AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(A Saudi joint-stock company)
RIYADH - KINGDOM OF SAUDI ARABIA

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2022

AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(A Saudi joint-stock company)

Financial statements and independent auditor's report for the year ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS
AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(A SAUDI JOINT-STOCK COMPANY)
RIYADH - KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Al Abdullatif Industrial Investment Company (a Saudi joint stock company) (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statement of financial position as of December 31, ،2022 the statement of profit or loss and other comprehensive income, the consolidated statement of consolidated equity and the consolidated statement of cash 'changes in shareholdersflows for the year then ended and the accompanying notes (1) to (33) to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31 ، 2022, and its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) as endorsed in the Kingdom Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants.

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 consolidated financia audit of thel statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), 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 the conduct. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS
AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(A SAUDI JOINT-STOCK COMPANY)
RIYADH - KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS ... (CONTINUED)

Key audit matters

The key audit matters are those matters which, according to our professional judgment, were of most significance in the course of our audit of the consolidated financial statements for the current year. 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. The following are description of each of the key audit matters and how we addressed them:

Revenue recognition	
Key audit matter	**How our audit addressed the key audit matter**
Revenue recognition is considered a key audit matter as revenue is an important element of the Group's performance and results and includes inherit risks that may cause the management to override the internal control procedures by recognizing revenues with more than their actual value in order to achieve the goals or to improve the Group's results. As stated in note (22), the Group realized for the year ended December 31, 2022 a total revenue amounting to SR 647,50 million (2021: 641,52 million).	The audit procedures which we performed, among other matters based on our judgment, included the following: • Tested the design of internal control procedures and their effectiveness in relation to recognition of revenue and the related receivables thereof. • Tested the cut-off procedures to ensure recording of revenue in their correct periods. • Performed analytical procedures to understand the causes of revenue variance compared with the previous year and verify their logic and determine whether there are significant fluctuations which need additional review in the light of our understanding of the current market conditions. • Performed detailed tests to a sample of the sold products and verify the proper application of revenue recognition policy. • Verified the appropriateness of the accounting policy to realize the Group's revenue in accordance with the requirements of IFRS 15: Revenue from Contracts with Customers.
* Refer to notes (3.18) to the consolidated financial statements regarding the accounting policy related to revenue.	

Recoverability of trade receivables	
Key audit matter	**How our audit addressed the key audit matter**
The collectability of trade receivables is considered a key audit matter being a major element by the Group Management for the working capital that is managed on an ongoing basis, and because the determination of impairment of trade receivables using expected credit losses models includes significant judgments and estimates that may have a material impact on the Group's financial statements. Management makes significant judgments, estimates and assumptions to measure and record expected credit losses. As indicated in note (10), the total balance of trade receivables as of December 31,2022 amounted to Saudi Arabia SR 460 million (2021: SR429,60 million), and a provision of 23 million (2021: 19 million) was made for expected credit losses as of December 31, 2022.	The audit procedures which we performed, among other matters based on our judgment, included the following: • Tested the Group's procedures for controlling receivables, including controls over credit terms. • Tested a sample of receivable balances being provided for during the year to determine the appropriateness of judgments, estimates and assumptions set by the Management, and to assess the approaches performed by the Group in order to determine the probability of default and the extent of including the information related to the future expectations when accounting for the expected credit losses. • Performed an analysis of significant receivables that are more than one year old and no provision has been made for them by the Group's Management, taking into account the collections of the subsequent period to determine whether there are indicators of impairment. • Reviewed arrangements and/or correspondence with internal and external clients' receivables for the purpose of assessing collectability of long-standing overdue material amounts. • Evaluated the adequacy of the disclosures included in the financial statements in accordance with the requirements of IFRS 9: *Financial Instruments* and IFRS 7: *Disclosures*.
* Refer to note (3.17) to the consolidated financial statements of the accounting policy related to financial instruments.	

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS
AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(A SAUDI JOINT-STOCK COMPANY)
RIYADH - KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS ... (CONTINUED)

Key audit matters (Continued)

Inventory valuation	
Key audit matter	**How our audit addressed the key audit matter**
Inventory is considered a key audit matter due to the nature of the activity of the Group that depends primarily on the inventory in generating revenue and the extent of its impact on business results, and because the valuation of inventory and determination of its impairment require using several key assumptions and estimates that may have material impact on the Group's financial statements. As stated in note (9), the total balance of inventory as of December 31, 2022 amounted to SR344,48 million (2021: SR355,75 million). A provision was created for impairment of inventory amounting to 31,2022 December at as SR6,06million and (2021: SR5,47 million.(	The audit procedures which we performed, among other matters based on our judgment, included the following: • We attended and observed the Group's annual inventory count as of December 31, 2022 to verify the physical existence and the good condition of a sample being randomly selected from items. • Tested the validity of inventory measurement at the lower of cost or net recoverable value. Also, we reviewed the Company's policy to determine the cost using the weighted average method. • Tested the reasonableness of estimates used by the Group to examine the impairment of obsolete and slow-moving inventory. • Evaluated the adequacy of the disclosures included in the financial statements in accordance with the requirements of the relevant IFRS.
* Refer to note (3.6) to the consolidated financial statements of the accounting policy related to inventory.	

Other information

Other information consists of the information included in the Group's annual report for the year ended December 31, 2022 other than the consolidated financial statements and the auditor's report thereon. The Group's Management is responsible for the other information mentioned in its annual report. It is expected that the annual report will be available to us subsequent to the date of this auditor's report.

Our opinion on the consolidated financial statements does not include the other information, nor does or will it express any form of assurances in this regard.

With regard to our audit of the consolidated financial statements, it is our responsibility to read the information stated above, and in doing so, we consider whether the other information is materially inconsistent with the consolidated financial statements or the information we obtained during the audit process, or otherwise appears to contain a material misstatement.

When we read the other information and discover that there is a material misstatement therein, we must communicate with those charged with governance accordingly.

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 IFRS as endorsed in the Kingdom Saudi Arabia and other standards and pronouncements that are issued by SOCPA, and the provisions of the Companies Law and the Company's Articles of Association 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 consolidated financial statements, the 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 appropriate alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS
AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(A SAUDI JOINT-STOCK COMPANY)
RIYADH - KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS ... (CONTINUED)

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 fraudor error and to issue an auditors' 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 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 skepticism 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 thes internal control.'Group
- 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 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 notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- Obtain sufficient and 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 the Group's 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 provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and we communicated with them all relationships and other matters that may reasonably affect our independence, and related safeguards, if required.

Among the matters communicated to those charged with governance, we identify those matters that we considered most significant when auditing the consolidated financial statements of the current period, and which are considered main audit matters. We explain these matters in our report unless a law or regulations prevent public disclosure of a matter, or when we see, in extremely rare circumstances, matters that should not be reported in our report because the negative consequences of doing so are reasonably expected to outweigh the public interest of this reporting.

For El Sayed El Ayouty & Co.

A. Balamesh

Abdullah Balamesh
Certified Public Accountant
License No. (345)

Riyadh on: 07 Ramadan 1444 H
Corresponding to: 29 March 2023

السيد العيوطي وشركاه
محاسبون ومراجعون قانونيون
س.ت رقم ٤٠٣٠٢٩١٢٤٥
CERTIFIED PUBLIC ACCOUNTANTS
C.R. No. 4030291245
EL SAYED EL AYOUTY & CO.

AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY

(A Saudi joint-stock company)

Consolidate statement of financial position as at December 31, 2022

(Expressed in thousands of Saudi riyals)

	Note	31/12/2022	31/12/2021
Assets			
Non-current assets			
Property, plant and equipment - net	5	472,617	228,584
Investment properties - at cost	6	87,005	87,005
Right-of-use assets – net	7.1	15,603	17,158
Investments at fair value through other comprehensive income (FVOCI)	8	102,084	94,804
Total non-current assets		**677,309**	**427,551**
Current assets			
Inventory - net	9	338,419	350,288
Trade receivables - net	10	436,998	410,596
Due from related parties	11.1	43,753	41,353
Prepayments and other debit balances	12	27,855	41,275
Investments at fair value through profits or losses	13	1,765	8,950
Cash and cash equivalents	14	82,504	72,430
Total current assets		**931,294**	**924,892**
Total assets		**1,608,603**	**1,352,443**
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	15	812,500	812,500
Statutory reserve	16	241,429	241,429
Reserve of valuation of investments at fair value		11,621	7,491
Surplus of revaluation of property, plant and equipment	5	243,200	-
Accumulated (losses) retained earnings		(27,275)	33,483
Total Shareholders' equity		**1,281,475**	**1,094,903**
Non-current liabilities			
Lease obligations – non-current portion	7.2.2	15,222	16,639
Employees' defined benefit obligations	17	19,889	16,836
Total non-current liabilities		**35,111**	**33,475**
Current liabilities			
Banks - credit facilities	18	222,803	152,951
Lease obligations – current portion	7.2.1	1,411	1,315
Trade payables	19	31,667	30,631
Due to related parties	11.2	157	147
Accrued expenses and other credit balances	20	15,497	16,770
Dividends payable		481	481
Provision for zakat	21.3	20,001	21,770
Total current liabilities		**292,017**	**224,065**
Total liabilities		**327,128**	**257,540**
Total Shareholders' Equity and Liabilities		**1,608,603**	**1,352,443**

The accompanying notes from (1) to (33) form an integral part of these consolidated financial statements, which were approved by the Company's Board of Directors and signed on behalf of the following:

Chief Financial Officer	Authorized BOD's Member	Chief Executive Officer

AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY

(A Saudi joint-stock company)

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022

(Expressed in thousands of Saudi riyals)

