Arabian Waterproofing Industries Company
“Awazel” and its Subsidiaries
(A Saudi Closed Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR’S REPORT

FOR THE YEAR ENDED 31 MARCH 2022

Arabian Waterproofing Industries Company “Awazel” and its Subsidiaries
(A Saudi Closed Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2022

EY
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Ernst & Young Professional Services (Professional LLC)
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Independent auditor's report
To the Shareholders of Arabian Waterproofing Industries Company "Awazel"
(A Saudi Closed Joint Stock Company)

Opinion

We have audited the consolidated financial statements of Arabian Waterproofing Industries Company "Awazel" (the "Company") and its subsidiaries (collectively, referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes 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 consolidated financial position of the Group as at 31 March 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed 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 Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter:

The consolidated financial statements of the Group for the year ended 31 March 2021, were audited by another auditor who issued an unmodified opinion on those consolidated financial statements on 23 September 2021 (corresponding to 16 Safar 1443H).

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

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

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

Independent auditor's report
To the Shareholders of Arabian Waterproofing Industries Company "Awazel"
(A Saudi Closed Joint Stock Company) (continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements (continued)

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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Independent auditor's report
To the Shareholders of Arabian Waterproofing Industries Company "Awazel"
(A Saudi Closed Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

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

for Ernst & Young Professional Services

Abdulrahman Moulay Albizioui
Certified Public Accountant
License No. 513

Riyadh: 22 Safar 1444H
(18 September 2022)

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CR 1010383821
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2022

	Notes	*2022* *SR*	*2021* *SR* *(Restated, note 31)*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	**76,538,968**	73,248,413
Investment properties	6	**26,084,853**	31,910,378
Right of use assets	7	**13,620,480**	13,778,455
Investments at fair value through other comprehensive income	8	**11,555,148**	9,617,594
TOTAL NON-CURRENT ASSETS		**127,799,449**	128,554,840
CURRENT ASSETS			
Prepayments and other receivables	9	**15,716,855**	9,803,221
Inventories	10	**56,062,604**	59,057,875
Trade receivables	11	**86,462,059**	99,478,466
Investments at fair value through profit or loss	12	**78,649,792**	87,766,379
Cash and cash equivalents	13	**32,972,315**	56,761,002
TOTAL CURRENT ASSETS		**269,863,625**	312,866,943
TOTAL ASSETS		**397,663,074**	441,421,783
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	**272,999,780**	272,999,780
Statutory reserve	15	**25,802,895**	25,802,895
Contractual reserve	16	**33,031,852**	33,031,852
Fair value reserve for FVOCI		**3,016,834**	1,079,280
Foreign currency translation reserve		**243,385**	212,089
Accumulated losses / retained earnings		**(1,831,113)**	41,087,735
Proposed dividends	17	**-**	5,459,996
Equity attributable to equity holders of the Parent		**333,263,633**	379,673,627
Non-controlling interests	18	**1,181,535**	1,229,110
TOTAL EQUITY		**334,445,168**	380,902,737
NON-CURRENT LIABILITIES			
Employees’ end-of-service benefits	19	**20,870,890**	14,132,344
Lease liabilities - noncurrent portion	7	**5,619,068**	4,890,632
TOTAL NON-CURRENT LIABILITIES		**26,489,958**	19,022,976
CURRENT LIABILITIES			
Zakat payable	21	**8,506,362**	6,878,557
Accrued expenses and other liabilities	22	**12,977,567**	12,680,933
Trade payables	23	**13,268,647**	16,371,820
Lease liabilities – current portion	7	**1,975,372**	5,564,760
TOTAL CURRENT LIABILITIES		**36,727,948**	41,496,070
TOTAL LIABILITIES		**63,217,906**	60,519,046
TOTAL EQUITY AND LIABILITIES		**397,663,074**	441,421,783

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2022

	Notes	*2022* *SR*	*2021* *SR* *(Restated, note 31)*
Sales	24	**168,837,205**	210,794,225
Cost of sales		**(139,850,725)**	(161,536,717)
GROSS PROFIT		**28,986,480**	49,257,508
Selling and distribution expenses	25	**(20,966,876)**	(14,176,623)
General and administrative expenses	26	**(19,245,075)**	(20,033,392)
OPERATING (LOSS) PROFIT		**(11,225,471)**	15,047,493
Finance costs		**(1,117,485)**	(886,921)
Other income, net	27	**5,586,946**	4,671,110
Foreign exchange (loss) gain, net		**(1,207,714)**	349,898
(LOSS) / PROFIT BEFORE ZAKAT		**(7,963,724)**	19,181,580
Zakat	21	**(8,572,397)**	(7,256,277)
NET (LOSS) PROFIT FOR THE YEAR		**(16,536,121)**	11,925,303
Attributable to:			
Equity holders of the Parent		**(16,491,098)**	12,089,113
Non-controlling interests		**(45,023)**	(163,810)
		(16,536,121)	11,925,303

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2022

	Notes	*2022 SR*	*2021 SR (Restated, note 31)*
NET (LOSS) PROFIT FOR THE YEAR		**(16,536,121)**	11,925,303
OTHER COMPREHENSIVE INCOME			
To be reclassified to profit or loss in subsequent periods:			
Foreign currency translation reserve		**28,744**	716,537
Other comprehensive income to be reclassified to profit or loss in subsequent periods		**28,744**	716,537
Not to be reclassified to profit or loss in subsequent periods:			
Re-measurement loss on end-of-service benefits	19	**(4,587,770)**	(323,895)
Fair value gain on FVOCI investments	8	**1,937,554**	1,568,991
Other comprehensive (loss) income not to be reclassified to profit or loss in subsequent periods		**(2,650,216)**	1,245,096
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME		**(2,621,472)**	1,961,633
TOTAL COMPREHENSIVE (LOSS) INCOME		**(19,157,593)**	13,886,936
Attributable to:			
Equity holders of the Parent		**(19,110,018)**	14,043,209
Non-controlling interests		**(47,575)**	(156,273)
		(19,157,593)	13,886,936

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

Arabian Waterproofing Industries Company “Awazel” and its Subsidiaries
(A Saudi Closed Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2022

