for a period of five years, starting from 1/1/2020, and the authority will study the appropriateness of continuing to decide to use this model at the end of this period or the appropriateness to allow the use of the fair value model option or re-evaluation.

2.2 Preparation of the Financial Statements

The financial statements have been prepared on the historical cost basis except for the employee defined benefit liability, which has been actuarially valued as explained in the accounting policies below.

2.3 Functional and Presentation Currency

The financial statements are presented in Saudi Riyals (SR), which is the Company's functional and presentation currency, and all values are rounded to the nearest Riyal, except where otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 New Standards, Amendment to Standards and Interpretations

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021.

3.1.1 Amendments to IFRS 7 and IFRS 16 interest rate benchmark reform – Phase 2

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

3.1.2 Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the International Accounting Standards Board ("IASB") published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification.

On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such 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 concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

The adoption of above amendments does not have any material impact on the Financial Statements during the year.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2022 and earlier application is permitted; however, the Company has not early adopted them in preparing these Financial Statements.

3.2.1 Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, 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 (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

3.2.2 Amendments to IFRS 3, IAS 16, IAS 37

- IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

- IAS 16, 'Property, plant and equipment' prohibit a Company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company is preparing the asset for its intended use. Instead, a Company will recognise such sales proceeds and related cost in profit or loss.

- IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a Company includes when assessing whether a contract will be loss-making.

3.2.3 Amendments to IAS 1, Practice statement 2 and IAS 8

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

3.2.4 Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction

These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

3.3 Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and deposits with banks, all of which are available for use by the company unless otherwise indicated, and mature within a period of 90 days or less, and are exposed to immaterial risks of changes in value.

3.4 Financial Instruments

The company recognizes financial assets or financial liabilities in the statement of financial position when it becomes a party to contractual provisions for performance. Upon initial recognition, the company must measure the financial asset or financial liability at its fair value plus or minus the transaction costs that can be directly attributed to the acquisition or issuance of the financial asset or financial liability. Excluding a financial asset or financial liability at fair value through profit or loss.

Financial Instruments

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets

IFRS 9 introduces new classification and measurement requirements for financial assets. IFRS 9 requires all financial assets to be classified and subsequently measured at either amortized cost or fair value. The classification depends on the business model for managing the financial asset and the contractual cash flow characteristics of financial asset, determined at the time of initial recognition.

Financial assets are classified into the following specified categories under IFRS 9:

- Debt instruments at amortized cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to Comprehensive Income on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses to Comprehensive Income on derecognition; and
- Financial assets at fair value through profit and loss (FVPL).

Financial assets classified as amortized cost

Debt instruments that meet the following conditions are subsequently measured at amortized cost less impairment loss (except for debt investments that are designated as at fair value through Comprehensive Income on initial recognition):

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of these conditions, it is measured at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets classified as amortized cost (Continued)

The Company makes an assessment of a business model at portfolio level as this best reflects the way the business is managed and information is provided to management. In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Company considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How management evaluates the performance of the portfolio;
- Whether the management's strategy focus on earning contractual commission income;
- The degree of frequency of any expected asset sales;
- The reason for any asset sales; and
- Whether assets that are sold are held for an extended period relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Income is recognized on an effective interest basis for debt instruments measured subsequently at amortized cost. Interest is recognized in the statement of profit or loss.

Debt instruments that are subsequently measured at amortized cost are subject to impairment.

Financial assets designated as FVOCI with recycling

Debt instruments that meet the following conditions are subsequently measured at FVOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The 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.

For debt financial instruments measured at FVOCI, commission income and impairment losses or reversals are recognized in the comprehensive income statement and computed in the same manner as for financial assets measured at amortized cost. All other changes in the carrying amount of these instruments are recognized in the statement of comprehensive income and accumulated under the investment revaluation reserve.

When these instruments are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to the statement of profit or loss.

Financial assets classified as FVPL

Investments in equity instruments are classified as at FVPL, unless the Company designates an investment that is not held for trading as at FVOCI on initial recognition.

Debt instruments that do not meet the amortized cost or FVOCI criteria are measured at FVPL. In addition, debt instruments that meet the amortized cost criteria but are designated as at FVPL to avoid accounting mismatch are measured at fair value through comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
3.4 FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets classified as FVPL (continued)

A debt instrument may be designated as at FVPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Debt instruments are reclassified from amortized cost to FVPL when the business model is changed such that the amortized cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVPL on initial recognition is not allowed.

Financial assets at FVPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized in the statement of profit or loss.

Commission income on debt instruments as at FVPL is included in the statement of comprehensive income.

