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 2021

ARABIAN WATERPROOFING INDUSTRIES COMPANY "AWAZEL" AND ITS SUBSIDIARIES
(A Saudi Closed Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Arabian Waterproofing Industries Company "Awazel"
(A Saudi Closed Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Opinion

We have audited the consolidated financial statements of Arabian Waterproofing Industries Company "Awazel" (A Saudi Closed Joint Stock Company) ("the Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 March 2021 and consolidated statement of profit or loss and 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 2021, and its consolidated financial performance and consolidated cash flows for the year then ended in conformity with International Financial Reporting Standards ("IFRS") endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

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

We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements in the Kingdom of Saudi Arabia 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 2020 were audited by another auditor who expressed an unmodified opinion on 25 July 2020.

Responsibilities of the Group's Management and Those Charged with Governance for the consolidated financial statements

The Group's Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA and the Regulations for Companies and the Company's Article of Association with respect to the preparation and presentation of consolidated financial statements, 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 the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether these 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 ISAs will always detect a material misstatement when it exists.

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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 ISAs endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Group's management.
- Conclude on the appropriateness of Group's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

For Dr. Mohamed Al-Amri & Co.

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Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
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Corresponding to: 23 September 2021 (G)

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ARABIAN WATERPROOFING INDUSTRIES COMPANY "AWAZEL" AND ITS SUBSIDIARIES
(A Saudi Closed Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2021

	Notes	2021 SR	2020 SR (Restated, note 31)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	**73,248,413**	73,197,984
Investment properties	7	**31,910,378**	32,686,034
Right of use assets	8	**13,778,455**	9,240,078
Financial assets at fair value through other comprehensive income ("FVOCI")	9	**9,617,594**	8,048,603
Financial assets at fair value through profit or loss ("FVTPL")	29	**-**	86,730,915
TOTAL NON-CURRENT ASSETS		**128,554,840**	209,903,614
CURRENT ASSETS			
Prepayments and other receivables	10	**9,803,221**	16,884,035
Deferred revenue expenditure		**1,054,341**	-
Inventories	11	**59,057,875**	58,271,698
Trade receivables	12	**99,478,466**	116,804,478
Financial assets at fair value through profit or loss ("FVTPL")	29	**87,766,379**	-
Cash and cash equivalents	13	**56,761,002**	47,572,783
TOTAL CURRENT ASSETS		**313,921,284**	239,532,994
TOTAL ASSETS		**442,476,124**	449,436,608
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	**272,999,780**	272,999,780
Statutory reserve	15	**25,802,895**	24,488,550
Contractual reserve	16	**33,031,852**	48,097,499
Fair value reserve for financial assets at FVOCI		**1,079,280**	(489,711)
Foreign currency translation reserve		**212,089**	(496,911)
Retained earnings		**42,142,076**	36,766,373
Proposed dividends	17	**5,459,996**	5,459,996
Equity attributable to equity holders of the Parent		**380,727,968**	386,825,576
Non-controlling interests	18	**1,229,110**	2,030,213
TOTAL EQUITY		**381,957,078**	388,855,789
NON-CURRENT LIABILITIES			
Employees' end-of-service benefits	19	**14,132,344**	14,560,371
Lease liabilities – non-current portion		**4,890,632**	6,827,723
TOTAL NON-CURRENT LIABILITIES		**19,022,976**	21,388,094
CURRENT LIABILITIES			
Zakat payable	21	**6,878,557**	9,166,910
Accrued expenses and other liabilities	22	**12,680,933**	11,577,420
Accounts payable	23	**16,371,820**	16,257,366
Lease liabilities – current portion		**5,564,760**	2,191,029
TOTAL CURRENT LIABILITIES		**41,496,070**	39,192,725
TOTAL LIABILITIES		**60,519,046**	60,580,819
TOTAL EQUITY AND LIABILITIES		**442,476,124**	449,436,608

The attached notes 1 to 32 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS
For the year ended 31 March 2021

	Notes	2021 SR	2020 SR
Sales		**210,794,225**	254,277,163
Cost of sales		**(161,536,717)**	(184,659,865)
GROSS PROFIT		**49,257,508**	69,617,298
Selling and distribution expenses	24	**(19,125,536)**	(24,980,213)
General and administrative expenses	25	**(20,506,959)**	(18,584,553)
OPERATING PROFIT		**9,625,013**	26,052,532
Finance costs		**(886,921)**	(1,204,943)
Other income, net	26	**11,497,829**	9,769,698
PROFIT BEFORE ZAKAT		**20,235,921**	34,617,287
Zakat expense	21	**(7,256,277)**	(9,258,509)
PROFIT FOR THE YEAR		**12,979,644**	25,358,778
Attributable to:			
Equity holders of the Parent		**13,143,454**	25,558,506
Non-controlling interests		**(163,810)**	(199,728)
		12,979,644	25,358,778