	Note	2022	2021
Revenue	22	647,504	641,516
Cost of revenue	23	(640,068)	(622,728)
Gross profit		**7,436**	**18,788**
Selling and marketing expenses	24	(24,475)	(24,541)
General and administrative expenses	25	(20,514)	(20,389)
Other income	26	4,837	5,813
(loss) from operating activities		**(32,716)**	**(20,329)**
Net cost of finance	27	(6,236)	(2,657)
Dividends income		70	352
Profits of valuation of investments at fair value through profits or losses	13	1,015	200
Net (profit) for year before Zakat		**(37,867)**	**(22,434)**
Zakat	٢١,٣	(20,000)	(25,320)
Net (loss) for the year		**(57,867)**	**(47,754)**
Other comprehensive income:			
Items that will not be re-classified to profit or loss:			
Actuarial (losses) of re-measurement of employees' defined benefits	17	(2,891)	(1,077)
Reserve of valuation of investments at fair value	8	4,130	12,029
Surplus of revaluation of property, plant and equipment	5	243,200	-
Other comprehensive income items		**244,439**	**10,952**
Comprehensive income (loss) for the year		**186,572**	**(36,802)**
Net (loss) for the year attributable to:			
Company's Shareholders		(57,867)	(47,754)
Net (loss) for the year		**(57,867)**	**(47,754)**
Comprehensive income (loss) for the Year attributable to:			
Company's Shareholders		186,572	(36,802)
Comprehensive income (loss) for the year		**186,572**	**(36,802)**
Basic and diluted (loss) per share attributable to the Company's Shareholders			
Net (loss) for the year "Saudi riyals" 15	28	**(0,71)**	**(0,59)**

The accompanying notes from (1) to (33) form an integral part of these consolidated financial statements, which were approved by the Company's Board of Directors and signed on behalf of the following:

Chief Financial Officer	**Authorized BOD's Member**	**Chief Executive Officer**

AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY

(A Saudi joint-stock company)

Consolidated statement of changes in shareholders' equity for the year ended 31 December 2022

(Expressed in thousands of Saudi riyals)

	Share capital	Statutory reserve	Reserve of valuation of investments at fair value	Surplus of revaluation of property, plant and equipment	Retained profit (loss)	Total Shareholders' equity
For the year ended 31 December 2021						
Balance at 01 January 2021	812,500	241,429	(4,538)	-	82,314	1,131,705
Net (loss) for the year	-	-	-	-	(47,754)	(47,754)
Other comprehensive income for the year	-	-	12,029	-	(1,077)	10,952
Net (loss) for the year and other comprehensive income	-	-	12,029	-	(48,831)	(36,802)
Balance at 31 December 2021	**812,500**	**241,429**	**7,491**	**-**	**33,483**	**1,094,903**
For the year ended 31 December 2022						
Balance at 01 January 2022	812,500	241,429	7,491	-	33,483	1,094,903
Net (loss) for the year	-	-	-	-	(57,867)	(57,867)
Other comprehensive income for the year	-	-	4,130	243,200	(2,891)	244,439
Net (loss) for the year and other comprehensive income	-	-	4,130	243,200	(60,758)	186,572
Balance at 31 December 2022	**812,500**	**241,429**	**11,621**	**243,200**	**(27,275)**	**1,281,475**

The accompanying notes from (1) to (33) form an integral part of these consolidated financial statements, which were approved by the Company's Board of Directors and signed on behalf of the following:

Chief Financial Officer **Authorized BOD's Member** **Chief Executive Officer**

AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(A Saudi joint-stock company)

Consolidated statement of cash flows for the year ended 31 December 2022
(Expressed in thousands of Saudi riyals)

	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) for the year		(57,867)	(47,754)
Adjustment for Net (loss) for the year:			
Dividends income		(70)	(352)
Depreciation on property, plant and equipment		46,863	47,617
Profits from sale of property, plant and equipment		(548)	(1,245)
Depreciation on right-of-use assets		1,554	1,587
Profits of valuation of investments at fair value through profits or losses		(1,015)	(200)
Interests on bank facilities		5,356	1,791
Interests on leases		886	923
Impairment of inventory		854	941
Expected credit loss		4,000	3,602
Employees' defined benefit obligations		6,162	6,027
Provisions reserved		(255)	(79)
Zakat		20,000	25,320
		25,920	**38,178**
Changes during the year in:			
Inventory		11,270	(15,483)
Trade receivables		(30,402)	(68,013)
Due from related parties		(2,400)	(2,555)
Prepayments and other debit balances		13,420	(13,758)
Trade payables		1,036	17,752
Due to related parties		10	(38)
Accrued expenses and other credit balances		(1,273)	(88)
Zakat provision paid		(21,769)	(25,569)
Employees' defined benefit obligations paid		(6,000)	(3,696)
Net cash flows (used in) operating activities		**(10,188)**	**(73,270)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(47,697)	(15,599)
Proceeds from disposal of property, plant and equipment		549	2,284
Dividends income		70	352
Purchase of investments at FVTOCI		(3,150)	-
Proceeds from disposal of investments at FVTPL		8,200	-
Net cash flows (used in) investing activities		**(42,028)**	**(12,963)**
Cash flows from financing activities			
dividends payable paid		-	(595)
Finance obtained from banks - credit facilities		336,158	252,939
Finance from banks - credit facilities paid		(271,662)	(168,083)
Lease liabilities paid		(2,206)	(2,249)
Net cash flows from financing activities		**62,290**	**82,012**
Net increase (decrease) in cash and cash equivalents		**10,074**	**(4,221)**
Cash and cash equivalents at beginning of year		72,430	76,651
Cash and cash equivalents at year-end	14	**82,504**	**72,430**
Supplemental information on non-cash transactions			
Right-of-use assets against lease obligations		-	(947)
Surplus of revaluation of property, plant and equipment		(243,200)	-
Disposal of leased assets against liabilities of finance leases		1	-
Transfer from property, plant and equipment to investment properties		-	37,005

The accompanying notes from (1) to (33) form an integral part of these consolidated financial statements, which were approved by the Company's Board of Directors and signed on behalf of the following:

Chief Financial Officer **Authorized BOD's Member** **Chief Executive Officer**

(Expressed in thousands of Saudi riyals)

1. General information

1.1 Al Abdullatif Industrial Investment Company ("the company") is a Saudi joint stock company incorporated in accordance with the Saudi Companies Law pursuant to Ministerial Resolution No. 3120 on 23/10/1427H (14/11/2006) and Ministerial Resolution No. 188 on 27/7/1427H (17/1/ 2007), upon which the Company received the approval to convert from a limited liability company to a Saudi joint stock company. The Company is registered in the commercial registration of Riyadh under No. 1010073685 on 26/2/1410H (26/9/1989) valid until 25/2/1447H (19/8/2025). The mailing address of the Company's head office is: Riyadh, P.O. Box 859, Postal Code 11421.

1.2 Main activities of the Company

industry, Floor rug manufacturing including (prayer and travel rugs) and carpet manufacturing under industrial license No. 411 on 13/2/1439 H.

1.3 The consolidated financial statements as of December 31, 2022 include the financial statements of the Parent Company and the following subsidiaries, collectively referred to as the "Group":

Name of subsidiary	Type	Headquarters	Principal activity	Shareholding %
National Spinning Company	LLC	KSA	Yarn production	100%
Eastern Textiles Company	LLC	KSA	Polypropylene yarn production	100%
Western Textiles Company	LLC	KSA	Polypropylene yarn production	100%
Adfa Blanket Company	LLC	KSA	Production of blankets	100%
Nadeen Arabian Color Compa	LLC	KSA	Masterbatch production	100%
Shahd Paper Tube Factory	LLC	KSA	PVC tubes	100%
First Carpet Company	LLC	KSA	Carpet backing production	100%
Retaj Al Waseel Company	LLC	KSA	Catering and transportation services for employees	100%
Al Abdullatif Training Institute	LLC	KSA	Training services	100%

1.4 The Group's fiscal year begins on January 1st and ends on December 31st of each calendar year. The presented financial statements are for the year ended December 31, 2022 compared to the year ended December 31, 2021.

1.5 New Companies Law

Pursuant to Royal Decree No. M/132 dated 01/12/1443 H corresponding to 30/06/2022, the new Companies Law was approved, which will enter into force on 26/06/1444 H corresponding to 19/01/2023. The new Companies Law replaces the old one issued by Royal Decree No. M/3 dated 28/01/1437 H and cancels all provisions that conflict with it. When the new Companies Law comes into force, the existing companies must rectify their situation in accordance with its provisions within a period not exceeding two years starting from the date the Law goes into effect. The Management studies latest developments of the law to benefit from its advantages while committing to adjusting the Company's situation as per the provisions of the law during the specified grace period.

2. Basis of preparation

2.1 Statement of compliance

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

2.2 Basis for consolidation of financial statements
The consolidated financial statements include the financial statements of the Parent Company and all subsidiaries, collectively referred to as the "Group" . The consolidated financial statements present financial information about the Group as a single economic entity at the same reporting date of the Parent Company, using consistent accounting policies.

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities. Control is presumed to exist over the subsidiary when the Company owns, directly or indirectly, more than half of the voting power of an investee unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. Control also exists when the Company owns half or less of the voting power of an investee but has other power to govern the financial and operating policies of the entity.

The financial statements of the subsidiaries are consolidated in full from the date of acquisition, being the date when control is transferred to the Group. Consolidation continues until the date of such control ceases.
The Group applies the acquisition method to account for business combinations.

Inter-company transactions, balances, income, expenses, unrealized gains and losses on transactions and dividends are eliminated in full.

2.3 Basis of measurement
The consolidated financial statements have been prepared in accordance with the accrual basis of accounting and the going concern principle, and on the basis of the historical cost principle except for financial assets that are measured at fair value and financial liabilities that are measured at the present value of future liabilities projections using the projected unit credit method.

2.4 Presentation currency
These consolidated financial statements are presented in Saudi Riyals ("SR") which is the functional and presentation currency. All figures have been rounded to nearest thousand Riyals unless otherwise stated.

2.5 Use of judgments, estimates and assumptions
The preparation of these financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenue, expenses, assets, liabilities, and disclosures of contingent liabilities at the reporting date. Although these estimates are based on the best current information and indicators available to Management, the final actual results, however, may differ from these estimates.