Dividend income on investments in equity instruments at FVPL is recognized in statement of Comprehensive Income when the Company's right to receive the dividends is established in accordance with IFRS 15 Revenue from Contracts with Customers.

Investment in equity instruments designated as FVOCI

On initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation as at FVOCI is not permitted if the equity investment is held for trading.

A financial asset or financial liability is held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other reserves. Gain and losses on such equity instruments are never reclassified to statement of Comprehensive Income and no impairment is recognized in statement of profit or loss. Investment in unquoted equity instruments which were previously accounted for at cost in accordance with IAS 39, are now measured at fair value. The cumulative gain or loss will not be reclassified to statement of comprehensive income on disposal of the investments.

Dividends on these investments are recognized in statement of Comprehensive Income when the Company's right to receive the dividends is established in accordance with IFRS 15 Revenue from Contracts with Customers, unless the dividends clearly represent a recovery of part of the cost of the investment.

Investment revaluation reserve includes the cumulative net change in fair value of equity investment measured at FVOCI. When such equity instruments are derecognized, the related cumulative amount in the fair value reserve is transferred to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 FINANCIAL INSTRUMENTS (CONTINUED)

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortized cost or at FVOCI such as lease receivables, trade receivables, as well as on loan commitments and financial guarantee contracts.

No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses reflects changes in credit risk since initial recognition of the respective financial instrument.

The Company applies the simplified approach to calculate impairment on trade receivables and this always recognizes lifetime ECL on such exposures. ECL on these financial assets are estimated using a flow rate based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company applies the general approach to calculate impairment. Lifetime ECL is recognized when there has been a significant increase in credit risk since initial recognition and 12 month ECL is recognized the credit risk on the financial instrument has not increased significantly since initial recognition. The assessment of whether credit risk of the financial instrument has increased significantly since initial recognition is made through considering the change in risk of default occurring over the remaining life of the financial instrument.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Exposure at default for off balance sheet items is arrived at by applying a credit conversion factor to the undrawn portion of the exposure.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are companied on the following basis:

- Nature of financial instruments (i.e. the Company's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate Company. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The Company recognizes an impairment gain or loss in the statement of Comprehensive Income for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 FINANCIAL INSTRUMENTS (CONTINUED)

De-recognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset or substantially all the risk and rewards of ownership to another entity. If the Company neither transfer nor retains substantially all the risks and reward of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities

Financial liabilities carried at amortized cost have been classified and measured at amortized cost using the effective yield method.

For financial liabilities that are designated as at FVPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in statement of profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to statement of profit or loss.

The liability credit reserve includes the cumulative changes in the fair value of the financial liabilities designated as at fair value through Comprehensive Income that are attributable to changes in the credit risk of these liabilities and which would not create or enlarge accounting mismatch in statement of profit or loss. Amount presented in liability credit reserve are not subsequently transferred to statement of profit or loss. When such investments are derecognized, the related cumulative amount in the liability credit reserve is transferred to retained earnings.

De-recognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

3.5 Projects under Progress

Capital projects in progress represent all costs that are directly or indirectly related to projects in progress and are capitalized as real estate, machinery and equipment upon completion of the work in progress. Capital projects still under construction are not depreciated.

3.6 Inventory

Inventory is stated at the lower of cost and net realizable value. Costs of inventory is determined on a weighted average basis. Net realizable value represents the estimated selling price for inventory less all estimated costs of completion and costs necessary to make the sale. In case of finished goods or work in progress if any, is the estimated sale price in the market less expected sales costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Property, Plant and Equipment

Property, Plant and equipment's are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, (if any) except for assets under construction which are stated at cost and are not depreciated. Assets under construction represent all costs relating directly to the projects in progress and are capitalized as property and equipment when the project is completed.

Costs includes all expenditures directly attributable to the construction or purchase of the item of property, plant and equipment. Such costs include the cost of replacing parts of the property, Plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful life and depreciates them accordingly. All repair and maintenance costs are recognized in the statement of Profit or loss and Comprehensive Income as incurred. The present value of the expected cost for the decommissioning of the asset, after its use, is included in the cost of the respective asset if the recognition criteria for a provision are met. Improvements that increase the value or materially extend the life of the related assets are capitalized.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Lease hold improvements are depreciated at the lower of its useful life or lease term.

The annual depreciation rates used are as follows;

Description	Depreciation Percentage
Buildings, constructions, and leasehold improvements	10-20 Years
Machines and equipment's	7 Years
Furniture, furnishings, office supplies, tools and equipment	5 Years
vehicles and air conditioners	4 Years

- No depreciation is charged on the projects under Progress.