	Attributable to equity holders of the Parent									
	Share capital SR	*Statutory reserve SR*	*Contractual reserve SR*	*Fair value reserve for FVOCI SR*	*Foreign currency translation reserve SR*	*Retained earnings SR*	*Proposed dividends SR*	*Total SR*	*Non-controlling interests SR*	*Total equity SR*
As at 1 April 2021 - *as previously reported*	272,999,780	25,802,895	33,031,852	1,079,280	212,089	42,142,076	5,459,996	380,727,968	1,229,110	381,957,078
Prior year adjustment (see note 31)	-	-	-	-	-	(1,054,341)	-	(1,054,341)	-	(1,054,341)
As at 1 April 2021 - *(restated)*	272,999,780	25,802,895	33,031,852	1,079,280	212,089	41,087,735	5,459,996	379,673,627	1,229,110	380,902,737
Net loss for the year	-	-	-		-	(16,491,098)	-	(16,491,098)	(45,023)	**(16,536,121)**
Other comprehensive income (loss)	-	-	-	1,937,554	31,296	(4,587,770)	-	(2,618,920)	(2,552)	**(2,621,472)**
Total comprehensive income (loss)	-	-	-	1,937,554	31,296	(21,078,868)	-	(19,110,018)	(47,575)	**(19,157,593)**
Dividends (see notes 17)	-	-	-	-	-	(21,839,980)	(5,459,996)	(27,299,976)	-	**(27,299,976)**
As at 31 March 2022	**272,999,780**	**25,802,895**	**33,031,852**	**3,016,834**	**243,385**	**(1,831,113)**	-	**333,263,633**	**1,181,535**	**334,445,168**
As at 1 April 2020	272,999,780	24,488,550	48,097,499	(489,711)	(496,911)	36,766,373	5,459,996	386,825,576	2,030,213	388,855,789
Net profit (loss) for the year	-	-	-	-	-	13,143,454	-	13,143,454	(163,810)	12,979,644
Other comprehensive income (loss)	-	-	-	1,568,991	709,000	(323,895)	-	1,954,096	7,537	1,961,633
Total comprehensive income (loss)	-	-	-	1,568,991	709,000	12,819,559	-	15,097,550	(156,273)	14,941,277
Transfer to statutory reserve	-	1,314,345	-	-	-	(1,314,345)	-	-	-	-
Transfer to contractual reserve	-	-	1,314,345	-	-	(1,314,345)	-	-	-	-
Dividends (see notes 17)	-	-	(16,379,992)	-	-	-	(5,459,996)	(21,839,988)	-	(21,839,988)
Proposed dividends (see notes 17)	-	-	-	-	-	(5,459,996)	5,459,996	-	-	-
Transfer of the investment in a subsidiary	-	-	-	-	-	471,947	-	471,947	(471,947)	-
Reversal of previous absorption of non-controlling interest	-	-	-	-	-	172,883	-	172,883	(172,883)	-
As at 31 March 2021	272,999,780	25,802,895	33,031,852	1,079,280	212,089	42,142,076	5,459,996	380,727,968	1,229,110	381,957,078

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	Notes	2022 SR	2021 SR
OPERATING ACTIVITIES			
(Loss) / profit before zakat		**(7,963,724)**	19,181,580
Adjustments to reconcile income before zakat to net cash flows from operating activities:			
Depreciation on property, plant and equipment	5	**6,586,523**	6,938,133
Charge / (reversal) for doubtful debts	11	**328,154**	(2,037,890)
Provision for employees’ end-of-service benefits	19	**2,387,887**	1,933,371
Charge / (reversal) for slow-moving inventories, net	10	**75,662**	(54,539)
Depreciation on investment properties	6	**614,052**	686,009
Depreciation of right of use assets	7	**2,956,511**	2,589,530
Unrealized gain on investments at FVTPL	12	**(883,413)**	(1,035,464)
Financial charges on lease liabilities	7	**559,027**	433,486
Gain on disposal of property, plant and equipment, net	27	**(638,973)**	(147,294)
		4,021,706	28,486,922
Working capital adjustments:			
Prepayments and other receivables		**(5,913,634)**	7,080,814
Inventories		**2,919,609**	(731,638)
Trade receivables		**12,688,253**	19,363,902
Accrued expenses and other current liabilities		**296,634**	1,103,513
Trade payables		**(3,103,173)**	114,454
Net cash flows from operations		**10,909,395**	55,417,967
Zakat paid	21	**(6,944,592)**	(9,544,630)
Employees’ end-of-service benefits paid	19	**(237,131)**	(2,703,446)
Net cash flows from operating activities		**3,727,672**	43,169,891
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	**(4,831,955)**	(7,063,832)
Proceeds from sale of property, plant and equipment		**747,147**	211,368
Proceeds from sale of investments at FVTPL	12	**10,000,000**	-
Payment made against leases		**(2,798,536)**	(3,500,000)
Net cash flows from (used in) investing activities		**3,116,656**	(10,352,464)
FINANCING ACTIVITIES			
Lease liability payment	7	**(3,419,931)**	(2,624,753)
Dividends paid	17	**(27,299,976)**	(21,839,988)
Net cash flows used in financing activities		**(30,719,907)**	(24,464,741)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**(23,875,579)**	8,352,686
Cash and cash equivalents at the beginning of the year	13	**56,761,002**	47,572,783
Effect of exchange rate changes in cash and cash equivalents		**86,892**	835,533
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**32,972,315**	56,761,002

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

1 CORPORATE INFORMATION

Arabian Waterproofing Industries Company “Awazel” (the “Company”) is a Saudi closed joint stock company, which was converted from a limited liability company on 15 Safar 1426H (corresponding to 25 March 2005). The Company commenced its operation on 14 Sha’aban 1401H (corresponding to 17 June 1981) under the Commercial Registration No. 1010039827. The Company has branches in Riyadh (Transport Branch), Jeddah and Dammam under Commercial Registration No. 1010431578, 4030045288 and 2050020686, respectively.

The Company and its subsidiaries are collectively referred to as the “Group”. The Group is engaged in the manufacturing of waterproofing products and heat insulation material and purchasing, processing and selling of stone and marble.

			Effective ownership as at	
Subsidiary	*Country of incorporation*	*Principal activities*	*31 March 2022*	*31 March 2021*
Awazel Misr, LLC[1]	Egypt	Production and sale of construction products	**100%**	100%
Awazel International Company, LLC[1]	United Arab Emirates	Building and construction materials trading	**99%**	99%
Awazel Kuwait Company for Building Materials[1]	Kuwait	Building materials production	**99%**	99%
Awazel Qatar International Company[1]	Qatar	Production and sale of construction products	**95%**	95%
Advanced Membrane Company for Industry	Kingdom of Saudi Arabia	Production of waterproofing and temperature resistant materials out of various plastics.	**90%**	90%
Al Sultan Contracting Trading Company Limited[2]	Kingdom of Saudi Arabia	Building and maintenance of pipes, residential properties, airports, railways and sewage	**90%**	90%
Al Takamal Company for Marble Limited	Kingdom of Saudi Arabia	Production and preparation of natural rocks including but not limited to marbles.	**90%**	90%

[1] *Legally held by a shareholder of the Company and certain other individuals for the benefit of the Company.*

2 STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND CONSOLIDATION

These consolidated financial statements are the statutory financial statements of the Group for the year ended 31 March 2022.