These estimates and assumptions are reviewed on an ongoing basis, and the effects arising from adjustment of the accounting estimates are recognized in the period in which such adjustment is made and the subsequent periods.

The most significant accounting judgments, estimates and assumptions

2.5.1 Judgments
The following is an explanation to the significant judgments when applying the accounting policies that have a material impact on the amounts presented in the consolidated financial statements and the notes thereto:

Fulfillment of performance obligations
The Group evaluates each of its contracts with customers to determine whether performance obligations have been satisfied over time or at a point in time in order to determine the appropriate method for recognizing revenue under the provisions of the relevant laws and regulations.

Determination of transaction prices
The Group determines transaction prices in relation to each of its contracts with customers. When making such judgment, it assesses the impact of any variable consideration in the contract as a result of discounts or fines and the existence of a significant financing component within the contract, or any non-cash consideration within the contract.

2.5.1 Judgments... (Continued)

Classification of investment properties
The Group determines whether the property qualifies as investment property under IAS 40: Investment properties. In making such judgment, the Group considers whether the property generates cash flows largely independently of other properties and equipment.

The following notes include information about other judgments
Note (3.4) classification of leases

2.5.2 Assumptions and estimates
The following is an explanation of information to assumptions and estimates of uncertainty that have a significant impact on the amounts presented in the consolidated financial statements and the notes:

Going concern
The consolidated financial statements have been prepared in accordance with the going concern principle. The management has assessed the Group's ability to continue as a going concern and concluded that despite incurring a loss amounting to SR57.87 million during the year, resulting in converting retained earnings into accumulated losses amounting to SR27.28 million, and although the net cash flows from operating activities for the year were negative by SR10.19 million, the Group's debt ratio as at December 31, 2022, was 16% (Note 31.4). This makes working capital and going concern risks low. Accordingly, the management believes that the Group has the necessary resources to continue its operations in the near future, and there are no significant doubts about the Group's ability to continue as a going concern in accordance with the going concern concept.

according to the going concern principle.

Useful lives of property, plant plant equipment
The Management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the assets, useful lives or physical wear and tear.

Management reviews the residual value of useful lives annually to verify that it reflects the expected benefit to be obtained. If it differs from previous estimates, changes in depreciation expense in current and future periods are adjusted - if any.

Fair value measurement of financial instruments
When the fair value of the financial assets and liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible but where this is not feasible, a degree of judgment is required in establish fair value. Judgments include considerations of inputs such as liquidity risks, credit risks and volatility.

Changes in the assumptions relating to these factors can affect the reported fair value of the financial instruments. The contingent consideration resulting from a business combination is assessed at the fair value on the acquisition date, as part of the business combination. If the consideration meets the definition of a financial liability, it will be subsequently remeasured at the fair value in each reporting date. Fair value is determined based on discounted cash flows. Underlying assumptions take into account the possibility of fulfilling each objective of performance and discount factor.

Interest rate implicit in leases
The Group cannot readily determine the interest rate implicit in all leases. Therefore, it uses the Incremental Borrowing Rate (IBR) to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make Group-specific estimates.

Allowance for expected credit losses on trade receivables
The Group calculates ECL for trade receivables by relying on past default experience monitored by the Management as per debt aging. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

Impairment of non-financial assets
(Except for inventory, investment properties and goodwill which are separately assessed for impairment), Management reviews at each reporting date the carrying values of other non-financial assets to determine if there is any indicator that the value of non-financial asses may be impaired. In the event of such indication, the recoverable value is estimated and the book value is reduced thereto and the impairment loss of those assets is recognized and charged to the statement of profit and loss.

The recoverable amount is measured using the higher of fair value of the asset less the cost to sell it or the present value of the cash flows expected to be derived from it according to the discount rate.

Indications of impairment of a non-financial asset may be information that a material impairment has occurred to the market value of the asset and is more than expected as a result of normal use or the availability of evidence of obsolescence, damage or deterioration of its expected economic performance whether in its operating results or in the expected cash flows from it.

When there are indications that a recognized impairment loss in prior periods may no longer exist or have decreased, impairment loss is reversed only to the extent that it does not exceed the previously recognized impairment loss.

The following notes include information on assumptions and other estimates of uncertainty

Note (3.6) Impairment of inventory
Note (3.12) Measurement of employees’ defined benefit obligations
- Note (3.14) Provisions
- Note (3.17.1/ impairment of financial assets measured at cost or amortized cost

3. Significant accounting policies

3.1 Current/non-current classification of assets and liabilities
The Group presents its assets and rights in the balance sheet based on current/non-current classification as follows:

Assets
An asset is classified as current when:
• It is expected to be realized or intended to be sold or consumed in normal operating cycle;
• It is held primarily for the purpose of trading;
• It is expected to be realized within twelve months after the reporting period; or
• is cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

Liabilities
A liability is classified as current when:
• It is expected to be settled in normal operating cycle;
• It is primarily for the purpose of trading;
• It is due to be settled within twelve months after the reporting period;
• There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

3.2 Property, plant and equipment

Recognition and measurement
Property, plant and equipment are measured at cost, which includes the purchase price and any costs incurred in bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner. The cost of self-constructed assets includes direct labor and material costs and costs attributable directly to getting the asset in condition for its intended use and the costs of dismantling and removing the item and restoring the site on which it is located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent measurement
When measuring each item of property, plant and equipment, the Company chooses between the cost model or the revaluation model and applies that policy to each entire category of property, plant and equipment, according to the following:

* Cost model: Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss, if any.

Revaluation mode: Property, plant and equipment are measured at a revalued amount, which represents the fair value at the date of revaluation less the subsequent accumulated depreciation and subsequent accumulated impairment. If the carrying amount of an asset has increased as a result of revaluation, the surplus of revaluation will be recognized in other comprehensive income and combined under equity. If the carrying amount of an asset has decreased as a result of revaluation, the surplus of revaluation will be recognized in profit and loss.

Subsequent costs of acquisition
The cost of replacing a part of an item of property, plant and and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.
The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of profit and loss as incurred.

Deprecation
Depreciation is calculated based on the cost of assets less the residual value. The significant components of individual assets are estimated. If a component has a useful life different from the useful life of the remaining asset, the useful life of that component is depreciated independently.

Depreciation is recognized in the statement of profit and loss using a straight-line method over the estimated useful life of each component of property, plant and equipment. The methods of depreciation, useful lives and residual value are reviewed at each reporting date, and adjusted if appropriate. Depreciation of an asset begins when it is available for use. Depreciation of an asset ceases at the earlier of when the asset is classified as held for sale or is when the asset is derecognized.

The following are the estimated useful lives of property, plant and equipment:

Buildings and roads	10: 13.3 Years	Plant, equipment and main spare parts*	12- 20 years
Vehicles	4 years	Furniture, fixture and office equipment	6،7 years

* Main spare parts are depreciated after reducing usage over a useful life of 8 years.

Derecognition
An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.
Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within the statement of profit and loss.

3.3 Capital work in progress
Capital work in progress at year end includes certain assets that have been acquired but are not ready for their intended use. Capital work in progress is stated at cost less any recorded impairment. These assets are transferred to relevant assets categories and are depreciated once they are available for their intended use.

3.4 Leasing:
Determining whether a contract is (or contains) a lease depends on the substance of the agreement at the inception of the lease. A contract is, or contains, a lease if the contract gives the right to control the use of an asset for a period of time in exchange for consideration.

A single recognition and measurement model is applied to all leases except for short-term or low-value leases. The right-to-use assets and lease liabilities are recognized at the inception of the lease.

Right-of-use assets
Right-of-use assets are measured at cost comprising the following:
- The amount of initial recognition of lease liabilities;
- Lease payments made at or before the commencement date minus lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are depreciated on a straight-line basis over the shorter of expected useful life or the lease term.

Lease obligations
Lease obligations are initially measured at the present value of lease payments that are not paid at the inception of the lease, which include:
- Fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate;
- Amounts expected to be paid under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

If 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.

Each lease payment is apportioned between the finance cost and the reduction of the outstanding liability. Finance costs are charged to the statement of profit or loss over the term of the relevant lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Short-term or low-value leases
Short-term leases are leases with a lease term of 12 months or less. Payments related to short-term leases and leases of low-value assets on a straight line basis are recognized as an expense in the statement of profits or losses.

3.5 Investment property
Investment property is property held to earn rentals or for capital appreciation or both for undetermined future use, rather than for sale in the ordinary course of business, use in the production or supply of goods or services.

Investment property acquired at initial recognition is measured at cost (including transaction costs). Upon subsequent measurement, the Group uses the cost model, the fair value of investment property is disclosed in accordance with the disclosure requirements of IAS 40 and is determined based on an annual valuation by an accredited external valuer using the recommended valuation method as per international and internal valuation standards.

An investment property should be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of profits or losses in the year of derecognition.

3.6 Inventories

Inventories are measured at lower of cost and net realizable value.
The cost is determined as follows:

- **Raw materials**: The cost includes the costs of purchasing materials and all expenses incurred to bring them to their present location. The cost is measured using the weighted average method.

- Work in progress and finished goods: It includes the cost of materials used in production in addition to the cost of direct labor and all other direct and indirect expenses incurred in connection with converting the product and bringing it to its present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less any expected costs of completion and the estimated selling costs.

Impairment of inventory

An assessment is made at each reporting date whether any inventories are impaired by comparing the carrying amount of each inventory item (or a group of similar items) with the selling price less the cost of completion and sale. If the net selling price is less than the carrying amount, the impairment loss is recognized for the inventory.

3.7 Related party transactions

Transactions with related parties include the transfer of resources, services, obligations or financing between the Group and the related party, regardless of whether such transactions are conducted on terms equivalent to those prevailing in an arm's-length transaction.

A related party is a person that is related to the reporting entity or a close member of that person's family is related to a reporting entity if that person:

a- is a member of the key management personnel of the reporting entity*;
b- has control or joint control over Group reporting entity;
c- has significant influence over the Group's decision-making process and policies.
* Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any directors whether executive or otherwise of the entity.