The attached notes 1 to 32 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 OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2021

	Notes	**2021** **SR**	2020 SR
PROFIT FOR THE YEAR		**12,979,644**	25,358,778
OTHER COMPREHENSIVE INCOME			
To be reclassified to profit or loss in subsequent periods:			
Foreign currency translation reserve		**716,537**	(569,984)
Other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods		**716,537**	(569,984)
Not to be reclassified to profit or loss in subsequent periods:			
Re-measurement (loss) / gain on end-of-service benefits	19	**(323,895)**	1,340,875
Net fair value gain / (loss) on financial assets at FVOCI	9	**1,568,991**	(501,172)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		**1,245,096**	839,703
TOTAL OTHER COMPREHENSIVE INCOME		**1,961,633**	269,719
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**14,941,277**	25,628,497
Attributable to:			
Equity holders of the Parent		**15,097,550**	25,834,142
Non-controlling interests		**(156,273)**	(205,645)
		14,941,277	25,628,497

The attached notes 1 to 32 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 2021

	Attributable to equity holders of the Parent									
	Share capital	*Statutory reserve*	*Contractual reserve*	*Fair value reserve for financial assets at FVOCI*	*Foreign currency translation reserve*	*Retained earnings*	*Proposed dividends*	*Total*	**Non-controlling interests**	**Total equity**
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Balance 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**
Profit for the year	-	-	-	-	-	**13,143,454**	-	**13,143,454**	**(163,810)**	**12,979,644**
Other comprehensive income	-	-	-	**1,568,991**	**709,000**	**(323,895)**	-	**1,954,096**	**7,537**	**1,961,633**
Total comprehensive income for the year	-	-	-	**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**
As at 1 April 2019	272,999,780	21,932,699	45,541,648	11,461	67,156	42,452,176	-	383,004,920	2,062,354	385,067,274
Profit for the year	-	-	-	-	-	25,558,506	-	25,558,506	(199,728)	25,358,778
Other comprehensive income	-	-	-	(501,172)	(564,067)	1,340,875	-	275,636	(5,917)	269,719
Total comprehensive income for the year	-	-	-	(501,172)	(564,067)	26,899,381	-	25,834,142	(205,645)	25,628,497
Transfer to statutory reserve	-	2,555,851	-	-	-	(2,555,851)	-	-	-	-
Transfer to contractual reserve	-	-	2,555,851	-	-	(2,555,851)	-	-	-	-
Losses of minority absorbed	-	-	-	-	-	(173,504)	-	(173,504)	173,504	-
Dividends (see notes 17)	-	-	-	-	-	(21,839,982)	-	(21,839,982)	-	(21,839,982)
Proposed dividends (see notes 17)	-	-	-	-	-	(5,459,996)	5,459,996	-	-	-
As at 31 March 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

The attached notes 1 to 32 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 CASH FLOWS
For the year ended 31 March 2021

	Notes	2021 SR	2020 SR
OPERATING ACTIVITIES			
Profit before zakat		**20,235,921**	34,617,287
Adjustments to reconcile income before zakat to net cash flows from operating activities:			
Depreciation on property, plant and equipment	6	**6,938,133**	6,059,299
(Reversal) / allowance for expected credit losses, net	12	**(2,037,890)**	4,739,592
Provision for employees' end-of-service benefits	19	**1,933,371**	2,628,419
(Reversal) / allowance for slow-moving inventories, net	11	**(54,539)**	(863,848)
Depreciation on investment properties	7	**686,009**	688,221
Depreciation of right of use assets	8	**2,589,530**	2,278,862
Unrealized gain on financial assets at FVTPL		**(1,035,464)**	(2,383,414)
Financial charges on lease liabilities		**433,486**	434,511
Gain on disposal of property, plant and equipment, net	26	**(147,294)**	(16,497)
		29,541,263	48,182,432
Working capital adjustments:			
Prepayments and other receivables		**7,080,814**	(5,044,278)
Deferred revenue expenditure		**(1,054,341)**	-
Inventories		**(731,638)**	(1,680,480)
Trade receivables		**19,363,902**	(3,372,155)
Accrued expenses and other current liabilities and lease liability		**1,103,513**	(5,469,927)
Accounts payable		**114,454**	3,504,774
Net cash from operations		**55,417,967**	36,120,366
Zakat paid	21	**(9,544,630)**	(9,226,889)
Employees' end-of-service benefits paid	19	**(2,703,446)**	(912,029)
Net cash flows from operating activities		**43,169,891**	25,981,448
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	**(7,063,832)**	(2,690,527)
Additions to Financial assets at FVTPL		**-**	(84,347,501)
Purchase of Financial assets at FVOCI	9	**-**	(8,515,488)
Proceeds from sale of property, plant and equipment		**211,368**	16,497
Net cash flows used in investing activities		**(6,852,464)**	(95,537,019)
FINANCING ACTIVITY			
Payment made against leases		**(3,500,000)**	-
Lease liability payment		**(2,624,753)**	(2,934,739)
Dividends paid	17	**(21,839,988)**	(21,839,982)
Net cash used in financing activity		**(27,964,741)**	(24,774,721)
Net change in cash and cash equivalents during the year		**8,352,686**	(94,330,292)
Cash and cash equivalents at the beginning of the year		**47,572,783**	142,738,213
Effect of exchange rate changes in cash and cash equivalents		**835,533**	(835,138)
Cash and cash equivalents at the end of the year		**56,761,002**	47,572,783