2.1 Statement of compliance

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”).

2 STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND CONSOLIDATION (continued)

2.2 Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis, except for investments at fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”) that have been measured at fair value and the employees’ end-of-service benefits, which has been measured using the projected unit credit method. The consolidated financial statements are presented in Saudi Riyals (“SR”) which is the functional currency of the Company and all values are rounded to the nearest SR, except when otherwise indicated.

2.3 Basis of consolidation

These consolidated financial statements comprise the assets, liabilities and the results of operations of the Group. Subsidiaries are entities that are controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group’s voting rights in an investee are sufficient to give it power, including:

- the size of the Group’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- the contractual arrangement with other vote holders of the investee;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2 STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND CONSOLIDATION (continued)

2.3 Basis of consolidation (continued)

Changes in ownership interest in subsidiaries

Changes in Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). In such circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the shareholder of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. Retained investment is recorded at fair value.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent 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.

A liability is classified as current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Revenue recognition

Sales Revenue

The Group recognizes revenue when control of the products sold, transfers to the customer, which shall be considered in the context of a five-step approach and applying the applicable shipping terms.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue arrangements are assessed against specific criteria to determine whether the Group is acting as a principal or agent.

Rights of return

When a contract with a customer provides a right of return of the good within a specified period, the Group accounts for the right of return when requested by the customer and contractual conditions are met.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in other income in the consolidated statement of profit or loss.

Finance income

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as FVOCI, finance income is recorded using the effective interest rate (“EIR”). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in income in the consolidated statement of profit or loss.

Dividend income

Dividend income is recognised when the Group’s right to receive the dividend is established.

Zakat

The Group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority (“ZATCA”) in the Kingdom of Saudi Arabia. Provision for zakat, if any, is accrued and zakat is charged to the consolidated statement of profit or loss. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Value-added tax (“VAT”)

Revenues, expenses and assets are recognized net of the amount of VAT, except for:

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from or payable to the tax authority is classified as an asset or a liability respectively, in the consolidated statement of financial position.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary and non-monetary assets and liabilities denominated in foreign currencies are retranslated in Saudi Riyals at the rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary assets and liabilities are taken to profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

On consolidation, assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their statements of profit or loss and other comprehensive income are translated in Saudi Riyals at average exchange rates prevailing during the reporting period of related transactions. Exchange differences arising on translation for consolidation, if material, are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income for exchange differences relating to that particular foreign operation is recognised in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends
Final dividends are recognised as a liability at the time of their approval by the General Assembly. Interim dividends are recorded as and when approved by the Board of Directors.

Property, plant and equipment
Property, plant and equipment, excluding land and capital work in progress, are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in consolidated statement of profit or loss as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Asset categories	*Useful lives*
Land improvements	33 years
Buildings	33 years
Building improvements	33 years
Furniture and fixtures	4 to 10 years
Computer and IT equipment	4 years
Motor vehicles	4 years
Plant and equipment	4 to 15 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Land and capital work in progress are carried at cost less accumulated impairment loss, if any.

Project under construction is stated at cost incurred until the asset is ready for its intended use, thereafter, this cost is capitalized on the related assets. This includes the cost of contractors, materials and services.

Investment properties
Investment properties are measured at cost less accumulated depreciation and any accumulated impairment in value. Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in consolidated statement of profit or loss in the period of derecognition.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the book value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Depreciation is charged on straight-line basis over the estimated useful lives of 33 years. No depreciation is charged on land and land is carried at cost less accumulated impairment, if any.

Financial instruments

Initial recognition

The Group records financial asset or a financial liability in its consolidated statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument.

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

Classification

The Group classifies its financial assets under the following categories:

- fair value through profit or loss (“FVTPL”);
- fair value through other comprehensive income (“FVOCI”); and
- amortised cost.

These classifications are on the basis of business model of the Group for managing the financial assets, and contractual cash flow characteristics.

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group classifies all non-derivative financial liabilities as subsequently measured at amortised cost using the effective interest rate method except for financial liabilities at FVTPL.

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

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

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

Fair value of financial instruments

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

- in the principal market for the asset or liability or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Fair value of financial instruments (continued)

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized in to different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

Trade receivables

After initial recognition, trade receivables are stated at amortised cost less allowance for any expected credit loss (“ECL”). The Group recognises an allowance for ECL which is charged to profit or loss and reported under “selling and distribution expenses”. When an trade receivable is uncollectible, it is written-off against the impairment allowance. Any subsequent recoveries of amounts previously written-off are credited against “selling and distribution expenses” in the consolidated statement of profit or loss.

Inventories

Inventories are measured at the lower of cost and net realizable value with due allowance for any obsolete or slow-moving items. Cost is determined as follows:

Raw material	-	purchase cost on a weighted average basis.
Finished goods	-	cost of direct materials and labour plus attributable overheads based on the higher of normal capacity or actual production for the period (on a weighted average basis).
Spare parts	-	purchase cost, on a specific identification basis.

Cost includes expenditure incurred in acquiring the inventories and costs incurred in bringing them to their existing location and condition.

Net realizable value is based on estimated selling price less any further costs expected to be incurred on disposal.

Impairment

Financial assets

IFRS 9 – “Financial Instruments” requires the Group to record expected credit losses on all of its trade receivables, either on a 12-month or lifetime basis. The Group applies the simplified approach and records lifetime expected losses on all trade receivables. The Group assesses on a forward-looking basis the expected credit loss associated with its financial assets carried at amortised cost. At each reporting date, the Group recognises in its profit or loss the amount of the change in lifetime expected credit losses as an impairment loss or reversal thereof. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)
Non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated.

Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. Except for goodwill, a previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. Impairment loss recorded against the carrying value of goodwill is not reversed in subsequent periods.

Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts (if any) as they are considered an integral part of the Group's cash management.

Trade payables and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions
Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to passage of time is recognized as financial charges.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' benefit

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment obligation

The Group operates a post-employment benefit scheme driven by the labour laws of the countries in which the Group entities operate.

The post-employment benefits scheme is not funded. Valuations of the obligations under the scheme is carried out by an independent actuary based on the projected unit credit method. The costs relating to such scheme primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in profit or loss as employee cost while the unwinding of the liability at discount rates used is recorded in profit or loss as financial charges. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement and recorded in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. Re-measurement are not reclassified to profit or loss in subsequent periods.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- *Right-of-use assets*

  The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

  If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)
Group as a lessee (continued)

- *Lease liabilities*

  At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

  In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

- *Short-term leases and leases of low-value assets*

  The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.1 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach).
- A simplified approach (the premium allocation approach) mainly for short-duration contracts IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice.