An entity is related to the Group if any of following conditions applies:

a-The entity and the reporting entity are members of the same group or both entities are jointly owned;
b- One entity is an associate or joint venture of the other entity;
c-The entity is controlled by the reporting entity or vice versa or the entity and the reporting entity are jointly controlled.

3.8 Accounts receivable

Accounts receivable are initially recognized at fair value, and subsequently measured at amortized cost using the effective interest rate, less any impairment losses of receivables.
Trade receivables arise when the Company provides a service to a customer on credit. The Management of the Group does not impose any commissions or interest on trade receivables.

3.9 Cash and cash equivalents

Cash and cash equivalents within the statement of financial position comprise cash with banks, cash on hand, and short-term deposits with original maturities of three months or less. They are exposed to insignificant risks for change in value.

3.10 Statement of cash flows

Statement of cash flows is prepared according to the indirect method.
For the purpose of preparing the statement of cash flows, cash and cash equivalents comprise cash with banks, cash on hand and the above short-term deposits less outstanding overdraft accounts that form an integral part of the Company's cash management.

3.11 Account payables and accrued expenses
Account payables and accrued expenses are recognized for amounts to be paid in the future for goods and services received, whether or not billed to the Company.

Trade payables are liabilities that the Group has incurred during the ordinary course of business on the basis of normal credit terms and they are non-interest bearing.

3.12 Employee benefits

Defined benefit plan (End-of-Service 'EOS' benefits)
The Group operates a defined benefit plan for end-of-service benefits in line with the Labor Law requirement in the Kingdom of Saudi Arabia. The 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 Labor Regulations of the Kingdom of Saudi Arabia, employees' end of service benefit plans are unfunded plans whereby the benefit payment obligations are met by concerned entities when they fall due.

The defined benefits obligation is periodically re-measured by an actuary using the projected credit unit method. The amount of obligation is calculated on the basis of the present value of the estimated future cash outflows discounted at the discount rate used.

The costs of the defined benefit obligations for the initial periods are calculated on an annual basis using the actuarially defined pensions cost rate at the end of the previous year, adjusted for significant market fluctuations and any significant onetime events, such as scheme adjustments or manpower cuts and reimbursements.

Actuarial gains and losses arising from remeasurement of defined benefit plan obligation are recognized in the statement of other comprehensive income. The Group calculates interest expense by applying the discount rate used to measure the net defined benefit obligation. The net interest expense and other expenses related to defined benefit plans recognized in the statement of profits or losses.

Short-term employee benefits
A liability is recognized for benefits accruing to employees in respect of wages and salaries, non-cash benefits, annual leave, sick leave, air tickets and other allowances during the period in which the employees render the related service. The liability is recorded at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognized in respect of short term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

3.13 Zakat and tax

Zakat
The Group is subject to zakat regulations set by the laws and instructions of the Zakat, Tax and Customs Authority according to the zakat standard.

Zakat is calculated at the higher of the zakat base including zakat income or adjusted net income, which is calculated through the consolidated financial statements of the Parent Company and its subsidiaries, according to which a consolidated return is submitted for the Group in accordance with the laws and regulations issued by the Zakat, Tax and Customs Authority. The share of zakat payable of each subsidiary is determined on the basis of estimation.

Withholding Tax
Group withholds taxes on certain transactions with non-resident parties in the KSA, as required under Saudi Arabian Income Tax Law. Withholding tax on foreign payments is recorded as a short-term liability.

Value Added Tax
The net amount of VAT recoverable from, or payable to, the GAZT is included as for the part of receivables or payables in the statement of financial position.

3.14 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and 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. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If outflows to settle the provisions are no longer probable, reversal of the provision is recorded as income.

3.15 Contingent liabilities and assets

All contingent liabilities arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Group; or all present obligations arising from past events but not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability. A contingent liability will not be recognized, rather, it will be disclosed in the financial statements.

Contingent assets are not recognized in financial statements; however, a contingent asset is disclosed where an inflow of economic benefits is probable.

3.16 Foreign currency translation

Transactions in foreign currencies during the year are translated into Saudi Riyals and recorded at the rates of exchange prevailing at the transaction dates. The balances of assets and liabilities recorded in foreign currencies at the balance sheet date are translated into Saudi Riyals at the exchange rates prevailing at that date. Profits and losses arising from transactions are reported in the statement of profit or loss..

3.17 Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or a financial liability is recognized and measured in accordance with measurement, recognition and disclosure requirements of IFRS 9.

Relevant detailed accounting policies are as follows:

3.17.1 Financial assets

Initial recognition and measurement

Trade receivables and deposits are recognized on the date they arise while all other financial assets are recognized on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Financial assets are measured upon initial recognition at the transaction price attributable to the acquisition of the financial asset, including transaction costs, except for financial assets that are subsequently measured at fair value through the statement of of profit or loss. If the arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest.

Classification and subsequent measurement

IFRS 9 has three major categories of financial assets as follows: Financial assets measured at amortized cost, assets measured at fair value through other comprehensive income and assets measured at fair value through profit or loss.

Under IFRS 9, financial derivatives embedded in contracts containing the basic instrument are financial assets within the scope of IFRS 9 and are not separated, the entire hybrid financial instrument is assessed for classification.

Subsequent measurement of financial assets depends on their classification as described below:

- Financial assets at amortized cost

These assets are measured upon initial recognition at fair value plus transaction costs directly attributable to the acquisition or issue of the financial asset. After the initial recognition, these are measured at amortized cost using the effective interest method.

- Financial assets at fair value through other comprehensive income

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies.

Investments in equity instruments at FVTOCI 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 the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

- Financial assets at fair value through profit or loss

Financial assets carried at fair value through profit or loss include financial assets held for trading and financial assets classified at initial recognition as fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. After initial recognition, they are re-measured at fair value.

Derecognition of financial assets

A financial asset is primarily derecognized when:
The contractual rights to the cash flows from the financial asset expire;
The Group transfers the rights to receive the contractual cash flows from the asset; The Company assumes a contractual obligation to pay the cash flows without a material delay to a third party ('pass through' transfers); or transfers or not substantially all of the risks and rewards of the asset or retains substantially all of the risks and rewards of ownership but does not retain control of the financial asset.

Impairment of financial assets measured at cost or amortized cost

Under IFRS 9, an impairment review is made at each reporting date for financial assets measured at amortized cost or FVTOCI except investments in equity instruments as well as contract assets as per the expected future credit loss model, which requires a significant estimate of how changes in economic factors affect the expected credit loss models that are determined on a weighted probability basis. This requires a significant estimate of how changes in economic factors affect the expected credit loss models that are determined on a weighted probability basis entity are measured in accordance with the following:

1- The expected credit loss over 12 months: This expected credit loss arises from default and potential default events within 12 months after the reporting date.
2- The expected credit loss over the life of the financial instrument: It is the expected credit loss that results from all default events over the expected life of the financial instrument.

As for the expected credit loss over 12 months, measurement is applied if the credit risks of financial assets have increased substantially at the reporting date since the initial recognition. The expected credit loss over 12 months measurement is applied if the credit risks have not increased substantially. The entity may determine that the credit risk does not increase substantially in case the instrument is exposed to low credit risks at the reporting date. However, the measurement of expected long-term credit losses is always applied to trade receivables and contract assets without any significant financing components. The entity may choose to apply this policy also to trade receivables and contract assets with significant financing components.

13.17.2 Financial liabilities

Initial measurement
Upon initial measurement, , except for financial liabilities that are subsequently measured at fair value through profit or loss, the financial liability is measured at the transaction price (including transaction costs), unless the arrangement forms actually financing transaction of the entity (for financial obligation) or a counter party (for financial asset) of the arrangement.

At initial measurement of financial liabilities that are subsequently measured at fair value through profit or loss, transaction costs are recognized in the statement of profit or loss.

The arrangement constitutes a financing transaction if payment is deferred beyond normal business terms.
If the arrangement constitutes a financing transaction, the financial liability shall be measured at the present value of the future payments discounted at the market rate of interest for a similar debt instrument.

Trade payables that have a significant financing component or have a maturity of less than 12 months are measured at their transaction price (invoice).

Classification and subsequent measurement
The financial obligation is measured at the amortized cost using the effective interest method if the conditions previously explained above are met. These financial liabilities are subsequently measured at the amortized cost using the effective Interest Rate (EIR) method. The amortized cost is calculated by taking into account any discount or premium on acquisition, and fees or costs that are an integral part of the EIR. The effective interest rate is included in the finance income within the statement of profit or loss. IFRS 9 introduces the change in fair value related to changes in the credit risk of liabilities in the other comprehensive income statement while the remaining amount of the change in fair value is presented in the statement of profit or loss.

Debt instruments classified as current liabilities are measured at the undiscounted cash amount or other cash consideration expected to be paid unless the arrangement constitutes, in fact, a financing transaction.

Derecognition of financial liabilities
A financial liability is derecognized when and only when the obligations are discharged, canceled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms or when the terms of an existing obligation are substantially modified, such replacement or modification is treated as a derecognition of the original financial liability, along with recognizing the new obligation. The difference in respective carrying amounts is recognized in the statement of profit or loss.

3.17.3 Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when the Group currently has a legally enforceable right to set off the recognized amounts; and the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.18 Revenue recognition
The Group recognizes revenue from contracts with customers when the performance obligation is satisfied by transferring ownership of the promised goods or services to the customer based on a five-step model:

Step 1: Identify the 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 that must be met.

Step 2: Identify the 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.

Step 3: Determine the transaction price: The transaction price is the amount to which the Group expects to be entitled in exchange for the transfer of goods and services to a customer. Transaction price is measured based on the fair value of the received consideration, after taking into account the agreed payment terms, excluding taxes, fees and amounts collected on behalf of third parties. These are recorded net of trade discounts and volume rebates.

Step 4: Allocate the transaction price to the performance obligations. Where a contract has multiple performance obligations. the Group will allocate 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: Recognize revenue when (or as) the Group satisfies a performance obligation.

3.18 Revenue recognition (Continued)

Revenue is measured at the fair value of consideration received or receivable, taking into account trade discounts, prompt settlement discounts and volume rebates allowed by the Group (if any).