An item of property, Plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of Comprehensive Income when the asset is derecognised.

The residual values, useful life and methods of depreciation of property, Plant and equipment are reviewed at the end of each financial year and adjusted prospectively, if appropriate.

3.8 Impairment of Non-Financial Assets

For all tangible and intangible assets, the Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's ("CGU") fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment of Non-Financial Assets (Continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Company's CGU to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of three years. A long-term growth rate is calculated and applied to project future cash flows after the third year.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

3.9 Right-of-Use Assets and Lease Liabilities

The Company has recognised new assets and liabilities for its operating leases of various types of contracts including warehouse and depot facilities, accommodation/office rental premises, commercial vehicles etc. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Statement of 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. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

i. 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 subsequently measured at cost less accumulated depreciation

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- 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.

The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the Statement of Profit or Loss. Short-term leases are leases with a lease term of 12 months or less.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Right-of-Use Assets and Lease Liabilities (Continued)

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. 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 are only included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, the management generally considers certain factors including historical lease durations and the costs and business disruption required to replace the leased asset

3.10 Provisions

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, and it is probable that the company will be required to pay the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial statement period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the current obligation, its carrying value is the present value of those cash flows (when the effect of the time value of money is material). When the discount is used, the increase in the provision due to the passage of time is recorded as a finance cost.

3.11 Zakat provision

Zakat is provided on an accruals basis and computed at the higher of adjusted net income for Zakat purposes for the year or Zakat base calculated per the Regulations. Any difference in the previously recorded estimate is recognized when the final assessment is approved by ZATCA.

3.12 Employees Benefits

Short Term Obligations

Liabilities for wages and salaries and any other short term benefits that are expected to be settled wholly within 12 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 statement of financial position.

Post-Employment Obligations

Defined Contribution Plans

Contributions to defined contribution superannuation plans are expensed when the employees have rendered service entitling them to the contributions.

Retirement benefit in the form of General Organization of Social Insurance (GOSI) is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the GOSI. The Company recognizes contribution payable to the GOSI as an expense, when an employee renders the related service.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Employees Benefits (continued)

Defined Benefits Plans (continued)

The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to Comprehensive Income in subsequent periods.

The discount rate for discounting the estimated future cash outflows is required to be based on the yield on corporate bonds of duration and currency consistent with the liabilities. Where there is no deep market in corporate bonds in the currency under consideration, the yields on government bonds are used.

Past service costs are recognized in the statement of Comprehensive Income on the earlier of the date of the plan amendment or curtailment and the date on which the Company recognizes related restructuring costs. Net interest is calculated by applying the discount rate to the net defined benefit liability. The Company recognizes the changes in the net defined benefit obligation under 'cost of revenue, 'general and administrative expenses' and 'selling and distribution expenses' in the statement of profit or loss.

3.13 Revenue recognition

Revenue is measured based on the consideration specified in a contract with customer and excludes amount collected on behalf of third parties.

The Company recognizes revenue when it transfers control over a product or service to a customer. The principles in IFRS 15 are applied using the following five steps:

Step 1: The Company accounts for a contract with a customer when:

- The contract has been approved and the parties are committed;
- Each party's rights are identified;
- Payment terms are defined;
- The contract has commercial substance; and
- Collection is probable.

Step 2: The Company identify all promised goods or services in a contract and determines whether to account for each promised good or service as a separate performance obligation. A good or service is distinct and is separated from other obligations in the contract if both:

- The customer can benefit from the good or service separately or together with other resources that are readily available to the customer; and
- The good or service is separately identifiable from the other goods or services in the contract.

Step 3: The Company determine the transaction price, which is the amount of consideration it expects to be entitled to in exchange for transferring promised goods or services to a customer.

Step 4: The transaction price in an arrangement is allocated to each separate performance obligation based on the relative standalone selling price of the good or service being provided to the customer.

Step 5: Revenue is recognized when control of the goods or services is transferred to the customer. The Company transfers a good or service when the customer obtains control of that good or service. A customer obtains control of a good or service if it has the ability to direct the use of and receive the benefit from the good or service.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Revenue recognition(Continued)

Sales Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company has concluded that it is the principal in all of its revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

The sales revenue generated is recognized by its sales benefit. Revenue can be reliably measured, regardless of when it is achieved. Revenue is measured at the previous rate. It should also contain criteria.

It represents the value of the services provided behind it. Revenue from the sale of goods is recognized when the significant benefits and risks associated with ownership of the goods have passed, usually when the goods are delivered.

Revenue from the sale of goods is measured at the fair value of the amount received or receivable, net of returns or provisions, discounts and trade discounts.

Other income

Other income is recognized as it accrues in the statement of profit or loss.