The attached notes 1 to 32 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.

Subsidiary	*Country of incorporation*	*Principal activities*	**Effective ownership as at** **31 March 2021**	31 March 2020
Awazel Misr, LLC[1]	Egypt	Production and sale of construction products	**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%**	80%
Al Takamal Company for Marble Limited[2]	Kingdom of Saudi Arabia	Production and preparation of natural rocks including but not limited to marbles	**90%**	80%

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

[2] During the year, the owners of the Company approved the acquisition of additional 10% shares from non-controlling interests in these subsidiaries.

1.1 Impact of COVID-19

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. On 20 March 2020, the government in the Kingdom of Saudi Arabia announced a temporary lock down as a measure to reduce the spread of the COVID–19. The lockdown was subsequently relaxed from the end of May 2020.

The Covid-19 outbreak did not result in material impact on the Group’s operations. However, the Group evaluated the nature and extent of the impact on its business and financial results. The Group’s management assessed the accounting implications of the said impact and considered the following areas of its separate financial statements for this purpose:

- Impairment of tangible assets under IAS 36, ‘Impairment of non-financial assets;
- Provisions and contingent liabilities under IAS 37, including onerous contracts; and
- Going concern assumption used for the preparation of these separate financial statements.

As a result of a detailed assessment carried out by the Group’s management, the Covid-19 did not result in material impact due to Covid-19 on the Group’s operations. However, the Group will continue to evaluate the nature and extent of Covid-19 and the impact, if any on its business and financial results.

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 2021.

2.1 Statement of compliance

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) 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”).

2.2 Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis except for financial assets 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 actuarially valued using the Projected Unit Credit Method.

The consolidated financial statements are presented in Saudi Arabian Riyals (“SR”) which is the functional currency of the Company and all values are rounded to the nearest Saudi Riyal, unless otherwise indicated. The financial year of the Group commences on 1 April and ends on 31 March of each calendar year.

The Group’s management has assessed its ability to continue as a going concern and is satisfied that it 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 on the Group’s ability to continue as a going concern. Therefore, the consolidated financial statements are prepared on the going concern basis.

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.

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

2.3 Basis of consolidation (continued)

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.

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 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:

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Allowance 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 12.

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.

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.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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.

Significant judgement in determining the lease term of contracts with renewal options and incremental borrowing rate

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of rent contract due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on production if a replacement is not readily available. The Group applied the interpretation from its effective date.

The Group, as a lessee, measures the lease liability at the present value of the unpaid lease payments at the commencement date or the date of initial application upon transition to IFRS 16. The lease payments are discounted using the interest rate, if that rate can be readily determined. If that rate cannot be readily determined the Group uses its incremental borrowing rate.

Assessment of key sources of estimation uncertainty due to COVID-19

The Group has reviewed the key sources of estimation uncertainties against the backdrop of COVID-19 pandemic. Management believes that all sources of estimation uncertainty remain unchanged from those described above. The Group will continue to monitor the situation, and any changes required will be reflected in future reporting periods.

4 APPLICATION OF NEW AND REVISED STANDARDS

4.1 New standards

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020 but they had no material impact on these consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those consolidated financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the consolidated financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no significant impact on the consolidated financial statements nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no significant impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

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 applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no significant impact on the consolidated financial statements of the Group.