Reference to the Conceptual Framework – Amendments to IFRS 3
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. However, this is not applicable to the Group.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (continued)
The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Group.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

IAS 41 Agriculture – Taxation in fair value measurements
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. The amendment is not applicable to the Group.

Definition of Accounting Estimates – Amendments to IAS 8
In February 2021, the International Accounting Standards Board issued amendments to IAS 8, introducing a definition of "accounting estimates". Adjustments clarify the difference between changes in accounting estimates and changes in accounting policies and corrections of errors. It also describes how entities use measurement and input techniques to develop accounting estimates.

The amendment is effective for annual periods beginning on or after 1 January 2023 and applies to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Early application is permitted as long as the relevant estimates are disclosed.

The amendment is not expected to have a material impact on the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

3.2 NEW STANDARDS, AMMENDMENTS AND INTERPRETATIONS ADOPTED BY THE GROUP

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions but plans to apply the practical expedient if it becomes applicable within allowed period of application.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate expected credit losses ("ECLs") for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 11.

Impairment of inventories

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset.

The value in use calculation is based on a Discounted Cash Flow ("DCF") model, if applicable. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Employees' terminal benefits liabilities

The cost of employees' defined benefit obligation and other post-employment benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Contingent liabilities

The Group is exposed to various contingent liabilities in the normal course of business. Management evaluates the status of these exposures on a regular basis to assess the probability of the Group incurring related liabilities. However, provisions are only made in the consolidated financial statements where, based on the managements' evaluation, a present obligation has been established.

Economic useful lives of property, plant, equipment and investment properties

The Group's management determines the estimated useful lives of its property, plant, and equipment and investment properties for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The Group periodically reviews estimated useful lives and the depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Going concern

Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

5 PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 March 2022	*Land* SR	*Land improvements, buildings and building improvements* SR	*Furniture, fixtures and motor vehicles* SR	*Computer and IT equipment* SR	*Plant and equipment* SR	*Capital work-in-progress* SR	*Total* SR
Cost							
At 1 April 2021	20,547,514	64,708,742	57,100,804	12,309,793	120,358,857	1,832,515	**276,858,225**
Additions during the year	-	28,630	290,007	730,992	488,068	3,294,258	**4,831,955**
Transfers from investment properties during the year (see note 6)	3,221,242	2,416,343	-	-	-	-	**5,637,585**
Disposals during the year	-	(63,331)	(3,323,922)	(42,110)	(7,117,182)	-	**(10,546,545)**
Foreign currency adjustment	945	(32,861)	(33,129)	(14,090)	(4,430)	-	**(83,565)**
At 31 March 2022	23,769,701	67,057,523	54,033,760	12,984,585	113,725,313	5,126,773	**276,697,655**
Accumulated depreciation							
At 1 April 2021	-	(29,210,968)	(50,057,337)	(12,033,598)	(112,307,909)	-	**(203,609,812)**
Depreciation charge for the year	-	(2,101,533)	(2,185,682)	(364,277)	(1,935,031)	-	**(6,586,523)**
Relating to transfers from investment properties during the year (see note 6)	-	(416,743)	-	-	-	-	**(416,743)**
Relating to disposals	-	27,332	3,294,549	32,049	7,084,441	-	**10,438,371**
Foreign currency adjustment	-	5,606	5,839	3,940	635	-	**16,020**
At 31 March 2022	-	(31,696,306)	(48,942,631)	(12,361,886)	(107,157,864)	-	**(200,158,687)**
Net book value as at 31 March 2022	**23,769,701**	**35,361,217**	**5,091,129**	**622,699**	**6,567,449**	**5,126,773**	**76,538,968**

5 PROPERTY, PLANT AND EQUIPMENT (continued)

For the year ended 31 March 2021	*Land* SR	*Land improvements, buildings and building improvements* SR	*Furniture, fixtures and motor vehicles* SR	*Computer and IT equipment* SR	*Plant and equipment* SR	*Capital work-in-progress* SR	*Total* SR
Cost							
At 1 April 2020	20,545,938	64,295,776	52,557,774	11,938,028	119,868,869	1,607,060	270,813,445
Additions during the year	-	708,697	5,093,946	370,441	665,293	225,455	7,063,832
Disposals during the year	-	(298,736)	(511,866)	-	(175,332)	-	(985,934)
Foreign currency adjustment	1,576	3,005	(39,050)	1,324	27	-	(33,118)
At 31 March 2021	20,547,514	64,708,742	57,100,804	12,309,793	120,358,857	1,832,515	276,858,225
Accumulated depreciation							
At 1 April 2020	-	(27,546,586)	(48,200,521)	(11,759,760)	(110,108,594)	-	(197,615,461)
Depreciation charge for the year	-	(1,961,500)	(2,393,307)	(272,792)	(2,310,534)	-	(6,938,133)
Relating to disposals	-	298,736	511,860	-	111,264	-	921,860
Foreign currency adjustment	-	(1,618)	24,631	(1,046)	(45)	-	21,922
At 31 March 2021	-	(29,210,968)	(50,057,337)	(12,033,598)	(112,307,909)	-	(203,609,812)
Net book value as at 31 March 2021	20,547,514	35,497,774	7,043,467	276,195	8,050,948	1,832,515	73,248,413

Capital work-in-progress pertains to the Group's refurbishment of its manufacturing facilities and camp site.

The cost of fully-depreciated property, plant and equipment still used in operations amounted to SR 142.5 million (31 March 2021: SR 152.5 million). As at reporting date, the Group does not have any idle assets.

5 PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciation expense provided during the year has been allocated to the following:

	2022 *SR*	*2021* *SR*
Cost of sales	**5,512,363**	5,992,155
Selling and distribution expenses (see note 25)	**710,007**	645,129
General and administrative expenses (see note 26)	**364,153**	300,849
	6,586,523	6,938,133

6 INVESTMENT PROPERTIES

	2022 *SR*	*2021* *SR*
Cost		
At the beginning of the year	**35,259,935**	35,349,582
Transfers during the year	**(5,637,585)**	-
Foreign currency adjustment	**9,369**	(89,647)
At the end of the year	**29,631,719**	35,259,935
Accumulated depreciation		
At the beginning of the year	**(3,349,557)**	(2,663,548)
Depreciation charge for the year (see note 26)	**(614,052)**	(686,009)
Transfers during the year	**416,743**	-
At the end of the year	**(3,546,866)**	(3,349,557)
Net book value at the end of the year	**26,084,853**	31,910,378

The Group's investment properties consist of land, warehouse and showroom in the United Arab Emirates. Management has intentions to hold these properties for the purposes of capital appreciation and these properties (except land which is not depreciated) are carried at cost less depreciation and any accumulated impairment in value.