3.14 Transferring transactions in foreign currencies

Transactions in foreign currencies are converted into Saudi riyals at the exchange rates prevailing upon the transaction. Monetary assets and liabilities denominated in foreign currencies as at the date of the financial statements are converted into Saudi riyals at the rates prevailing on that date. Gains and losses arising from payments and foreign currency exchange transactions are included in the statement of profit or loss.

3.15 General and Administrative Expenses

The expenses incurred by the company consist of selling and marketing expenses, general and administrative expenses, and operating expenses. Production costs are charged with the full cost of materials, direct labor and industrial indirect costs. The expenses resulting from the company's efforts related to marketing, selling and distributing finished products are classified under a separate line item under the name of selling and marketing expenses. Other direct and indirect expenses related to management that are not related to the production function are classified as general and administrative expenses. And joint expenses, if necessary, are distributed between administrative and general expenses and operating expenses on a fixed basis. The accrual principle is applied in charging the financial period with general and administrative expenses and selling and marketing expenses.

3.16 Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the net income for the year should be transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the total reserve equals 30% of the capital, the reserve is not available for dividend distribution.

3.17 Basic earnings per share

Basic earnings per share shall be calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period. For the purpose of calculating diluted earnings per share, an entity shall adjust profit or loss attributable to ordinary equity holders of the parent entity, and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares.

3.18 Offsetting

Financial liabilities are set off against financial assets, and the net amount is shown in the financial position only when the obliging legal rights are available and when settled on net basis or the realization of assets or settlement of liabilities is done at the same time.

4. USE OF JUDGMENTS AND UNCERTAINTY OF ESTIMATES

In applying the company's accounting policies, as described in Note No. (3), the company's management must make judgments, estimates and assumptions about the book value of assets, liabilities and accompanying disclosures that do not appear easily from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

Provision for expected credit losses

The company maintains provision for doubtful receivables. In assessing the adequacy of the provision, the company bases its estimates on the firm's past experience in collecting payments, and any increase in the number of late payments of receivables after the average credit period. If clients' financial condition deteriorates, actual write-offs may be higher than expected. An estimate of the collectible amount of trade receivables is made when collection of the full amount is not probable. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Useful lives of property, machinery and equipment

Depreciation expense is based on the estimated useful lives of each type of asset. Asset balances are evaluated annually and their useful lives are evaluated and changed as necessary to reflect current conditions taking into account technological change and the physical conditions of the underlying assets.

Employee benefit obligations

The facility operates a defined benefit plan that provides a total remuneration when an employee leaves service with the company, in line with the current labor law in the Kingdom of Saudi Arabia.

The amount of entitlement is calculated according to the labor laws in the Kingdom and is based on years of service and salary at the date of departure. Therefore, the plan and its obligations are more sensitive to changes in future salary increases, withdrawal rates and the discount rate used in assessing liability.

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5. PROPERTY, PLANT AND EQUIPMENT

<u>Cost</u>	Buildings and constructions	Leasehold improvements	Machines and the equipment's	Motor vehicles	Tools	Computers and printers	Air conditioners	Furniture and fixture	Advertising board	Projects under progress	Total
Balance at January 01, 2020	7,759,548	982,353	21,999,368	1,862,089	3,150,273	549,037	546,147	792,924	27,359	3,120,145	40,789,243
Additions	-	42,270	467,303	400,500	543,337	78,793	19,769	27,526	18,571	2,148,315	3,746,384
Transfer	4,265,540	-	1,002,920	-	-	-	-	-	-	(5,268,460)	-
Disposal	(728,701)	(115,500)	(439,337)	-	(225,686)	(189,506)	(194,501)	(283,462)	(27,359)	-	(2,204,052)
Balance at December 31, 2020	11,296,387	909,123	23,030,254	2,262,589	3,467,924	438,324	371,415	536,988	18,571	-	42,331,575
Additions	82,609	13,167	60,817	120,652	708,632	29,337	112,380	7,079	-	37,900	1,172,573
Transfer	-	-	254,072	-	(254,072)	-	-	-	-	-	-
Disposal	-	-	-	(249,670)	-	-	-	-	-	-	(249,670)
Balance at December 31, 2021	11,378,996	922,290	23,345,143	2,133,571	3,922,484	467,661	483,795	544,067	18,571	37,900	43,254,478
Accumulated depreciation											
Balance at January 01, 2020	7,071,047	141,671	19,752,814	1,323,249	1,249,845	404,011	400,858	681,969	27,356	-	31,052,820
Depreciation	62,732	86,434	680,793	248,674	211,195	57,156	56,727	28,006	2,445	-	1,434,162
Disposal	(677,170)	(26,480)	(439,316)	-	(225,619)	(189,458)	(194,414)	(282,852)	(27,356)	-	(2,062,665)
Balance at December 31, 2020	6,456,609	201,625	19,994,291	1,571,923	1,235,421	271,709	263,171	427,123	2,445	-	30,424,317
Depreciation	278,608	91,388	753,462	288,879	304,987	64,545	61,219	30,387	4,643	-	1,878,118
Disposal	-	-	-	(119,238)	-	-	-	-	-	-	(119,238)
Balance at December 31, 2021	6,735,217	293,013	20,747,753	1,741,564	1,540,408	336,254	324,390	457,510	7,088	-	32,183,197
Net book value											
December 31, 2021	4,643,779	629,277	2,597,390	392,007	2,382,076	131,407	159,405	86,557	11,483	37,900	11,071,281
December 31, 2020	4,839,778	707,498	3,035,963	690,666	2,232,503	166,615	108,244	109,865	16,126	-	11,907,258