4 APPLICATION OF NEW AND REVISED STANDARDS (continued)

4.2 Standards issued but not yet effective

The Group has not yet applied the following new and revised standards that have been issued but are not yet effective:

New and revised IFRSs	**Effective for annual periods beginning on or after**
IFRS 17 *Insurance Contracts* In June 2020, the IASB issued amendments to IFRS 17, including a deferral of its effective date to 1 January 2023.	1 January 2023
Amendments to IAS 1 *Presentation of Financial Statements* relating to the classification of liabilities as current or non-current	1 January 2023
Amendments to IFRS 3 *Business Combinations* relating to the reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16 *Property, Plant and Equipment* relating to the treatment of proceeds before intended use	1 January 2022
Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* relating to the treatment of costs of fulfilling a contract in the case of onerous contract	1 January 2022
Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments,* IFRS 16 *Leases* and IAS 41 *Agriculture* as part of annual improvements to IFRS standards process 2018-2020	1 January 2022

5 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.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 General Authority of Zakat and Tax (“GAZT”) 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. In 2021, GAZT became part of newly formed Zakat, Tax and Customs Authority (“ZATCA”).

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.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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.

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.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Classification (continued)
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.

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.

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5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

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.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories (continued)

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.

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.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Accounts payable 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.

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.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

- *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.

6 PROPERTY, PLANT AND EQUIPMENT

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	-	-	(511,866)	-	(175,332)	-	**(687,198)**
Foreign currency adjustment	1,576	3,005	(39,050)	1,324	27	-	**(33,118)**
At 31 March 2021	20,547,514	65,007,478	57,100,804	12,309,793	120,358,857	1,832,515	**277,156,961**
Accumulated depreciation							
At 1 April 2020	-	(27,247,850)	(48,499,257)	(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	-	-	511,860		111,264	-	**623,124**
Foreign currency adjustment	-	(1,618)	24,631	(1,046)	(45)	-	**21,922**
At 31 March 2021	-	(29,210,968)	(50,356,073)	(12,033,598)	(112,307,909)	-	**(203,908,548)**
Net book value as at 31 March 2021	**20,547,514**	**35,796,510**	**6,744,731**	**276,195**	**8,050,948**	**1,832,515**	**73,248,413**

6 PROPERTY, PLANT AND EQUIPMENT (continued)

For the year ended 31 March 2020	*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 2019	20,545,938	64,112,903	51,019,015	12,098,155	119,501,527	1,477,677	268,755,215
Additions during the year	-	181,865	2,191,144	(160,280)	348,415	129,383	2,690,527
Disposals during the year	-	-	(653,888)	-	-	-	(653,888)
Foreign currency adjustment	-	1,008	1,503	153	18,927	-	21,591
At 31 March 2020	20,545,938	64,295,776	52,557,774	11,938,028	119,868,869	1,607,060	270,813,445
Accumulated depreciation							
At 1 April 2019	-	(25,294,361)	(47,831,411)	(11,669,825)	(107,412,939)	-	(192,208,536)
Depreciation charge for the year	-	(1,953,111)	(1,320,736)	(89,797)	(2,695,655)	-	(6,059,299)
Relating to disposals	-	-	653,888	-	-	-	653,888
Foreign currency adjustment	-	(378)	(998)	(138)	-	-	(1,514)
At 31 March 2020	-	(27,247,850)	(48,499,257)	(11,759,760)	(110,108,594)	-	(197,615,461)
Net book value as at 31 March 2020	20,545,938	37,047,926	4,058,517	178,268	9,760,275	1,607,060	73,197,984

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 152.5 million (31 March 2020: SR 148.5 million). As at reporting date, the Group does not have any idle assets.

6 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2021 **SR**	2020 SR
Cost of sales	**5,992,155**	4,468,662
Selling and distribution expenses (see note 24)	**117,126**	806,762
General and administrative expenses (see note 25)	**828,852**	783,875
	6,938,133	6,059,299

7 INVESTMENT PROPERTIES

	2021 **SR**	2020 SR
Cost		
At the beginning of the year	**35,349,582**	35,232,331
Foreign currency adjustment	**(89,647)**	117,251
At the end of the year	**35,259,935**	35,349,582
Accumulated depreciation		
At the beginning of the year	**(2,663,548)**	(1,975,327)
Depreciation charge for the year (see note 24)	**(686,009)**	(688,221)
At the end of the year	**(3,349,557)**	(2,663,548)
Net book value at the end of the year	**31,910,378**	32,686,034

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 2021 is estimated at SR 44.71 million (31 March 2020: SR 43.02 million) which was determined using income capitalization method by comparing and correlating its features to those of similar assets or business 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. The valuation was performed in accordance with RICS Valuation Standards. The valuation has been prepared in accordance with the definition of market value adopted by the International Valuation Standards Committee (“IVSC”) and endorsed by RICS Valuation Standards.