The fair value of the investment properties as at 31 March 2022 is estimated at SR 39.6 million (31 March 2021: SR 44.71 million) which was determined by the management using income capitalization method. During 2022 the investment property valuation was performed by qualified and independent chartered surveyor and property consultant using income capitalisation method which is in accordance with RICS Valuation Standards. The Valuer has appropriate qualifications and experience in the valuation of properties at the relevant locations.

The assumption used in the valuation are as follows:

- Capital return yield: 9%
- Occupancy: 100%
- Maintenance expense: 9%
- Structural void: 4%

Rent per square foot:

- Retail shops: SR 97.11
- Commercial office space: SR 61.33

6 INVESTMENT PROPERTIES (continued)

Income capitalisation:
Under this method the value of any asset or business is estimated by comparing and correlating its features to those of similar assets or businesses in the market, determining the capitalization rate applicable to such assets and arriving at the value of the asset by applying this capitalization rate to the established net income of the asset. Significant increases (decreases) in estimated rent per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in capital return yield rate would result in a significantly lower (higher) fair value.

As at 31 March 2022 and 2021, there were no restrictions on the realization of investment properties or the remittance of income and proceeds of disposal.

The fair value measurement of the investment property is categorized under Level 3 of the fair value hierarchy.

Rent revenue for the lease of the Group's investment property amounted to SR 0.83 million for the year ended 31 March 2022 (2021: SR 2.73 million). Related direct expenses amounted to SR 614,052 for the year ended 31 March 2022 (2021: SR 686,009).

7 RIGHT OF USE ASSETS AND LEASE LIABILITIES

The Group has lease contracts for various assets including land, building, warehouses and office space used in its operations. Leases of land generally have lease terms between 10 and 20 years, while building, warehouses and office spaces generally have lease terms between 2 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	2022 *SR*	*2021* *SR*
At the beginning of the year	**13,778,455**	9,240,078
Additions during the year	**4,823,656**	7,127,907
Depreciation charge for the year	**(2,956,511)**	(2,589,530)
Derecognition of leases during the year	**(1,141,227)**	-
Lease modifications during the year	**(877,245)**	-
Foreign currency adjustment	**(6,648)**	-
At the end of the year	**13,620,480**	13,778,455

The Group had total additions to right-of-use assets of SR 4,823,656 for the year ended 31 March 2022 (2021: SR 7,127,907) which includes payment of initial cost for the year ended 31 March 2022 of SR 2,798,536 (2021: SR 3,500,000).

7 RIGHT OF USE ASSETS AND LEASE LIABILITIES (continued)

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2022 SR	*2021 SR*
At the beginning of the year	**10,455,392**	9,018,752
Additions during the year	**2,027,656**	3,627,907
Lease modifications during the year	**(849,679)**	-
Accretion of interest	**559,027**	433,486
Payments made during the year	**(3,419,931)**	(2,624,753)
Derecognition of leases during the year	**(1,170,915)**	-
Foreign currency adjustment	**(7,110)**	-
At the end of the year	**7,594,440**	10,455,392

The following are the amounts recognised in profit or loss:

	2022 SR	*2021 SR*
Depreciation expense of right-of-use assets	**2,471,935**	2,589,530
Interest expense on lease liabilities	**559,027**	433,486
Depreciation expense of right-of-use assets (included in cost of sales)	**484,576**	-
Expense relating to short-term leases (included in selling and distribution expenses)	**10,492**	-
	3,526,030	3,023,016

The lease liabilities are presented in the consolidated statement of financial position is as follows:

	2022 SR	*2021 SR*
Current	**1,975,372**	5,564,760
Non-Current	**5,619,068**	4,890,632
	7,594,440	10,455,392

8 INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 SR	*2021 SR*
Quoted securities –at FVOCI		
At the beginning of the year	**9,617,594**	8,048,603
Movement during the year	**1,937,554**	1,568,991
At the end of the year	**11,555,148**	9,617,594

9 PREPAYMENTS AND OTHER RECEIVABLES

	2022 *SR*	*2021* *SR*
Staff receivable and others	**11,318,410**	11,238,738
Advances to suppliers	**7,780,558**	2,420,856
Prepayments	**4,318,271**	5,038,980
Dividend receivable	**768,576**	-
Margin on bank guarantees	**497,400**	497,400
Refundable security deposit	**183,390**	172,685
Others	**759,221**	487,588
Prepayments and other receivables, gross	**25,625,826**	19,856,247
Less: advances to employees (see note 19)	**(9,908,971)**	(10,053,026)
	15,716,855	9,803,221

10 INVENTORIES

	2022 *SR*	*2021* *SR*
Raw materials	**28,360,473**	35,311,919
Finished products	**20,458,597**	16,739,671
Spare parts	**12,701,222**	12,388,311
	61,520,292	64,439,901
Less: provision for slow-moving inventories	**(5,457,688)**	(5,382,026)
	56,062,604	59,057,875

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

	2022 *SR*	*2021* *SR*
At the beginning of the year	**5,382,026**	5,436,565
Charge / (reversal) during the year	**75,662**	(54,539)
At the end of the year	**5,457,688**	5,382,026

11 TRADE RECEIVABLES

	2022 *SR*	*2021* *SR*
Trade receivables	**112,007,095**	125,125,072
Less: provision for doubtful debts	**(25,804,272)**	(26,222,419)
	86,202,823	98,902,653
Due from related parties (see note 20)	**259,236**	575,813
	86,462,059	99,478,466

Trade receivables are non-interest bearing and are generally collected within 60 days.

Due from government and quasi-government institutions included in trade receivables are nil for both the current and prior year.

For the terms and conditions of amounts due from related parties, refer to note 20.

Movement in provision for doubtful debts is as follows:

	2022 *SR*	*2021* *SR*
At the beginning of the year	**26,222,419**	28,260,309
Charge / (reversal) for the year (see note 25)	**328,154**	(2,037,890)
Written-off during the year	**(746,301)**	-
At the end of the year	**25,804,272**	26,222,419

12 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 *SR*	*2021* *SR*
At the beginning of the year	**87,766,379**	86,730,915
Movement during the year	**883,413**	1,035,464
Proceeds during the year	**(10,000,000)**	-
At the end of the year	**78,649,792**	87,766,379

13 CASH AND CASH EQUIVALENTS

	2022 *SR*	*2021* *SR*
Cash at bank (see note 13.1)	**32,548,456**	56,466,927
Cash in hand	**423,859**	294,075
	32,972,315	56,761,002

13 CASH AND CASH EQUIVALENTS (continued)

13.1 Management has conducted an assessment as required by IFRS 9 and in respect of cash at bank balances management believes that there is no impairment against the carrying values of the same.