- The propriety plant and equipment owned by the Company are mortgaged to the Saudi Industrial Development Fund (note 14).

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5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Distribute the depreciation premium for the year:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cost of sales (note 18)	1,751,877	1,320,279
General and administrative expenses (note 20)	126,241	113,883
	<u>1,878,118</u>	<u>1,434,162</u>

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

A) Right-Of-Use Assets

Right of use assets represent leased buildings. The cost and related accumulated depreciation are presented below

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Cost</u>		
Balance at beginning of the year	612,130	612,130
Balance at ending of the year	<u>612,130</u>	<u>612,130</u>
<u>Accumulated Depreciation</u>		
Balance at beginning of the year	114,774	57,387
Additions during the year	57,214	57,387
Balance at ending of the year	<u>171,988</u>	<u>114,774</u>
<u>Net book value</u>	<u>440,142</u>	<u>497,356</u>

B) Lease liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Balance at beginning of the year	514,152	555,329
Finance costs	18,720	20,367
Lease liability payment	(61,544)	(61,544)
Balance at ending of the year	<u>471,328</u>	<u>514,152</u>
Current portion of lease liability	61,544	95,935
Non-current portion of lease liability	409,784	418,217
Lease liabilities	<u>471,328</u>	<u>514,152</u>

7. INVENTORY

Inventory Consists of the flowing as of Dec, 31 2021:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Raw materials	3,884,645	4,887,803
Finished goods	296,417	528,452
	<u>4,181,062</u>	<u>5,416,255</u>

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8. ACCOUNTS RECEIVABLES, NET

	December 31, 2021	December 31, 2020
Trade receivables	6,526,075	4,563,079
Less: Provision of expected credit loss *	(1,634,302)	(678,635)
	<u>4,891,773</u>	<u>3,884,444</u>

* The movement of Provision of expected credit loss is as follows:

	December 31, 2021	December 31, 2020
Balance at beginning of the year	678,635	650,000
Additions during the year	1,150,000	50,000
Write off	(194,333)	(21,365)
	<u>1,634,302</u>	<u>678,635</u>

- The aging of accounts receivables as follows:

	1-90 days	91-120 days	121-150 days	151-180 days	181-270 days	271-365	More than 365	Total
2021	4,398,551	278,611	-	-	334,239	189,029	1,325,645	6,526,075
2020	2,900,211	521,314	-	-	499,516	642,038	-	4,563,079

9. PREPAID EXPENSES AND OTHER DEBIT BALANCES

Prepayments and other debit balances consists of the flowing as of Dec, 31 2021:

	December 31, 2021	December 31, 2020
Various receivables	199,874	305,246
Advances and employee receivables	241,043	272,024
Prepayments	454,320	47,000
	<u>895,237</u>	<u>624,270</u>

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of the flowing as of Dec, 31 2021:

	December 31, 2021	December 31, 2020
Cash at hand	27,870	50,438
Cash at Banks	999,915	70,652
Checks under collection	14,395	1,587,058
	<u>1,042,180</u>	<u>1,708,148</u>

11. SHARE CAPITAL

The company's capital is set at SAR 11,300,000 divided into 1,130,000 nominal shares of equal value, the nominal value of each share is 10 Saudi Riyals, all of which are ordinary shares as of 31 December 2021 and 2020.

12. STATURY RESERVE

In accordance with Saudi Arabian Regulations for Companies, the Company has set aside 10% of its net income each year until it has built a reserve equal to 30% of the share capital. The reserve is not available for dividend distribution.