The Valuer has appropriate qualifications and experience in the valuation of properties at the relevant locations.

As at 31 March 2021 and 2020, 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 2.73 million for the year ended 31 March 2021 (2020: SR 3.66 million). Related direct expenses amounted to SR 686,009 for the year ended 31 March 2021 (2020: SR 688,221).

8 RIGHT OF USE ASSETS

The Group leases several assets including lands and buildings. Information about assets for which the Group is a lessee is presented below:

	Land	*Buildings*	*Total*
	SR	***SR***	***SR***
Cost:			
At 1 April 2020	**2,985,643**	**8,533,297**	**11,518,940**
Additions during the year	4,001,213	3,126,694	7,127,907
At the end of the year	6,986,856	11,659,991	18,646,847
Accumulated Depreciation:			
As at 1 April 2020	**(223,485)**	**(2,055,377)**	**(2,278,862)**
Charge for the year	(321,020)	(2,268,510)	(2,589,530)
At the end of the year	(544,505)	(4,323,887)	(4,868,392)
Net book values as at 31 March 2021	**6,442,351**	**7,336,104**	**13,778,455**
Cost:			
At 1 April 2019	**2,985,643**	**5,959,341**	**8,944,984**
Amendment during the year	-	2,573,956	**2,573,956**
At the end of the year	2,985,643	8,533,297	**11,518,940**
Accumulated Depreciation:			
Charge for the year	(223,485)	(2,055,377)	**(2,278,862)**
Net book values as at 31 March 2020	**2,762,158**	**6,477,920**	**9,240,078**

The depreciation charge in the condensed consolidated statement of profit or loss for the year ended 31 March 2021 is allocated to selling and distribution as follows:

	2021
	SR
Depreciation expense	**(2,589,530)**

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (“FVOCI”)

	2021	2020
	SR	SR
Quoted securities – held at FVOCI		
At the beginning of the year	**8,048,603**	34,287
Additions during the year	**-**	8,515,488
Net fair value gain / (loss) on financial assets at FVOCI	**1,568,991**	(501,172)
At the end of the year	**9,617,594**	8,048,603

10 PREPAYMENTS AND OTHER RECEIVABLES

	2021 **SR**	2020 SR
Staff and key management personnel receivable	**11,238,738**	12,579,934
Prepayments	**5,038,980**	4,643,205
Advances to suppliers	**2,420,856**	5,700,384
Margin on bank guarantees	**497,400**	739,163
Refundable security deposit	**172,685**	164,204
Advance payment for investment	**-**	1,257,003
Others	**487,588**	2,692,560
Prepayments and other receivables, gross	**19,856,247**	27,776,453
Less: advances to staff and key management personnel (see note 19)	**(10,053,026)**	(10,892,418)
	9,803,221	16,884,035

11 INVENTORIES

	2021 **SR**	2020 SR
Raw materials	**35,311,919**	29,020,019
Finished products	**16,739,671**	28,141,143
Spare parts	**12,388,311**	6,547,101
	64,439,901	63,708,263
Less: allowance for slow-moving inventories	**(5,382,026)**	(5,436,565)
	59,057,875	58,271,698

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

	2021 **SR**	2020 SR
At the beginning of the year	**5,436,565**	6,300,413
Charge for the year	**-**	193,565
Reversal during the year	**(54,539)**	(1,057,413)
At the end of the year	**5,382,026**	5,436,565

12 TRADE RECEIVABLES

	2021 **SR**	2020 SR
Trade receivables	**125,125,072**	144,610,952
Less: allowance for expected credit losses	**(26,222,419)**	(28,260,309)
	98,902,653	116,350,643
Due from related parties (see note 20)	**575,813**	453,835
	99,478,466	116,804,478

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

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

12 TRADE RECEIVABLES (continued)

Movement in allowance for expected credit losses is as follows:

	2021 **SR**	2020 SR
At the beginning of the year	**28,260,309**	23,520,717
Charge for the year	**4,438,931**	4,739,592
Reversals during the year	**(6,476,821)**	-
At the end of the year	**26,222,419**	28,260,309

13 CASH AND CASH EQUIVALENTS

	2021 **SR**	2020 SR (Restated, note 31)
Cash in hand	**294,075**	728,966
Cash at bank	**56,466,927**	46,843,817
	56,761,002	47,572,783