14 SHARE CAPITAL

The share capital of the Company is divided into 27,299,978 shares of SR 10 each (31 March 2021:27,299,978 of SR 10 each) held as follows:

	31 March 2022		*31 March 2021*	
	Amount SR	*Percentage*	*Amount SR*	*Percentage*
Boubyan Petrochemical Company	**56,720,360**	**20.78%**	56,720,360	20.78%
Mr. Ibrahim Ali Al Sugair	**18,126,390**	**6.64%**	19,126,390	7.01%
Mrs. Hela Abdul Rahman Issa Al Remaiah	**17,830,230**	**6.53%**	17,830,230	6.53%
Samama Investment Company	**17,369,490**	**6.36%**	17,369,490	6.36%
Mr. Firas Ali Al Sugair	**15,557,590**	**5.70%**	15,557,590	5.70%
Mr. Mansour Ali Al Sugair	**15,491,340**	**5.67%**	15,491,340	5.67%
Mr. Nasir Ali Al Sugair	**14,715,930**	**5.39%**	14,715,930	5.39%
Mr. Sugair Ali Ibrahim Al Sugair	**13,867,980**	**5.08%**	13,867,980	5.08%
Other shareholders	**103,320,470**	**37.85%**	102,320,470	37.48%
	272,999,780	**100.00%**	272,999,780	100.00%

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and benefit other stakeholders. Management's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business.

The Company is not subject to significant externally imposed capital requirements.

No changes were made in the objectives, policies or processes for managing capital during the current and prior year.

For the purpose of the Group's capital management, capital includes share capital, reserves and retained earnings totaling SR 333.26 million as at 31 March 2022 (31 March 2021: SR 379.67 million).

15 STATUTORY RESERVE

In accordance with the Companies' Law and the Company's By-Laws, 10% of the net income for the year (after zakat and income tax) is required to be transferred to statutory reserve. The Company may resolve to discontinue such transfers when the reserve total 30% of share capital. The reserve is not available for distribution.

16 CONTRACTUAL RESERVE

The Group makes 10% transfers to contractual reserve for dividend protection purposes. The contractual reserve will be used as per Board of Directors' decision in the manner as stipulated in the Company's By-Laws.

17 DIVIDENDS

Dividends for the year ended 31 March 2022

The Board of Directors in their meeting held in January 2022 approved the distribution of dividend for the year ended 31 March 2022 at the rate of SR 0.8 per share, amounting to SR 21.8 million, which has been paid in March 2022.

Dividends for the year ended 31 March 2021

The General Assembly of the Group, in its meeting held in September 2020 approved the distribution of dividend for the quarter ended 31 March 2020, at the rate of SR 0.2 per share amounting to SR 5.5 million, out of which, SR 5.3 million has been paid in September 2020 and the remaining dividend was paid in October 2020. The Board of Directors in their meeting held in December 2020 approved the distribution of dividend for the quarter ended 30 June 2020, at the rate of SR 0.2 per share amounting to SR 5.5 million, which was paid in December 2020.

The Board of Directors in their meeting held in December 2020 approved the distribution of dividend for the quarters ended 30 September and 31 December 2020 and 31 March 2021, at the rate of SR 0.2 per share, amounting to SR 5.5 million for each quarter. For the quarters ended 30 September and 31 December 2020, dividends are paid in March 2021. The dividend for the quarter ended 31 March 2021 (presented as proposed dividend at 31 March 2021) was paid in October 2021.

18 NON-CONTROLLING INTERESTS

This balance represents the share of the non-controlling interests in the following consolidated subsidiaries:

	2022 *SR*	*2021* *SR*
Al Sultan Contracting Trading Company Limited	**415,115**	361,000
Advanced Membrane Company for Industry	**336,887**	421,423
Awazel International Company, LLC	**413,015**	421,625
Al Takamal Company for Marble Limited	**110,558**	117,974
Awazel Kuwait Company for Building Materials	**185,465**	229,850
Awazel Qatar International Company	**(279,505)**	(322,762)
	1,181,535	1,229,110

Information on the non-controlling interests’ share in profit (loss) and other comprehensive income (loss) for the year ended 31 March is as follows:

	Net (loss) profit		*Other comprehensive (loss) income*	
	2022 *SR*	*2021* *SR*	*2022* *SR*	*2021* *SR*
Al Sultan Contracting Trading Company Limited	**54,115**	75,107	**-**	-
Al Takamal Company for Marble Limited	**(7,416)**	(21,040)	**-**	-
Advanced Membrane Company for Industry	**(84,536)**	(97,016)	**-**	-
Awazel International Company, LLC	**(8,732)**	35,780	**122**	(1,042)
Awazel Qatar International Company	**43,376**	(150,500)	**(119)**	622
Awazel Kuwait Company for Building Materials	**(41,830)**	(6,141)	**(2,555)**	7,957
	(45,023)	(163,810)	**(2,552)**	7,537

19 EMPLOYEES’ END-OF-SERVICE BENEFITS

The movement of employees’ end-of-service benefits liability for the year ended 31 March is as follows:

	2022 SR	*2021 SR*
Opening balance – present value of defined benefit obligation	**24,185,370**	25,452,789
Current service cost	**1,829,429**	1,338,144
Interest cost	**558,458**	595,227
Benefits paid	**(381,186)**	(3,542,838)
Actuarial loss on obligation	**4,587,770**	323,895
Foreign currency adjustment	**20**	18,153
Closing balance – present value of defined benefit obligation	**30,779,861**	24,185,370
Less: advance payments to employees (see note 19)	**(9,908,971)**	(10,053,026)
Employees’ end-of-service benefits	**20,870,890**	14,132,344

The principal assumptions used for the year ended 31 March presented are as follows:

	2022	*2021*
Financial assumptions:		
Discount rate (per annum)	**3.00%**	2.35%
Salary growth rate (per annum)	**3.00%**	2.35%
Demographic assumptions:		
Retirement age	**65 years**	65 years

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at 31 March 2022 and 2021 assuming all other assumptions are held constant:

		(Decrease) / increase in Defined Benefit Obligations	
	Increase (decrease) in Basis Points	*2022 SR*	*2021 SR*
Discount rate	+50	**(849,234)**	(867,459)
	-50	**894,692**	924,939
Salary increase rate	+50	**926,402**	949,204
	-50	**(887,429)**	(898,406)

Shown below is the maturity profile of the undiscounted benefit payments as at 31 March:

	2022 SR	*2021 SR*
Within the next 12 months	**3,781,121**	901,257
Between 2 and 5 years	**11,998,410**	8,546,374
Beyond 5 years	**17,460,277**	11,097,998

20 RELATED PARTY TRANSACTIONS AND BALANCES

The Group enters into certain transactions with related parties for which the terms and conditions are approved by the Group’s management.