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13. EMPLOYEES' BENEFITS OBLIGATIONS

Employees' benefits obligations movement summarized as the following:

	December 31, 2021	December 31, 2020
Opening balance	560,007	510,185
Current service cost	308,600	206,714
Interest cost	21,305	25,200
Paid during the year	(42,395)	(42,557)
Re measurement of employees' benefits obligations	5,510	(139,535)
Closing balance	853,027	560,007

The actuarial valuation was performed by Attia Al Anzi for Actuarial Services and was carried out using the expected credit module:

	December 31, 2021	December 31, 2020
Discount Rate	3%	3.5%
Salaries Increase Rate	3%	3%
The employee turnover rate	15%	15%

Sensitivity analysis

The sensitivity analysis mentioned below is based on potential changes to assumptions that may occur at the end of the financial statements period, while keeping other assumptions constant.

	December 31, 2021 SR	December 31 2020 SR
An increase in the discount rate by 0.01%	42,367	245,821
Reduced discount rate by 0.01%	44,923	289,396
An increase in the salary rate by 0.01%	44,700	289,552
A decrease in the average salary by 0.01%	42,975	245,968

14. LONG TERM LOAN

A) It has been agreed with the Saudi Industrial Development Fund to obtain a loan in the amount of SAR 4.5 million to finance the purchase of machinery and equipment. The Company received an amount of SAR 127 thousand during 2021. The company also received an amount of 1.2 million during the year 2020, which represent the existing balance as on December 31, 2021. The manufacturer has been insured with an insurance policy amounting to SAR 55,361,653 million. The policy has been pledged as a guarantee for the loan in addition to personal guarantees from the shareholders, and the loan must be repaid in unequal semi-annual payments. The loan agreement includes , among other things, pledged to maintain some financial ratios, a certain ceiling for capital expenditures, and some other requirements

B) The long-term loan movement as on December 31 is summarized as follows:

	December 31, 2021	December 31, 2020
Opening balance	1,214,590	-
Additions during the year	127,199	1,214,590
Closing balance	1,341,789	1,214,590
Current Portions	200,000	-
Non-Current Portions	1,141,789	1,214,590
Total	1,341,789	1,214,590

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15. ACCRUED EXPENSES AND OTHER CREDIT BALANCES

Accrued Expenses and Other credit balances consists of the flowing as of Dec, 31 2021:

	December 31, 2021	December 31, 2020
Value added tax	755,217	1,056,522
Other credit balances	841,260	991,472
Accrued bounces	376,725	577,815
Accrued expenses	278,269	141,001
Total	<u>2,251,471</u>	<u>2,766,810</u>

16. ZAKAT PROVISION

a) Zakat Assessments

Zakat declaration was filed with General authority of Zakat, Tax, and Customs Authority for all the years up to December 31, 2020 and the company still wait the final assessments.

b) Zakat Provision movement

The movement in Zakat provision is as follows:

	December 31, 2021	December 31, 2020
Balance at beginning of the year	175,474	199,236
Additions during the year	177,472	175,474
Paid during the year	(175,474)	(199,236)
Balance at end of the year	<u>177,472</u>	<u>175,474</u>

c) Zakat base

The significant components of the zakat base is as follows:

	December 31, 2021	December 31, 2020
Book value of long term assets - as per Zakat, Tax, and Customs Authority	(11,511,424)	(11,907,258)
Provision opening balance and other settlements	2,815,031	2,327,649
Shareholders' equity - as per Zakat, Tax, and Customs Authority	12,614,604	11,931,732
Adjusted net income for the year	3,058,938	4,587,090
Zakat base	<u>6,977,149</u>	<u>6,939,213</u>
Zakat calculated for the year	<u>177,472</u>	<u>175,474</u>

- Zakat for 2021 and 2020 is due at 2.57768%, 2.58474% of the zakat base minus the adjusted income.

d) Adjusted net income for the year

	December 31, 2021	December 31, 2020
Net profit for the year	1,578,408	4,108,811
Provisions additions	1,479,905	281,914
The share of employees in statutory savings and social insurance funds	625	196,365
Adjusted net income for the year	<u>3,058,938</u>	<u>4,587,090</u>

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17. SALES, NET

	December 31, 2021	December 31, 2020
Sales	30,557,168	33,889,425
Deducted:		
Sales returns	(81,607)	(12,469)
Discount	(656,418)	(2,280,331)
Total	<u>(29,819,143)</u>	<u>31,596,625</u>

18. COST OF SALES

	December 31, 2021	December 31, 2020
Inventory at the beginning of the year (Note 7)	5,416,255	5,307,201
Net purchases	11,242,473	14,049,391
Operating costs *	8,569,735	9,015,071
Inventory at the ending of the year (Note 7)	(4,181,062)	(5,416,255)
Total	<u>21,047,401</u>	<u>22,955,408</u>