14 SHARE CAPITAL

The share capital of the Company is divided into 27,299,978 shares of SR 10 each (31 March 2020: 27,299,978 of SR 10 each) held as follows:

	2021		*2020*	
	Amount SR	***Percentage***	*Amount SR*	*Percentage*
Boubyan Petrochemical Company	**56,720,360**	**20.78%**	56,720,360	20.78%
Mr. Ibrahim Ali Al Sugair	**19,126,390**	**7.01%**	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	**102,320,470**	**37.48%**	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 Company's capital management, capital includes share capital, reserves and retained earnings totaling SR 375.3 million as at 31 March 2021 (31 March 2020: SR 381.4 million).

15 STATUTORY RESERVE

In accordance with the Companies' Law and the Company's By-Laws, 10% of the profit for the year 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 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) will be paid after the approval by the shareholders in annual general assembly meeting.

Dividends for the year ended 31 March 2020

The General Assembly of the Group, in its meeting held in September 2019 approved the distribution of dividend for the quarter ended 31 March 2019, at the rate of SR 0.2 per share amounting to SR 5.5 million, which has been paid in October 2019.

The Board of Directors in their meeting held in October 2019 approved the distribution of dividend for the quarter ended 30 June 2019, at the rate of SR 0.2 per share, amounting to SR 5.5 million for the quarter, which has been paid in October 2019.

The Board of Directors in their meeting held in December 2019 approved the distribution of dividend for the quarters ended 30 September and 31 December 2019 and 31 March 2020, at the rate of SR 0.2 per share, amounting to SR 5.5 million for each quarter. Dividends for the quarters ended 30 September and 31 December 2019 were paid in January 2020 and the dividend for the quarter ended 31 March 2020 was paid during the year after the approval by the shareholders in annual general assembly meeting.

18 NON-CONTROLLING INTERESTS

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

	2021 **SR**	2020 SR
Al Sultan Contracting Trading Company Limited	**361,000**	618,671
Advanced Membrane Company for Industry	**421,423**	518,439
Awazel International Company, LLC	**421,625**	386,887
Al Takamal Company for Marble Limited	**117,974**	278,182
Awazel Kuwait Company for Building Materials	**229,850**	228,034
Awazel Qatar International Company	**(322,762)**	-
	1,229,110	2,030,213

18 NON-CONTROLLING INTERESTS (continued)

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

	(Loss) / profit for the year		**Other comprehensive (loss) / income**	
	2021	2020	**2021**	2020
	SR	SR	**SR**	SR
Al Sultan Contracting Trading Company Limited	**75,107**	18,033	**-**	(4,452)
Al Takamal Company for Marble Limited	**(21,040)**	(39,892)	**-**	(923)
Advanced Membrane Company for Industry	**(97,016)**	(99,867)	**-**	(154)
Awazel International Company, LLC	**35,780**	49,083	**(1,042)**	1,627
Awazel Qatar International Company	**(150,500)**	(119,821)	**622**	327
Awazel Kuwait Company for Building Materials	**(6,141)**	(7,264)	**7,957**	(2,342)
	(163,810)	(199,728)	**7,537**	(5,917)

19 EMPLOYEES' END-OF-SERVICE BENEFITS

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

	2021	2020
	SR	SR
Opening balance – present value of defined benefit obligation	**25,452,789**	25,983,095
Current service cost	**1,338,144**	1,857,987
Interest cost	**595,227**	770,432
Benefits paid	**(3,542,838)**	(1,689,984)
Actuarial loss / (gain) on remeasurement	**323,895**	(1,340,875)
Foreign currency adjustment	**18,153**	(127,866)
Closing balance – present value of defined benefit obligation	**24,185,370**	25,452,789
Less: advance payments to employees and key management personnel (see note 10)	**(10,053,026)**	(10,892,418)
Employees' end-of-service benefits	**14,132,344**	14,560,371

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

	2021	2020
Financial assumptions:		
Discount rate (per annum)	**2.35%**	3.90%
Salary growth rate (per annum)	**2.35%**	3.90%
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 2021 and 2020 assuming all other assumptions are held constant:

		Increase / (decrease) in Defined Benefit Obligations	
	Increase / (decrease) in Basis Points	**2021**	2020
		SR	SR
Discount rate	+50	**(867,459)**	(1,023,185)
	-50	**924,939**	829,448
Salary increase rate	+50	**949,204**	768,409
	-50	**(898,406)**	(975,139)