Significant transactions with related parties in the ordinary course of business included in the consolidated financial statements are summarized below:

Related parties	*Nature of transactions*	*2022 SR*	*2021 SR*
Entities under common control	Sales	**175,485**	1,039,605
	Purchases	**(735,388)**	(1,228,234)
Key management personnel	Salaries and wages	**(6,239,861)**	(3,767,174)
	End-of-service benefits	**(338,277)**	(295,143)
	Board remuneration	**(1,000,000)**	(1,000,000)

Significant balances arising from transactions with related parties are as follows:

	2022 SR	*2021 SR*
Due from related parties		
Entities under common control (see note 11)	**259,236**	575,813
Due to a related party		
Entity under common control (see note 23)	**(197,025)**	(464)

Due from and to related parties are included as part of trade receivables and trade payables, respectively.

Terms and conditions of transactions and balances with related parties
Transactions with related parties are made at terms equivalent to those that prevail in Group’s normal commercial transactions. Outstanding balances at the reporting date are unsecured, interest free and are usually settled in cash. There have been no guarantees provided or received for any related party receivables or payables. During the current and prior year, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each period by examining the financial position of the related party and the market in which the related party operates.

21 ZAKAT

The movement in Group’s zakat payable for the year ended 31 March is as follows:

	2022 SR	*2021 SR*
At the beginning of the year	**6,878,557**	9,166,910
Charge for the year	**8,103,116**	6,756,573
Additional provision relating to prior year assessments	**469,281**	499,704
Paid during the year	**(6,944,592)**	(9,544,630)
At the end of the year	**8,506,362**	6,878,557

21 ZAKAT (continued)

The zakat charge for the year ended 31 March pertains to current year provision and is based on the following:

	2022 *SR*	*2021* *SR*
Equity	**350,511,674**	287,926,165
Opening allowances and other adjustments	**32,723,746**	104,980,456
Book value of long-term assets (net of related financing)	**(157,609,768)**	(159,277,787)
	225,625,652	233,628,834
Adjusted net (loss) / income for the year	**(8,602,956)**	25,179,318
Total zakat base	**217,022,696**	258,808,152
Zakat provision @ 2.578% (2021: 2.578%) of total zakat base excluding adjusted net (loss) / income for the year	**5,815,916**	6,022,212
Zakat provision on adjusted net (loss) / income for the year @ 2.5% (2021: 2.5%) of zakat base	**(215,074)**	629,483
Total zakat charge for the year	**5,600,842**	6,651,695
Zakat accrued during the year	**7,930,719**	6,651,695

Amount recognized in profit or loss

	2022 *SR*	*2021* *SR*
Charge for the Company:		
Zakat charge for the year	**7,930,719**	6,651,695
Additional provision relating to prior year assessments	**469,281**	499,704
Charge for the Subsidiaries:		
Zakat charge for the year	**172,397**	104,878
Total zakat expense	**8,572,397**	7,256,277

Status of assessments

The Company has filed the zakat returns for all years up to 2021. The assessments up to the year 2015 has been finalized with ZATCA. ZATCA has issued assessment for the year 2016 with additional liability of SR 469,281 which Company is currently in process of settlement. The ZATCA is yet to issue the assessments for the years 2017 to 2021 as of 31 March 2022.

22 ACCRUED EXPENSES AND OTHER LIABILITIES

	2022 *SR*	*2021* *SR*
Employee related accruals	**7,384,043**	6,269,520
Value added tax payable	**1,511,460**	184,613
Accrued board remuneration	**1,000,355**	1,000,000
Accrued sales commission	**630,645**	1,407,281
Accrued professional fees	**623,128**	406,334
Advance from customers	**451,696**	322,985
Withholding tax payable	**226,881**	170,161
Accrued utilities expenses	**124,128**	127,476
Accrued transportation charges	**-**	338,140
Others	**1,025,231**	2,454,423
	12,977,567	12,680,933

23 TRADE PAYABLES

	2022 *SR*	*2021* *SR*
Trade payables	**13,071,622**	16,371,356
Due to a related party (note 20)	**197,025**	464
	13,268,647	16,371,820

Trade payables are non-interest bearing and are due for payment within 120 days. For terms and conditions of amount due to a related party, refer to note 20.

24 SALES

Disaggregated sales information
Set out below is the disaggregation of the Group’s sales:

	2022 *SR*	*2021* *SR*
Sources of sales		
Sale of membrane	**119,733,469**	161,009,064
Sale of liquids	**21,216,425**	25,564,902
Others	**27,887,311**	24,220,259
	168,837,205	210,794,225
Geographical markets		
Kingdom of Saudi Arabia	**84,534,636**	110,050,539
United Arab Emirates	**38,169,684**	50,643,442
Kuwait	**24,052,765**	34,010,988
Qatar	**16,590,839**	14,847,207
Egypt	**5,489,281**	1,242,049
	168,837,205	210,794,225

24 SALES (continued)

Disaggregated sales information (continued)

	2022 *SR*	*2021* *SR*
Timing of sales recognition		
Goods and services transferred at a point in time	**168,837,205**	210,794,225

25 SELLING AND DISTRIBUTION EXPENSES

	2022 *SR*	*2021* *SR* *(Restated, note 31)*
Salaries and employees' benefits	**12,135,124**	8,553,516
Right of use assets depreciation	**2,457,058**	2,589,530
Sales commission expense	**1,294,530**	1,372,728
Depreciation on property, plant and equipment (see note 5)	**710,007**	645,129
Travel expense	**550,167**	35,935
Advertising and promotion expense	**650,611**	406,149
Repairs and maintenance expense	**526,114**	410,558
Office utilities	**394,011**	307,330
Communication expense	**377,867**	146,744
Doubtful debts expense / (reversal) (see note 11)	**328,154**	(2,037,890)
Insurance expense	**224,942**	50,637
Bank charges	**91,408**	5,715
Rental expense	**53,305**	173,388
Others	**1,173,578**	1,517,154
	20,966,876	14,176,623

26 GENERAL AND ADMINISTRATIVE EXPENSES

	2022 *SR*	*2021* *SR*
Salaries and employees' benefits	**12,507,729**	13,855,346
Professional services	**2,410,271**	833,858
Board remuneration	**1,000,000**	1,000,000
Insurance expense	**654,232**	704,997
Depreciation on investment properties (see note 6)	**614,052**	686,009
Communication expense	**598,572**	877,495
Depreciation on property, plant and equipment (see note 5)	**364,153**	300,849
Bank charges	**304,343**	401,008
Travel expense	**209,470**	173,482
Bank guarantee charges	**37,090**	31,463
Others	**545,163**	1,168,885
	19,245,075	20,033,392

27 OTHER INCOME, NET

	2022 *SR*	*2021* *SR*
Rental income	**1,771,627**	2,729,528
Income from investments at FVTPL	**883,413**	1,035,464
Dividend income from investments at FVOCI	**768,576**	-
Gain on disposal of property, plant and equipment, net	**638,973**	147,294
Insurance claim	**378,612**	-
Others	**1,145,745**	758,824
	5,586,946	4,671,110

28 COMMITMENTS AND CONTINGENCIES

28.1 Contingent liabilities

The Group had contingent liabilities arising in the normal course of business, in respect of performance guarantees, as at 31 March 2022 amounting to SR 14.67 million (31 March 2021: SR 10 million).