Revenue includes only the total inflows of economic benefits received or receivable to which they relate. All amounts collected to the account of a third party such as income taxes and value added taxes are excluded. When the inflow of cash or cash equivalents is deferred and the agreement includes in substance a financing transaction, the fair value of the consideration is the present value of all future receipts that is determined using an imputed interest rate.

The imputed rate of interest is the more clearly determinable of either:
- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the present value of all future receipts and the nominal amount of the consideration is recognized as interest income.

The Group's revenue represents the following:

Revenue from product sales

The revenue resulting from the sale of goods and the issuance of an invoice is recognized when the significant risks and benefits of ownership of the goods are transferred to the buyer, with the Group not retaining the right of continuous administrative intervention to the degree that is usually associated with ownership nor the right of actual control over the sold goods. The revenue is recognized net of the allowed discount.

Other revenues

Rental income from operating leases is recognized on a straight-line basis over the lease periods. It is included within other income, which is recognized on an accrual basis.

3. 19 Cost of revenue

Cost of revenue includes production costs and direct industrial expenses, which comprise the cost of raw materials used in production, direct labor, other capitalized costs and operating expenses associated with production.

3.20 Finance cost

Finance cost comprises interest expense and other costs on borrowings and finance facilities. All finance costs are charged to profits or losses as incurred except finance costs related to owning or establishing an asset that may need some time to be ready for the intended use. It is added to the cost of the asset to be ready for the intended use according to IAS 23 (the Group does not have any such expenses being capitalized for the current year).

3.21 Selling and marketing expenses and general and administrative expenses

Selling and marketing expenses include expenses incurred in selling and marketing the goods, which are not considered part of the cost of revenue.

General and administrative expenses are expenses directly linked with management and are not considered direct costs.

3.22 Board of Directors' remunerations

Total remunerations paid to the Board of Directors represent fees for meeting attendance, bonuses and expenses, They are in line with the Companies Law requirements and the Capital Market Authority guidelines and the Company's Articles of Association.

3-23 Earnings per share

Basic earnings per share and diluted earnings per share (if any) are presented for ordinary shares. Basic earnings per share are calculated by dividing the Group's profit or loss attributable to common shareholders by the weighted average number of common shares outstanding during the year, after being adjusted by the number of ordinary shares repurchased or issued during the year. Diluted earnings per share is calculated by adjusting diluted profit or loss of the Group's ordinary shareholders and the weighted average number of shares outstanding during the year compared to dilutive potential ordinary shares.

3.24 Dividends

Dividends are distributed to the Shareholders when the General Assembly of Shareholders approves the dividends in line with the Saudi Companies Law.

(Expressed in thousands of Saudi riyals)

3.25 Operating Sectors

A business segment is a company with assets and operations associated with providing products or services that are subject to different risks and returns than other business segments. The geographical sector includes the provision of products or services within a specific economic environment that is subject to different risks and returns than sectors operating in other economic environments.

4. Changes in significant accounting policies and new standards

4.1 New and revised IFRS Standards that are applicable and have no significant impact on the financial statements

No new IFRS standards have been applied; however, a number of IFRS amendments are effective as of January 1, 2021 but have no significant impact on the Group's financial statements. The following is a summary of the adjustments applied by the Group:

Standard - Interpretation	Description	Effective date
IAS 16	Amendments relating to property, plant and equipment - proceeds before intended use	01 January 2022
IFRS 3	Amendments relating to reference to the IFRS Conceptual Framework issued in March 2018	01 January 2022
IAS 37	Amendments to "Provisions, Contingent Liabilities and Contingent Assets", specifically related to "Onerous contracts - Cost of Fulfilling a Contract"	01 January 2022
Annual Improvements to IFRS 2018–2020 Cycle	Annual improvements include amendments to three standards as follows: IFRS 1: First time Adoption of International Financial Reporting Standards IFRS 9: Financial Instruments IAS 41: Agriculture	01 January 2022

4.2 New and revised IFRS not yet effective and not applicable

The following are standards and interpretations issued and not yet effective and not applicable as of the date of the consolidated financial statements Consolidated:

Standard - Interpretation	Description	Effective date
IAS 1	Disclosure initiative: Accounting policies (IFRS Practice Statement 2 "Making Materiality Judgments"	01 January 2023
IAS 8	Amendments to "Accounting Policies" and changes in accounting estimates and errors related to definition of accounting estimates	01 January 2023
IAS 12	Amendments to "Income Taxes" of deferred Tax related to Assets and Liabilities arising from a Single Transaction	01 January 2023
IFRS 17	Amendments to initial application of insurance contracts	01 January 2023
IAS 1	Amendments to "Presentation of Financial Statements" to clarify classification of liabilities as current or non-current	01 January 2024
IFRS 16	Amendments to the Leases Standard relating to sale and leaseback transactions and the assessment of whether a transfer of assets is a sale.	01 January 2024

Notes to the financial statements for the year ended 31 December 2022
(Expressed in thousands of Saudi riyals)

5. Property, plant and equipment – net

5.1 For the year ended December 31, 2022

	Lands*	Buildings and roads **	Plant, equipment and main spare parts	Furniture, fixture and office equipment	Vehicles	Capital work in progress***	Total
Cost:							
Balance at 01 January 2022	10،625	220،598	1،844،624	109،660	33،948	7،218	2،226،673
Additions during the year	-	-	5،892	539	343	40،923	47،697
Transfers	-	-	41،591	153	-	(41،744)	-
Disposals	-	-	(72،215)	-	(721)	-	(72،936)
Balance at 31 December 2022	**10،625**	**220،598**	**1،819،892**	**110،352**	**33،570**	**6،397**	**2،201،434**
Accumulated depreciation:							
Balance at 01 January 2022	-	(202،239)	(1،653،511)	(103،424)	(33،315)	-	(1،992،489)
Depreciation for the year (note 23)	-	(4،820)	(39،264)	(2،404)	(375)	-	(46،863)
Disposals	-	-	72،214	-	721	-	72،935
Balance at 31 December 2022	**-**	**(207،059)**	**(1،620،561)**	**(105،828)**	**(32،969)**	**-**	**(1،966،417)**
Provision for accumulated impairment:							
Balance at 01 January 2022	-	-	(5،600)	-	-	-	(5،600)
Balance at 31 December 2022	**-**	**-**	**(5،600)**	**-**	**-**	**-**	**(5،600)**
Revaluation surplus:							
Change in surplus from revaluation during the year	243،200	-	-	-	-	-	243،200
Balance at 31 December 2022	**243،200**	**-**	**-**	**-**	**-**	**-**	**243،200**
Net book value:							
As per the cost model	-	13،539	193،731	4،524	601	6،397	218،792
As per the revaluation model*	253،825	-	-	-	-	-	253،825
As of 31 December 2022	**253،825**	**13،539**	**193،731**	**4،524**	**601**	**6،397**	**472،617**

Notes to the financial statements for the year ended 31 December 2022
Expressed in thousands of Saudi riyals)

5. Property, plant and equipment - net (continued)

* Based on the decision of the Board of the Capital Market Authority on December 31, 2019 to allow the listed companies to use the option of the revaluation model to measure property and investment properties starting from the year 2022, the Group has implemented and approved the use of the revaluation model for the properties included under the item of property, plant and equipment. It was approval from the Board of Directors after the recommendation of the Audit Committee to approve the policy at its meeting held on May 8, 2022 . It evaluated the land located in the Industrial City in Riyadh by valuers approved by the Saudi Authority for Accredited Valuers, and the valuation results were as follows:

Valuation company	Valuer	License No.	Basis for valuation	Valuation amount "in thousands SR" On the date of using the model	Valuation amount "in thousands SR" 31 December 2022
Hessab Real Estate Valuation Company	Fawaz Abdullah AlSharkh	1210001262	Comparable market value	252,762	253,825
Current Value Real Estate Valuation Company	Abdulkarim AlBaseer	1210000606	Comparable market value	292,609	281,733

The lowest value valuation was approved in accordance with the requirements of the Capital Market Authority when using the revaluation model, and the revaluation surplus was proven through other comprehensive income, amounting to SR 242,137 thousand.
** Some of the above-mentioned buildings are built on land leased from the Saudi Authority for Industrial Cities and Technology Zones (Modon) in the Second Industrial City, Riyadh, under a contract ending between 2028-2040.
*** Capital work in progress represents the value of buildings, plant and equipment during the construction and installation phase.
**** carrying amount of depreciated assets still in use as of December 31, 2022 (SR1,085,405) thousand Saudi riyals and as of December 31, 2021 (1,144,704) thousand.

5.2 For the year ended December 31, 2021

	Lands*	Buildings and roads **	Plant, equipment and main spare parts	Vehicles	Furniture, fixture and office equipment	Capital work in progress***	Total
Cost:							
Balance at 01 January 2021	47,630	220,187	1,845,780	33,210	109,022	419	2,256,248
Additions during the year	-	-	6,922	821	638	7,218	15,599
Transferred to investment properties (note 6)	(37,005)	-	-	-	-	-	(37,005)
Transfers	-	411	8	-	-	(419)	-
Disposals	-	-	(8,086)	(83)	-	-	(8,169)
Balance at 31 December 2021	**10,625**	**220,598**	**1,844,624**	**33,948**	**109,660**	**7,218**	**2,226,673**
Accumulated depreciation:							
Balance at 01 January 2021	-	(196,898)	(1,621,300)	(33,038)	(100,766)	-	(1,952,002)
Depreciation for the year **(note 23)**	-	(5,341)	(39,258)	(360)	(2,658)	-	(47,617)
Disposals	-	-	7,047	83	-	-	7,130
Balance at 31 December 2021	**-**	**(202,239)**	**(1,653,511)**	**(33,315)**	**(103,424)**	**-**	**(1,992,489)**
Provision for accumulated impairment:							
Balance at 01 January 2021	-	-	(5,600)	-	-	-	(5,600)
Balance at 31 December 2021	**-**	**-**	**(5,600)**	**-**	**-**	**-**	**(5,600)**
Net book value:							
As of 31 December 2021	**10,625**	**18,359**	**185,513**	**633**	**6,236**	**7,218**	**228,584**

Notes to the financial statements for the year ended 31 December 2022
(Expressed in thousands of Saudi riyals)

6. Investment properties - at cost

	31/12/2022	31/12/2021
Lands*		
Cost:		
Balance at beginning of year	87،005	50،000
Transferred from property, plant and equipment (note 5.2)	-	37،005
Net carrying amount at end of the year	**87،005**	**87،005**

* Investment properties represent the following:
(a) A real estate contribution to a land in Madinah at a cost of SR50 million riyals (for the purpose of generating revenue or capital profit) at a rate of 14،58% land sharing contract between the Company and one of the local investment properties companies under which the title deed was registered. It is also entitled to sell or dispose of the land without consulting the Company. In that case the sale value and profits are divided according to the participation percentage immediately after the sale.