19 EMPLOYEES' END-OF-SERVICE BENEFITS (continued)

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

	2021 SR	2020 SR
Within the next 12 months	**901,257**	1,119,151
Between 2 and 5 years	**8,546,374**	7,135,578
Beyond 5 years	**11,097,998**	17,292,856

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*	**2021 SR**	2020 SR
Entities under common control	Sales	**1,039,605**	766,396
	Purchases	**(1,228,234)**	(1,481,757)
	Expenses charged by the Company	**-**	(21,474)
Key management personnel	Salaries and wages	**(3,767,174)**	(4,239,839)
	End-of-service benefits	**(295,143)**	(295,144)
	Board remuneration	**(1,000,000)**	(1,000,000)

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

	2021 SR	2020 SR
Due from related parties		
Entities under common control (see note 12)	**575,813**	453,835

	2021 SR	2020 SR
Due to a related party		
Entity under common control (see note 23)	**(464)**	(464)

Due from and to related parties are included as part of trade receivables and accounts payable, 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:

	2021 SR	2020 SR
At the beginning of the year	**9,166,910**	9,135,290
Additional provision	**499,704**	-
Charge for the year	**6,756,573**	9,258,509
Paid during the year	**(9,544,630)**	(9,226,889)
At the end of the year	**6,878,557**	9,166,910

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

	2021 SR	*2020 SR*
Equity	**287,926,165**	343,058,977
Opening allowances and other adjustments	**141,380,894**	94,357,946
Book value of long-term assets (net of related financing)	**(181,213,431)**	(122,544,430)
	248,093,628	314,872,493
Adjusted net income for the year	**22,169,292**	27,596,386
Total zakat base	**270,262,920**	342,468,879
Zakat provision @ 2.5% of zakat base	**6,756,573**	8,561,722
Zakat accrued during the year	**6,756,573**	8,578,000

Status of assessments

The Company has obtained zakat certificates from the General Authority of Zakat and Tax ("GAZT") up to 31 March 2021. The assessments up to the year 31 March 2011 have been finalized, whereas assessments from the year 31 March 2012 to 31 March 2021 have not yet been raised by the GAZT. In 2021, General Authority of Zakat and Tax ("GAZT") became part of newly formed Zakat, Tax and Customs Authority ("ZATCA").

22 ACCRUED EXPENSES AND OTHER LIABILITIES

	2021 SR	2020 SR
Employee related accruals	**6,269,520**	6,615,890
Accrued sales commission	**1,407,281**	2,354,380
Accrued board remuneration	**1,000,000**	-
Accrued professional fees	**406,334**	635,017
Accrued transportation charges	**338,140**	640,357
Advance from customers	**322,985**	-
Value added tax payable	**184,613**	418,864
Accrued utilities expenses	**127,476**	160,621
Accrued sales incentives	**-**	37,667
Others	**2,624,584**	714,624
	12,680,933	11,577,420

Accrued custom duty on import represents custom duty accrued on import of raw materials during prior years.

During the year ended 31 March 2020, the Company reversed an amount of SR 3.06 million, and recorded as other income, representing the reversal of accruals for which the authorities' right to claim has lapsed (see note 26).

23 ACCOUNTS PAYABLE

	2021 SR	2020 SR
Trade payables	**16,371,356**	16,256,902
Due to a related party (note 20)	**464**	464
	16,371,820	16,257,366

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 SELLING AND DISTRIBUTION EXPENSES

	2021 SR	2020 SR
Salaries and employees' benefits	**8,137,377**	10,682,127
Allowance for expected credit losses expense (see note 12)	**4,438,931**	4,739,592
Right of use assets depreciation	**2,589,530**	2,278,862
Sales commission expense	**1,372,728**	2,001,643
Advertising and promotion expense	**406,149**	739,905
Repairs and maintenance expense	**397,609**	514,579
Office utilities	**266,212**	414,025
Communication expense	**139,106**	389,397
Depreciation on property, plant and equipment (see note 6)	**117,126**	806,762
Insurance expense	**50,637**	279,503
Rental expense	**37,530**	37,973
Travel expense	**27,254**	729,123
Bank charges	**3,719**	172,457
Others	**1,141,628**	1,194,265
	19,125,536	24,980,213

25 GENERAL AND ADMINISTRATIVE EXPENSES

	2021 SR	2020 SR
Salaries and employees' benefits	**14,855,346**	13,637,907
Communication expense	**877,495**	882,250
Depreciation on property, plant and equipment (see note 6)	**828,852**	783,875
Professional services	**779,422**	1,289,984
Insurance expense	**704,997**	335,583
Depreciation on investment properties (see note 7)	**686,009**	688,221
Bank charges	**401,008**	22,590
Travel expense	**173,482**	198,026
Bank guarantee charges	**31,463**	227,561
Others	**1,168,885**	518,556
	20,506,959	18,584,553