Operating costs (*)

	December 31, 2021	December 31, 2020
Direct labor costs	4,181,138	3,579,231
Hired labor costs	860,954	2,132,827
Industrial expenses	1,775,766	1,982,734
Depreciation of property, plant and equipment	1,751,877	1,320,279
Total	<u>8,569,735</u>	<u>9,015,071</u>

19. SELLING AND DISTRIBUTION EXPENSES

	December 31, 2021	December 31, 2020
Salaries & Benefits	1,408,382	1,162,581
Collection and marketing commission	277,360	305,732
Advertising	209,477	17,438
Hired labor	193,063	231,370
Medical Expenses	129,144	87,026
Vehicles Expenses	106,273	93,718
Iqama expenses	84,783	88,163
GOSI	84,352	76,422
Transportation	72,330	55,483
Tickets	50,729	6,856
Bounces	23,399	39,500
Other	378,763	144,662
	<u>3,018,055</u>	<u>2,308,951</u>

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20. ADMINISTRATIVE AND GENERAL EXPENSES

	December 31, 2021	December 31, 2020
Provision for expected credit losses	1,150,000	50,000
Salaries & Benefits	605,695	536,314
The expenses of establishing the joint stock company	440,000	-
Managing partner bounce	360,000	360,000
End Of Service	329,905	231,914
Bounces	319,721	299,197
Subscription	163,777	17,154
Depreciation	126,241	113,883
Medical Expenses	119,671	126,400
GOSI	71,799	63,216
Transportation	68,860	116,985
Vehicles Expenses	58,245	19,002
Government services	43,986	37,462
Hired labor	34,100	43,965
Phone	30,933	23,098
Bank Charge	28,496	29,856
Tickets	22,334	12,119
Stationery and printings	7,118	30,441
Other	206,076	233,886
	<u>4,186,957</u>	<u>2,344,892</u>

Compensation of Key Management Personnel of the Company during the year:

	December 31, 2021	December 31, 2020
Salaries and remunerations of the Board of Directors	<u>468,000</u>	<u>468,000</u>

21. EARNINGS PER SHARE

A) Earnings per share from Net operating profit:

	December 31, 2021	December 31, 2020
Net operating profit	<u>1,566,730</u>	<u>3,987,374</u>
Weighted average no. of ordinary shares outstanding for basic EPS	<u>1,130,000</u>	<u>1,130,000</u>
Earnings per share	<u>1.39</u>	<u>3.53</u>

B) Earnings per share from Net profit for the year:

	December 31, 2021	December 31, 2020
Net profit for the year	<u>1,400,936</u>	<u>3,933,337</u>
Weighted average no. of ordinary shares outstanding for basic EPS	<u>1,130,000</u>	<u>1,130,000</u>
Earnings per share	<u>1.24</u>	<u>3.48</u>

22. FINANCIAL INSTRUMENTS

Fair value measurement

The fair value represents the amount that may be collected from the sale of an asset or a payment to transfer a liability between informed parties under the same terms and conditions as dealing with third parties. The fair value measurement depends on the following conditions:

1-The principal market for the assets or liabilities.

2-The most advantageous market for assets and liabilities, and in the absence of a major market, the company must be able to deal through the most beneficial market.

When measuring the fair value of assets and liabilities, the company uses observable market inputs as far as possible. The company determines fair value using valuation techniques.

The company also uses the following levels, which reflect the significance of the inputs used in determining the fair value:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in 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). If the inputs used to measure the fair value of an assets.

The company recognizes transfers between fair value levels at the end of the reporting period at the same time that the change occurs.

Management believes that its estimates and assumptions are reasonable and sufficient.

Levels of fair value

Fair value of financial assets and financial liabilities of the company that is not defined On an ongoing basis:

With the exception of what is mentioned in the table below, we believe that the book value of the financial assets and financial liabilities shown in the financial statements of the company approximate their fair value because the company's management believes that the book value is approximately equal to its fair value and this is due either to its short-term maturity or that its interest rates are re-priced within The year.

Financial Risk Management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The company has exposure to the following risks from its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk
- Foreign Currency risk

This note provides information about the company's exposure to each of the above risks, the company's objectives, policies and methods of measuring and managing risks and the company's management of capital.

22. FINANCIAL INSTRUMENTS (CONTINUED)

General framework for risk management

The entire responsibility for setting up and monitoring risk management rests with the company's management.

The company's risk management policies are designed to identify and analyze the risks that the company faces, and to set appropriate controls and limits for the extent of exposure to those risks, and then monitor them to ensure that the set limits are not exceeded.