- The Group's share in its fair value as at December 31, 2022 amounted to SR53,57 million riyals (2021: SR58,03 million) according to the valuation of this land by (The Current Value Real Estate Valuation Company, license No. 1210000606) as an approved valuer for the current and comparable year.

(b) A land in Khobar City purchased in 2015 at a cost of SR37 million riyals to establish a regional sales center targeting the Eastern Province and the GCC countries. It was included in previous years under property, plant and equipment. During 2021 and due to the economic conditions and the covid-19 impact, the Management put off the establishment of the center and decided to classify the land as investment property and lease it to generate additional income for the Group.

Its fair value as of December 31, 2022, amounted to SR42,30 million (2021: SR42,11 million), as per the valuation made by (Current Value Real Estate Valuation Company, license number: 1210000606) as an accredited valuer.

7. Leases

7.1 Right-of-use assets – net

	31/12/2022	31/12/2021
Right-of-use lands		
Cost:		
Balance at beginning of year	21،714	20،978
Additions during the year	-	947
Disposal of contracts	(27)	(211)
Balance at year-end	**21،687**	**21،714**
Accumulated depreciation:		
Balance at beginning of year	4،556	3،180
Depreciation for the year (note 23)	1،554	1،587
Disposals	(26)	(211)
Balance at year-end	**6،084**	**4،556**
Net carrying amount at end of the year	**15،603**	**17،158**

Notes to the financial statements for the year ended 31 December 2022
(Expressed in thousands of Saudi riyals)

7. Leases... (Continued)

	31/12/2022	31/12/2021
7.2 Lease liabilities		
Balance at beginning of year	17,954	18,333
Additions during the year	-	947
Less : Paid during the year	(2,206)	(2,249)
Less: Disposal	(1)	-
Charged to finance cost (note 27)	886	923
Present value of obligations	**16,633**	**17,954**

Lease obligations are presented in the statement of financial position based on the current portion - within the current liabilities (which represents the payable portion during a year) and the non-current portion - within the non-current liabilities (which represent the outstanding liability net of the current portion) as follows:-

	31/12/2022	31/12/2021
7.2.1 Lease liabilities - current portion	1,411	1,315
7.2.2. Lease liabilities - non-current portion	15,222	16,639
	16,633	**17,954**

8. Investments at fair value through other comprehensive income (FVOCI)

	Legal form	Head-quarters	Shareholding %	31/12/2022	31/12/2021
Unquoted investments					
Red Sea Cables Company *	Saudi closed joint stock company	Riyadh	27%	57,300	57,657
Al-Reef Sugar Refining Company **	Saudi closed joint stock company	Jeddah	15%	44,784	37,147
				102,084	**94,804**

	31/12/2022	31/12/2021
Movement of changes in fair value was at follows:		
Balance at beginning of year	94,804	82,775
Additions during the year	3,150	-
Profits from revaluation of investments at fair value	4,130	12,029
Fair value at end of the year	**102,084**	**94,804**

* The cost of investment in the Red Sea Cables Company amounted to SR50 million.

** The investment cost in Al-Reef Sugar Refining Company was initially 45 million Saudi riyals, which was later increased to 49.7 million Saudi riyals. During the year 2020, the company injected a total amount of 1,57 million Saudi riyals, which represents 50% of the Group's share in increasing the capital of Al-Reef Sugar Refining Company by 7% of the capital value, in accordance with the decision of the Board of Directors of Al-Reef Sugar Refining Company dated 28/02/1442 H corresponding to 14/10/2020. During the third quarter of the current year, the company paid the remaining amount of 1,57 million Saudi riyals. On 04/12/2022, the Extraordinary General Assembly of Al-Reef Sugar Refining Company was held, and it approved amending the company's articles of association by increasing the company's capital by 10.5% instead of the proposed 7% according to the decision of the Board of Directors. Accordingly, the company paid an amount of 1,57 million Saudi riyals to complete its share in the planned capital increase.

- The fair value mentioned above is valued as of December 31, 2022 by an accredited valuer Yazeed Abdulwahab Abdullah Al-Abdulwahab Office, license: 4012000042 (2021: Ahmed Mohamed Abdullah Al-Farraj Office for Valuation of Economic Enterprises - license No. 4112000053). The fair values reserve has been recognized through other comprehensive income.

- The Group does not have any control or significant influence over participation in the financial and operational decisions of the investees.

- Note 31 includes information on fair value.

(Expressed in thousands of Saudi riyals)

	31/12/2022	31/12/2021
9. Inventory - net		
Raw materials	232,996	229,798
Products under process	32,566	25,374
Finished goods	78,922	100,582
	344,484	**355,754**
(Less): Provision for impairment of inventory (9.1)	(6,065)	(5,466)
	338,419	**350,288**

	31/12/2022	31/12/2021
9.1 Movement of provision for impairment of Inventory		
Balance at beginning of year	5,466	4,604
Utilized during the year (note 26)	(255)	(79)
Provided for the year (note 23)	854	941
Balance at year-end	**6,065**	**5,466**

The provision for impairment of inventory is based on the nature, age and expiry date of inventory as well as the sale expectations which rely on previous trends and other qualitative and technical factors.

	31/12/2022	31/12/2021
10. Trade receivables - net		
Customers *	460,001	429,599
Provision for expected credit losses (note 10.1)	(23,003)	(19,003)
	436,998	**410,596**

	31/12/2022	31/12/2021
10.1 Movement in provision for expected credit losses		
Balance at beginning of year	19,003	15,401
Provided for the year (note 25)	4,000	3,602
Balance at year-end	**23,003**	**19,003**

	31/12/2022	31/12/2021
Below is an analysis of customer receivables aging as 31 December		
Up to 2 months	105,334	116,853
2-3 months	36,104	45,331
Over 3 months	318,563	267,415
Balance at year-end	**460,001**	**429,599**

* The Company does not charge any penalties or interest on late payments from customers.

Notes to the financial statements for the year ended 31 December 2022
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11. Related party transactions

11.1 Due from related parties

Related parties	Nature of relationship	31/12/2022	31/12/2021
Al Abdullatif Furniture Company*	Related to one of the directors of the Board	**43,753**	**41,353**

11.2 Due to related parties

Related parties	Nature of relationship	31/12/2022	31/12/2021
Natural Gas Distribution Company	Related to one of the directors of the Board	150	147
Red Sea Cables Company	Related to one of the directors of the Board	7	-
		157	**147**

11.3 Significant transactions with related parties

		Type and volume of related party transactions for the year ended December 31, 2022		
Related parties 2022	**Nature of relationship**	**Sales and services rendered**	**Purchases and services received**	**Payments and repayments**
Al Abdullatif Furniture Company*	Related to one of the directors of the Board	43,426	(863)	(40,163)
Red Sea Cables Company	Related to one of the directors of the Board	18	(174)	149
Al Abdullatif Industrial Investment Company	Related to one of the directors of the Board	-	(1,715)	1,712

		Type and volume of related party transactions for the year ended December 31, 2021		
Related parties 2021	**Nature of relationship**	**Sales and services rendered**	**Purchases and services received**	**Payments and repayments**
Al Abdullatif Furniture Company*	Related to one of the directors of the Board	40,337	(457)	(37,325)
Natural Gas Distribution Company	Related to one of the directors of the Board	-	(1,722)	1,760

* The Group performs an assessment of the impairment of receivables due from related parties by examining the financial position of the related parties and the markets in which they operate in each financial period. The Management believes that there are no indications of impairment in the value of the balances due as of December 31, 2022.

11.4 Key Management personnel compensation	2022	2021
Salaries and benefits of Directors of Executive Board	912	959
Board of Directors remunerations	300	400
Allowance for attendance of BoD sessions	45	54
	1,257	**1,413**

The General Assembly resolved in its meeting held on 14/11/1443 H (13/06/2022) to pay a sum of SR100 thousand to three Directors of the Board as a remuneration for the financial year ended 31/12/2021 at a total of SR300 thousand. No dividends were paid to one of the directors because he did not attend the meeting and sent a representative instead. The remaining Board three Directors waived their remuneration as Directors.

12. Prepayments and other debit balances	31/12/2022	31/12/2021
Advances to the suppliers	14,820	23,624
Prepaid insurance expenses	3,161	4,129
Prepayments	2,314	1,664
Employee imprests and advances	1,427	1,409
Visas, residence permits and work permits	1,111	1,223
Value Added Tax	-	935
Other	5,022	8,291
	27,855	**41,275**

Notes to the financial statements for the year ended 31 December 2022
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	31/12/2022	31/12/2021
13. Investments at FVTPL		
Balance at beginning of year	8,950	8,750
Profits from revaluation of investments at fair value	1,015	200
Disposals through sale	(8,200)	-
Balance at year-end	**1,765**	**8,950**

* Investments represent shares of a listed company (Saudi Arabian Oil Company – Aramco) with less than 1% of the share capital of the investee. The number of shares of the investee as of December 31, 2022 were 55 thousand shares (2021: 250 thousand shares). During the year, 200 thousand shares were sold and dividends were received in form of free 5,000 shares. The fair value was measured according to the disclosed share price as at December 31, 2022. Profits or losses of valuation have been recognized through profits or losses.