26 OTHER INCOME, NET

	2021 SR	2020 SR
Reversal of allowance for expected credit losses expense	**6,476,821**	-
Income from rental of warehouse and store	**2,729,528**	3,667,319
Income from Financial assets at FVTPL	**1,035,464**	2,383,414
Foreign exchange gain (loss), net	**349,898**	248,472
Gain on disposal of property, plant and equipment, net	**147,294**	16,497
Reversal of accrued custom duty on import (see note 22)	**-**	3,061,878
Others	**758,824**	392,118
	11,497,829	9,769,698

27 COMMITMENTS AND CONTINGENCIES

27.1 Contingent liabilities

The Group had contingent liabilities arising in the normal course of business, in respect of performance guarantees, as at 31 March 2021 amounting to SR 10 million (31 March 2020: SR 10 million).

27.2 Operating lease commitments

Group as a lessor
The Group has entered into an operating lease for a portion of its land, warehouse and showroom in Dubai (see note 7) for a period of one year. Future minimum lease receivable under the non-cancellable operating leases are as follows:

	2021 SR	2020 SR
Within one year	**20,789**	62,171

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:

	2021 SR	2020 SR
Maturity analysis - contractual undiscounted cash flows		
Within one year	**3,516,353**	2,806,975
After one year but not more than five years	**5,426,458**	6,538,749
More than five years	**1,929,556**	1,469,138
Total undiscounted lease liabilities	**10,872,367**	10,814,862

28 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 risks and price risks). 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.

28.1 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.

28 FINANCIAL RISK MANAGEMENT (continued)

28.1 Credit risk (continued)

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

	2021 SR	2020 SR
Trade receivables	**101,861,665**	116,804,478
Other receivables	**1,358,937**	1,851,720
Cash equivalents	**56,761,002**	47,572,783
	159,981,604	166,228,981

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:

	2021 SR	2020 SR
Neither past due nor impaired	**25,031,901**	8,822,171
Past due 1 to 90 days	**19,702,686**	43,667,604
More than 90 days	**54,743,879**	64,314,703
	99,478,466	116,804,478

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 12.

Other receivables
This mainly includes staff receivables, margin on bank guarantees, advance payment for investment and other receivables. There is no significant credit risk attached to other receivables and management expects to recover these fully.

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.

28 FINANCIAL RISK MANAGEMENT (continued)

28.2 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 accounts payable are all due within 12 months. The undiscounted amount of these financial liabilities approximate their carrying values at the reporting date.

28.3 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. The Group’s commission rate risk arise mainly from short-term deposits and these short-term deposits carry a fixed interest rate and therefore 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 investment which is carried at fair value. Management believes that the Group’s exposure to price risk is not significant.

29 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 fair value of the Group’s accounts and other receivable, accounts payable and accrued expenses, and other liabilities are measured at amortized cost.

29 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Nature of financial instrument	Level 1	Level 2	Level 3	Total
As at 31 March 2021				
Financial assets at FVOCI	**9,579,924**	**-**	**37,670**	**9,617,594**
Financial assets at FVTPL	**-**	**-**	**87,766,379**	**87,766,379**
	9,579,924	**-**	**87,804,049**	**97,383,973**
As at 31 March 2020 (Restated, note 31)				
Financial assets at FVOCI	8,023,186		25,417	8,048,603
Financial assets at FVTPL	-	-	86,730,915	86,730,915
	8,023,186	-	86,756,332	94,779,518

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.

30 SUBSEQUENT EVENTS

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

31 RESTATEMENT OF PRIOR YEAR CONSOLIDATED FINANCIAL STATEMENTS

During the year, the management identified certain misclassifications in the consolidated financial statements for the year ended 31 March 2020 that were restated as explained below. The consolidated statement of financial position as at 1 April 2019 was not affected, therefore it is not presented.

	31 March 2020 (As perviously reported)	Reclassification	31 March 2020 (Restated)
Cash and cash equivalents	134,303,698	(86,730,915)	47,572,783
Financial assets at fair value through profit or loss (“FVTPL”)	-	86,730,915	86,730,915

In addition, certain prior year amounts in the consolidated statement of cash flows and consolidated statement of profit or loss have been reclassified to conform to the presentation in the current year.

32 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved by the Board of Directors on 16 Safar 1443H (corresponding to 23 September 2021).