28.2 Operating lease commitments

Group as a lessor
The Group has entered into lease of its investment property to tenants. These non-cancellable leases have remaining terms between 1 and 5 years. Future minimum lease rentals receivable as at 31 March are as follows:

	2022 *SR*	*2021* *SR*
Within one year	**291,776**	20,789
After one year but not more than five years	**569,485**	-
	861,261	20,789

Group as a lessee
The minimum lease payments for the years subsequent to the date of the consolidated statement of financial position are as follows:

	2022 *SR*	*2021* *SR*
Maturity analysis - contractual undiscounted cash flows		
Within one year	**2,160,287**	3,516,353
After one year but not more than five years	**5,222,446**	5,426,458
More than five years	**1,539,877**	1,929,556
Total undiscounted lease liabilities	**8,922,610**	10,872,367

29 FINANCIAL RISK MANAGEMENT

The Group’s activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including foreign currency risk, commission rate risk and price risk). The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance. Risk management is carried out by senior management. The most important types of risk are summarised below:

29.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

The following table shows the Group’s maximum exposure to credit risk for components of the consolidated statement of financial position.

	2022 *SR*	*2021* *SR*
Trade receivables	**86,462,059**	98,902,653
Other receivables	**3,618,026**	1,157,673
Cash equivalents	**32,548,456**	56,466,927
	122,628,541	156,527,253

Trade receivables
The Group’s exposure to credit risk on trade receivables is influenced mainly by the individual characteristics of each customer.

As at reporting date, the ageing of trade receivables that were not impaired are as follows:

	2022 *SR*	*2021* *SR*
Neither past due nor impaired	**40,814,185**	36,100,464
Past due 1 to past due 90 days	**17,725,220**	26,429,008
Past due 91 to 180 days	**11,161,179**	16,453,608
Past due 181 to 270 days	**5,390,889**	7,578,519
Past due 271 to 360 days	**4,694,875**	6,105,309
More than 361 days	**32,220,747**	32,458,164
	112,007,095	125,125,072

Management believes that the unimpaired amounts that are past due by more than 90 days are still collectible in full, based on historical payment behavior and extensive analysis of credit risk, including customers credit ratings, if they are available.

Movement in allowance for impairment during the year, in respect of trade receivables, is presented in note 11.

Other receivables
This mainly includes staff receivables, margin on bank guarantees, refundable security deposit and other receivables. There is no significant credit risk attached to other receivables and management expects to recover these fully.

29 FINANCIAL RISK MANAGEMENT (continued)

29.1 Credit risk (continued)

Cash equivalents
Credit risk on cash equivalents is limited as these are held with banks with sound credit ratings.

Credit concentration
No significant concentrations of credit risk were identified by the management as at the reporting date.

29.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group’s approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Group’s reputation. Accordingly, the Group ensures that sufficient bank facilities are always available.

The remaining contractual maturities at the reporting date of the Group’s financial liabilities consisting of accrued expenses and other liabilities and trade payables are all due within 12 months. The undiscounted amount of these financial liabilities approximate their carrying values at the reporting date.

29.3 Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates, will affect the Group’s income or cash flows. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

Foreign currency risk
Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of business. The Group undertook significant transactions and has significant monetary assets and liabilities in Saudi Riyals, Qatari Riyals, Kuwaiti Dinars and UAE Dirhams. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group has investments in foreign subsidiaries, and their net assets are also exposed to currency translation risk. Management monitors such exposures and believes that the Group’s exposure to foreign currency risk is not significant as at the reporting date. Management mitigates foreign currency risk of the Group by regularly monitoring foreign currency rates of the currencies that the Group deals in.

Commission rate risk
Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. Since the Group does not have any deposits bearing commission, management believes that there is no commission rate risk for the Group.

Price risk
Price risk is the risk that the value of the Group’s financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The price risk of the Group mainly arises from its FVOCI and FVTPL investments which is carried at fair value. Management believes that the Group’s exposure to price risk is not significant.

30 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments comprise of financial assets and financial liabilities. The Group’s financial assets consist of cash and cash equivalent, investment at FVOCI and FVTPL, accounts and other receivable. Its financial liabilities consist of accounts payables, accrued expenses and other liabilities.

The following table provides fair value measurement hierarchy for financial assets held at fair value:

Nature of financial instrument	*Level 1 SR*	*Level 2 SR*	*Level 3 SR*	*Total SR*
As at 31 March 2022				
Investments at FVOCI	11,469,298	-	85,850	**11,555,148**
Investments at FVTPL	-	-	78,649,792	**78,649,792**
	11,469,298	-	78,735,642	**90,204,940**
As at 31 March 2021				
Investments at FVOCI	9,579,924	-	37,670	9,617,594
Investments at FVTPL	-	-	87,766,379	87,766,379
	9,579,924	-	87,804,049	97,383,973

During the current and prior year, there were no transfers between Levels 1 and 2 or transfers into/out of Level 3 of the fair value hierarchy.

The fair value of the Group’s cash and cash equivalent, accounts and other receivable, accounts payable, accrued expenses and other liabilities are measured at amortized cost. The fair values of these financial instruments in the consolidated statement of financial position approximate their carrying values at the reporting date.

31 RESTATEMENT

During the year, management identified an error in treatment of deferred revenue expenditure which was classified as an asset in the consolidated financial statements for the year ended 31 March 2021, resulting in overstatement of assets and understatement of retained earnings. This has been rectified by management retrospectively.

The effect of correcting the error as at 31 March 2021 is set out below:

	As previously stated SR	*Adjustments SR*	*Restated SR*
On the consolidated statement of financial position as at 31 March 2021			
Deferred revenue expenditure	1,054,341	(1,054,341)	-
Retained earnings	42,142,076	(1,054,341)	41,087,735
On the consolidated statement of profit and loss for the year ended 31 March 2021			
Selling and distribution expenses	(19,125,536)	(1,054,341)	(20,179,877)

32 SUBSEQUENT EVENTS

No material events have occurred subsequent to the reporting date and before the issuance of these consolidated financial statements which require adjustment to, or disclosure, in these consolidated financial statements.

33 COMPARATIVE FIGURES

Certain comparative figures for the previous year have been reclassified in line with the classification for the current year.

34 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved by the Board of Directors on 12 Safar 1444H (corresponding to 8 September 2022).