	31/12/2022	31/12/2021
14. Cash and cash equivalents		
Cash on hand	2,594	1,622
Local banks - current accounts in Saudi riyals	67,513	58,392
Local banks - current accounts in foreign exchange	12,397	12,416
	82,504	**72,430**

	31/12/2022	31/12/2021
15. Share capital		
Balance at year-end	**812,500**	**812,500**

The Company's share capital is SR812,500 divided into 81,250 shares at a nominal value of SR10 each. The Shareholders subscribed to the entire share capital of the Company. There were no changes in the share capital during the current financial year.

	31/12/2022	31/12/2021
16. Statutory reserve		
Balance at year-end	**241,429**	**241,429**

According to the Company's Articles of Association and the Saudi Companies Law, the Company must set aside 10% of its net income in each year to establish a statutory reserve. Appropriation can cease when the reserve equals 30% of the share capital. This reserve is not available for distribution.
No amount was set aside for the statuary reserve in the presented financial statements due to net loss incurred for the current year.

17. Employee defined benefit obligations
The Group operates an end-of-service plan for its employees in line with the Labor Law requirements in the Kingdom of Saudi Arabia. The EOS 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. Employee benefit plans are unfunded plans and the Group meets benefit payment obligations when they fall due, The movement during the period was as follows:

	31/12/2022	31/12/2021
Balance at beginning of year	16,836	13,428
Cost of current service	5,791	5,644
Cost of interest	371	383
Charged to profits and losses (note 17.1)	6,162	6,027
Paid during the year	(6,000)	(3,696)
Actuarial losses "charged to other comprehensive income"	2,891	1,077
Balance at year-end	**19,889**	**16,836**

Notes to the financial statements for the year ended 31 December 2022
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17. Employee defined benefit obligations... (Continued)

	31/12/2022	31/12/2021
17.1 Charged to profits and losses		
Charged to cost of revenue (note 23)	5,791	6,027
Charged to general and administrative expenses (note 25)	371	-
	6,162	**6,027**

An actuarial valuation was performed using the projected unit credit method to measure the present value of the employee defined benefit obligations on December 31, 2022 in relation to the end-of-service benefits accrued to employees under the Saudi Labor Law. This valuation was based on principal actuarial assumptions that included the following:-

	31/12/2022	31/12/2021
Significant actuarial assumptions used		
Discount rate	2.71%	3,10%
Annual salary increase rate	1%	1%
Employee turnover	Medium	Medium
Retirement age	60	60

Sensitivity analysis
The sensitivity analysis is based on a method that measures the effect on employee defined benefit obligations when a change occurs in one of the principal actuarial assumptions, while keeping all other assumptions constant.

	31/12/2022	31/12/2021
Basis according to actuarial assumptions used	19,889	16,836
Sensitivity of employees benefit obligations to a change in one of the assumptions		
Discount rate (increase by 1%)	19,441	16,581
Discount rate (decrease by 1%)	20,441	17,141
Turnover rate (increase by 1%)	20,037	16,918
Turnover rate (decrease by 1%)	19,663	16,741

A sensitivity analysis may not represent the actual change in the defined employee benefit obligations but rather provide an approximate report of the sensitivity of the assumptions. It is unlikely that the assumptions will change independently of each other.

	31/12/2022	31/12/2021
18. Banks - credit facilities		
Business facility finance and short-term Murabaha	226,341	153,824
Less : Deferred finance commissions	(3,538)	(873)
	222,803	**152,951**

- Through facility agreements signed with local banks, the Company received short-term facilities at a credit limit SR 466.7 million for the following purposes:
- Finance to purchase and import raw materials for production
- Finance for the operational cycle of the Company and working capital
- Purchase of materials via the opening account of Sabic Company
- Letters of credit and guarantees
- Murabaha and Tawarruq
- Hedging from foreign currency risks.

The above are under the following guarantees:
- Promissory notes with maximum amount of the facilities
- Agreement to finance Islamic trade
- Main hedge agreement

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	31/12/2022	31/12/2021
19. Trade Payables		
Suppliers	**31,667**	**30,631**

	31/12/2022	31/12/2021
20. Accrued expenses and other credit balances		
Due to employees	4,347	5,549
Value Added Tax	3,548	-
Advances from customers	1,521	1,834
Board of Directors remuneration due	360	400
Other accrued expenses	5,721	8,987
	15,497	**16,770**

	31/12/2022	31/12/2021
21. Zakat provision		
21.1 Provision for adjusted income		
Net (loss) for the year	(37,867)	(22,434)
Adjustments to net (loss) for the year	11,016	12,570
Net adjusted (loss) taxable	**(26,851)**	**(9,864)**

21.2 Calculation of zakat

The Group submits a consolidated zakat return for the Group as a whole (the Parent Company and its subsidiaries) in accordance with the consolidated financial statements. The approximate zakat base for the Group as of December 31, 2022 consists of the following items:

	31/12/2022	31/12/2021
Net adjusted (loss) taxable	(26,851)	(9,864)
Additions of components subject to zakat	1,394,398	1,191,827
Discounts of components not subject to zakat	(677,309)	(427,551)
Total zakat base	**690,238**	**754,412**
Zakat base for the year	**712,520**	**778,161**
Zakat for the year	**17,813**	**19,454**

Zakat payable is assessed at 2.5% on the higher of the zakat base or the net adjusted income.
Zakat was computed on the basis of 2.5% of the zakat base.

	31/12/2022	31/12/2021
21.3 Movement in zakat provision		
Balance at beginning of year	21,770	22,019
Paid during the year	(21,769)	(25,569)
Zakat for the year	17,813	19,454
Provision for expected Zakat claims	2,187	5,866
Provided for the year	20,000	25,320
Balance at year-end	**20,001**	**21,770**

Notes to the financial statements for the year ended 31 December 2022
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21. Zakat provision... (Continued)

21.4 Zakat status

The Group submitted its consolidated zakat return for the year ended December 31, 2021 and received a zakat certificate valid until April 30, 2022. Zakat has been calculated for the subsidiaries mentioned in note (1.3) within the consolidated financial statements of the Group. The Group is committed to accounting for it before the Zakat, Tax and Customs Authority, and each subsidiary is charged with its due Zakat in accordance with the Group's policy of redistributing Zakat among the subsidiaries.

- The Group has finalized its Zakat status with the The Zakat, Tax, and Customs Authority until 2018. The Zakat, Tax, and Customs Authority amended the zakat returns for the years 2019 and 2020, resulting in zakat differences totaling SAR 9.26 million. The Group filed an objection regarding these differences and paid a sum of SAR 2.52 million according to the Zakat regulations for accepting objections. The Violations and Tax Disputes Committee issued its decision confirming the zakat differences, and the Group filed an objection with the Appellate Committee for Violations and Tax Disputes, and the objection is still under review.

21.5 Value Added Tax

The Group submits consolidated VAT returns every month. It submitted December 2022 return and paid the amount later.

	2022	2021
22. Revenue		
Local sales	386,512	324,614
Export sales	260,992	316,902
	647,504	**641,516**

	2022	2021
23. Cost of revenue		
Raw materials inventory at beginning of the year	229,798	216,723
Local purchases	208,663	271,346
Import purchases	175,496	138,010
Less: Raw materials inventory at year-end	(232,996)	(229,798)
Cost of materials used for production	**380,961**	**396,281**
Products under process at beginning of the year	25,374	18,390
Industrial expenses and operation supplies	987	1,028
Salaries, wages, allowances and equivalents	95,082	87,695
GOSI	6,109	4,490
Housing and food	9,140	7,846
Risk insurance	5,713	6,584
Electricity and water	31,945	30,993
Motor vehicles and fuel expenses	4,404	4,420
Training cost	1,981	-
Visas, residence permits and work permits	5,874	5,074
Maintenance and spare parts cost	17,498	18,262
Medical insurance and treatment	6,353	3,846
Depreciation on right-of-use assets (note 7.1)	1,554	1,587
Depreciation on property and equipment (note 5)	46,863	47,617
Employee defined benefit obligations (note 17)	5,791	6,027
Other direct expenses	4,491	2,445
Less: Products under process at year-end	(32,566)	(25,374)
Finished goods cost	**617,554**	**617,211**
Finished goods inventory at beginning of the year	100,582	105,158
Less: Finished goods inventory at year-end	(78,922)	(100,582)
Impairment of inventory (note 9.1)	854	941
	640,068	**622,728**

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24. Selling and marketing expenses

	2022	2021
Salaries, wages and benefits	957	1,149
Transportation and cargo	18,269	18,682
Sale incentives	2,001	1,962
Samples	529	418
Leases	389	324
Insurance expenses	346	303
Transport, shipping and unloading	140	-
Car and fuel expenses	49	166
Advertising and other	1,795	1,537
	24,475	**24,541**

25. General and administrative expenses

	2022	2021
Salaries, wages and related expenses	9,305	9,364
Impairment of trade receivables (note 10.1)	4,000	3,602
Consulting and professional fees	1,321	1,272
Fees and subscriptions	1,175	1,310
Stationary and printings	1,126	781
Post, telephone and Internet	662	624
Bank fees	651	911
Canteen and cleaning	442	437
Board of Directors bonuses and expenses	438	616
Employee defined benefit obligations (note 17.1)	371	-
Cars expenses	154	73
Maintenance and repair	94	86
Miscellaneous	775	1,313
	20,514	**20,389**

26. Other income

	2022	2021
Rent	2,930	3,479
Income from related parties' companies	735	732
Profits from sale of property, plant plant and equipment	548	1,245
Provision for impairment of inventory no longer required (note 9.1)	255	79
Miscellaneous income	369	278
	4,837	**5,813**

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	2022	2021
27. Net finance cost		
Income from bank deposits	(6)	(57)
Interests on bank facilities	5,356	1,791
Lease interest (note 7.2)	886	923
	6,236	**2,657**

28. (Loss) per share
The basic (loss) per share was calculated by dividing the net (loss) for the year attributable to the Shareholders of the Company by the weighted average number of issued shares. The reduced (loss) per share equaled the (loss) per share as follows:

	2022	2021
Net (loss) for the year attributable to Company's Shareholders	(57,867)	(47,754)
Weighted average number of shares issued "in thousand of shares"	81,250	81,250
Basic and diluted (loss) per share attributable to the Company's Shareholders	**(0,71)**	**(0,59)**

29. Segment information
The Group's operating segments represent two primary sectors (the carpet, rugs and related products sector, and the blankets sector). Below is a summary of some of the financial information for the primary business sectors for the year ended December 31, 2022 (compared to the year ended December 31, 2021).