Risk management policies and systems are reviewed periodically to reflect changes in market conditions and the company's activities. The company's management aims, through training, standards and procedures set by the administration, to develop a constructive and organized control environment so that every employee understands his role and duties assigned to him.

The company's audit committee monitors the management's performance in monitoring the extent of compliance with the company's policies and procedures in risk management. It also reviews the adequacy of the risk management framework in relation to the risks facing the company.

Financial instruments included in the statement of financial position mainly include cash and cash equivalents, debtors and other assets, investments, creditors, accrued liabilities, loans and other non-current liabilities.

Credit Risk

Credit risk represents the risk of the company being exposed to a financial loss due to the failure of the customer or the party dealing with the company with a financial instrument to fulfill its contractual obligations. This risk results mainly from its bank balances, trade and other receivables.

<i>In Saudi Riyal</i>	Requested value	
	As of December 31, 2021	As of December 31, 2020
Accounts receivables, net	4,891,773	3,884,444
Prepaid expenses and other debit balances	440,917	580,270
Cash and cash equivalents	1,1014,310	1,657,710
	<u>6,347,000</u>	<u>6,122,424</u>

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis to ensure that sufficient funds are available to meet any future commitments. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The company is keen to have enough cash to cover expected operational expenses, including covering financial obligations, but without including any potential impact of harsh conditions that are difficult to predict such as natural disasters, in addition to that, the company maintains a source of credit from the banks that deal with it. To meet any sudden cash needs.

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22. FINANCIAL INSTRUMENTS (CONTINUED)

The following are the contracted maturities of financial liabilities, including estimated interest payments:

December 31, 2021

In Saudi Riyal	Carrying Amount	Contractual Cash Flows	Less than a year	More than a year
Employees' defined benefits liabilities	853,027	(853,027)	-	(853,027)
Lease Liabilities	471,328	(471,328)	(61,544)	(409,784)
Long term loans	1,341,789	(1,341,789)	(200,000)	(1,141,789)
Estimated zakat provision	177,472	(177,472)	(177,472)	-
Accrued expenses and other liabilities	2,251,471	(2,251,471)	(2,251,471)	-
Trade payables	3,416,558	(3,416,558)	(3,416,558)	-
	8,511,645	(8,511,645)	(6,107,045)	(2,404,600)

December 31, 2020

In Saudi Riyal	Carrying Amount	Contractual Cash Flows	Less than a year	More than a year
Employees' defined benefits liabilities	560,007	(560,007)	-	(560,007)
Lease Liabilities	514,152	(514,152)	(95,935)	(418,217)
Long term loans	1,214,590	(1,214,590)	-	(1,214,590)
Estimated zakat provision	175,474	(175,474)	(175,474)	-
Accrued expenses and other liabilities	2,766,810	(2,766,810)	(2,766,810)	-
Trade payables	2,802,094	(2,802,094)	(2,802,094)	-
	8,033,127	(8,033,127)	(5,840,313)	(2,192,814)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk such as equity price risk and commodity price risk. Financial instruments affected by market risk include: loans and borrowings and deposits.

Foreign Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Management monitors the fluctuation in currency exchange rates and believes that the currency risk is not significant. The Company's transaction are principally in Saudi Riyals.

Capital management

The company's policy with regard to capital management is to maintain a strong capital base to maintain partners, creditors and market confidence, as well as the continued development of the company's activity in the future. Capital consists of ordinary shares, non-refundable preference shares, retained earnings and non-controlling interests of the company.

Management monitors the return on capital, which is determined by dividing the net operating profit by the shareholders' equity.

The company seeks to maintain a balance between the highest return that can be achieved in the event of borrowing to the highest possible extent and the preference and security of a strong capital position.

23. DIVIDENDS

The General Assembly in its meeting on 17 Jumada II 1441H (corresponding to 11 February 2020) has approved to distribute cash dividends amounting to SR 4,237,500 million representing SR 4,5 per share and to disburse remunerations for the Company's Board of Directors amounting to SR 90,000.

The General Assembly in its meeting on 11 Shaban 1442H (corresponding to 23 March 2021) has approved to distribute cash dividends amounting to SR 3,390,000 million representing SR 3 per share and to disburse remunerations for the Company's Board of Directors amounting to SR 105,000.

24. SUBSEQUENT EVENTS

In the opinion of the management, there have been no significant subsequent events since the year-end that require disclosure or adjustment in these financial statements.

25. APPROVAL ON THE FINANCIAL STATEMENTS

The Financial Statements have been approved by the board of directors on 27 Shaban 1443H (corresponding to 30 March 2022).