Description / Sector	**carpet, rugs and related products**	**Blankets**	**Total**
For the year ended 31 December 2022			
Revenue	555,153	92,351	**647,504**
Cost of revenue	(549,401)	(90,667)	**(640,068)**
Gross profit	5,752	1,684	**7,436**
Net (loss) for the year	(53,363)	(4,504)	**(57,867)**
Property, plant and equipment - net	446,634	25,983	**472,617**
Total assets	1,458,509	150,094	**1,608,603**
Total liabilities	320,080	7,048	**327,128**

	carpet, rugs and related products	**Blankets**	**Total**
For the year ended 31 December 2021			
Revenue	572,559	68,957	**641,516**
Cost of revenue	(557,932)	(64,796)	**(622,728)**
Gross profit	14,627	4,161	**18,788**
Net (loss) for the year	(46,034)	(1,720)	**(47,754)**
Property, plant and equipment - net	208,100	20,484	**228,584**
Total assets	1,219,846	132,597	**1,352,443**
Total liabilities	250,639	6,901	**257,540**

(Expressed in thousands of Saudi riyals)

Geographical distribution of sales

The Group carries out its operations in the Kingdom of Saudi Arabia, which is the primary domestic market. The Company markets its products to major markets outside the Kingdom, especially in the Gulf Cooperation Council countries, America, Africa, Europe, Australia and others. The following is a summary of the geographical distribution of sales for the year ended December 31, 2022 (compared to the year ended December 31, 2021).

	31/12/2022	31/12/2021
Local sales (inside Kingdom of Saudi Arabia)	**386,512**	**324,614**
Sales (outside Kingdom of Saudi Arabia)		
Asia Continent	51,873	102,313
North America	88,144	70,932
European Continent	45,732	57,775
Australian Continent	45,914	53,770
African Continent	29,329	32,112
	260,992	**316,902**
	647,504	**641,516**

30. Contingent liabilities and capital commitments

	31/12/2022		31/12/2021	
	Total contingent liabilities	Paid margin	Total contingent liabilities	Paid margin
Letters of credit and guarantees	**42,150**	**-**	**97,972**	**-**

31. Financial instruments and risk management

The Group's activities are exposed to various financial risks including: Liquidity risk, credit risk, and market risk (include currency risk, fair value risk, cash flow of commission rate and price 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.

Group's financial instruments comprise financial assets (cash and cash equivalents, trade receivables, investments at fair value through profit or loss, and other receivables) and financial liabilities (banks- credit facilities, trade and other payables) and include the following risks:

31.1 Liquidity risks

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. The Group manages and monitors liquidity risks on a regular basis to ensure that sufficient funds are available through bank facilities to meet any future commitments.

The Group's sales conditions stipulate that payments are to be made in cash upon delivery of the goods or on a credit basis.

All current liabilities are expected to be settled within 12 months as of the date of the financial statements.
The contractual maturities of financial liabilities as at the end of the year are:

Notes to the financial statements for the year ended 31 December 2022
(Expressed in thousands of Saudi riyals)

31.1 Liquidity risks... (Continued)

	31 December 2022			
	On demand or less than a year	**1-5 years**	**More than 5 years**	**Carrying amount**
Banks - credit facilities	222,803	-	-	222,803
Trade payables	31,667	-	-	31,667
Due to related parties	157	-	-	157
Other payables	5,721	-	-	5,721
	260,348	**-**	**-**	**260,348**

	31 December 2021			
	On demand or less than a year	**1-5 years**	**More than 5 years**	**Carrying amount**
Banks - credit facilities	152,951	-	-	152,951
Trade payables	30,631	-	-	30,631
Due to related parties	147	-	-	147
Other payables	8,987	-	-	8,987
	192,716	**-**	**-**	**192,716**

31.2 Credit risks

A credit risk refers to the risk that a customer or a counter party in a financial instrument will default on its contractual obligations resulting in financial loss to the Group and arises principally from the cash at banks and receivables. The Group minimizes credit risks associated with receivables by establishing procedures for credit limits for each customer and monitoring outstanding receivables in line with a set of procedures and policies. Cash is deposited with high credit rated banks.

The following are the carrying amounts of financial assets which represent the maximum of credit risks:

	2022	**2021**
Cash with banks	79,910	70,808
Trade receivables	436,998	410,596
Other receivables	5,022	14,003
	521,930	**495,407**

Accounts receivable are shown net of provision for impairment of trade receivables and sales discounts and returns. The Group applies the simplified version of ECL measurement by grouping receivables based on common credit risk characteristics and the days on which they are due.

31.3 Market risk

Market risk is the risk of fluctuations in a financial instrument due to changes in prevailing market prices such as foreign exchange rates, interest rates, and equity rates, which affect the Group's income or the value of its financial instruments. Market risk management aims to manage and control market risk exposure within acceptable parameters while maximizing returns.

The Group is exposed to the following market risks:

(Expressed in thousands of Saudi riyals)

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates affecting foreign currency payments and receipts along with assessment of assets and liabilities in foreign currencies.

The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Management regularly monitors changes in foreign exchange rates and manages the impact on the financial statements. Below are the Group's exposures to foreign currency on 31 December 2022:

For the year ended 31 December 2022

	USD Thousands of Saudi riyals	EURO Thousands of Saudi riyals	Total Thousands of Saudi riyals
Cash with banks	10,863	1,534	12,397
Trade receivables	149,481	2,139	151,620
Trade payables	(20,086)	-	(20,086)
Net risks on statement of financial position	**140,258**	**3,673**	**143,931**

For the year ended 31 December 2021

	USD Thousands of Saudi riyals	EURO Thousands of Saudi riyals	Total Thousands of Saudi riyals
Cash with banks	7,668	4,748	12,416
Trade receivables	193,153	5,290	198,443
Trade payables	(7,146)	-	(7,146)
Net risks on statement of financial position	**193,675**	**10,038**	**203,713**

The increase / (decrease) in foreign currencies affects the measurement of financial instruments (including assets and financial liabilities) denominated in foreign currencies. The Group's exposure is limited to the risks of changes in exchange rates that are not linked to the US dollar, which may result in an increase / (decrease) in the amounts shown below of equity:

	31 December 2022 Thousands of Saudi riyals	31 December 2021 Thousands of Saudi riyals
Euro (+10%)	367	1,004
Euro (-10%)	(367)	(1,004)

(Expressed in thousands of Saudi riyals)

Fair value risk
Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. Since the Group's financial statements are prepared under the historical cost principle, differences may arise between the carrying amount and the fair value estimates. The Group's Management believes that the fair value of the Group's financial assets and liabilities approximates book balances.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring fair value, the Group uses observable market information whenever possible. Fair values are categorized into different levels in the fair value hierarchy based on the inputs used in the valuation methods as follows:
Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

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 assets or liabilities that are not based on observable market data (unobservable inputs).

If multiple inputs used to measure fair value are categorized into different levels of the fair value hierarchy, the Fair Value Measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement. The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period in which the change occurred. During the period there were no transfers between the fair value levels of Level 1 and Level 2.

Where the Group's financial instruments are grouped according to the historical cost principle, except for investments and derivative financial instruments charged at the fair value, differences may arise between the carrying amount and the fair value estimates. The management believes that the fair value of the Group's financial assets and liabilities are not materially different from their carrying amount.

The financial assets measured at fair value are as follows:

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments at fair value through other comprehensive income	-	-	102,084	102,084
Investments at fair value through profits or losses	1,765	-	-	1,765
Total assets at fair value	**1,765**	**-**	**102,084**	**103,849**

Interest rate risk (currencies)
Interest rate risk (commissions) represents the risk related to the effects of fluctuations in interest rates (commissions) prevailing in the market to the Group's financial position and its cash flows.

Commodity price risk
Commodity price risk is the risk associated with changes to the prices of certain commodities to which the Group is exposed as a result of adverse impact on the Group's costs and cash flows. The commodity price risks arise from the expected purchases of certain commodities made of raw materials used by the Group.

31.4 Capital risk management
The Group's capital management objectives are to protect the Group's ability to continue on a going concern basis, while maintaining an optimal capital structure to reduce the cost of capital. To maintain or adjust the capital structure, the Group may obtain/pay financing from financial institutions.
In line with industry peers, the Group manages capital risks by monitoring levels of debt and liquid assets while considering future investment requirements and shareholder expectations. Debt is calculated as total long-term financing and short-term borrowings. Total capital comprises shareholders' equity as shown in the statement of financial position under "Capital and Reserves" and net debt (cash and cash equivalents included).
Key information related to the Group's capital risk management included:

	31/12/2022	**31/12/2021**
Total debts	327,128	257,540
Less : Cash and bank balances	(82,504)	(72,430)
Net debt	244,624	185,110
Total stockholders' equity	1,281,475	1,094,903
Total capital utilized	1,526,099	1,280,013
Debt ratio	**16%**	**14,5%**

Notes to the financial statements for the year ended 31 December 2022
(Expressed in thousands of Saudi riyals)

32. Events subsequent to financial statements date
Except for what is mentioned regarding the new Companies Law in note (1,5), the management believes that there were no significant subsequent events since the financial position date on December 31, 2022 and the date of approval of these financial statements that may have a material effect on these financial statements.

33. Approval of financial statements
The consolidated financial statements for the year ended December 31, 2022 were approved by the Group's Board of Directors on 29 March 2023.