NATIONAL BUILDING AND MARKETING COMPANY

(SAUDI JOINT STOCK COMPANY - LISTED)

RIYADH - SAUID ARABIA

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021

NATIONAL BUILDING AND MARKETING COMPANY

(SAUDI JOINT STOCK COMPANY - LISTED) – RIYADH

Consolidated financial statements and independent auditor's report for the year ended December 31, 2021

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MOORE

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INDEPENDENT AUDITOR'S REPORT

TO: THE SHAREHOLDERS
NATIONAL BUILDING AND MARKETING COMPANY
SAUDI JOINT STOCK COMPANY - LISTED
RIYADH - KINGDOM OF SAUDI ARABIA

Opinion

We have audited the accompanying consolidated financial statements of National Building and Marketing Company, a Saudi listed joint-stock company, (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statement of financial position as of December 31, 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in Shareholders' equity and the consolidated statement of cash flows for the year then ended and the accompanying notes (1) to (33) to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing that endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled 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.

Key audit matters

The key audit matters are those matters which, according to our professional judgment, were of most significance in the course of our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters.

The following are description of each of the key audit matters and how we addressed them:

CERTIFIED PUBLIC ACCOUNTANTS
C.R. 4030291245
EL SAYED EL AYOUTY & CO.

INDEPENDENT AUDITOR'S REPORT

TO: THE SHAREHOLDERS
NATIONAL BUILDING AND MARKETING COMPANY
SAUDI JOINT STOCK COMPANY - LISTED
RIYADH - KINGDOM OF SAUDI ARABIA

Key audit matters...(continued)

Property, plant and equipment	
Key audit matter	**How our audit addressed the key audit matter**
Property, plant and equipment are considered a key audit matter as measurement of depreciation and impairment of property, plant and equipment requires the Management to make judgments, assumptions and estimates related to determining the useful life and method of depreciation and perform a test for the impairment of property, plant and equipment (if any). As stated in note (5), the net book value of property, plant and equipment as of December 31,2021 amounted to SR351,958,994.	The audit procedures which we performed, among other matters based on our judgment, included the following: • Examined and reviewed the internal controls related to financial operations in connection with property, plant and equipment. • Performed an analytical and documentary study for movements of additions and disposals made to the account of property, plant and equipment. • Verified the physical existence and ownership of the Group of such property, plant and equipment. • Verified the correctness of the computation of depreciations and study of the Management's estimates for the approved depreciation rates. • Verified that there are no indicators of impairment of property, plant and equipment that require an impairment review. • Verified the correctness of the presentation, disclosure and accounting policies in accordance with the relevant IFRS.
* Refer to note (3.2) to the consolidated financial statements of the accounting policy related to property, plant and equipment.	

Revenue recognition	
Key audit matter	**How our audit addressed the key audit matter**
Revenue recognition is considered a key audit matter as revenue is an important element of the Group's performance and results and includes inherit risks that may cause the management to override the internal control procedures by recognizing revenues with more than their actual value in order to achieve the goals or to improve the Group's results. Further, the Group generates a significant part of its revenue from related parties. As indicated in note (23), the Group's revenue amounted to SR660,280,419 for the year ended December 31,2021. Revenues include an amount of SR251,750,488 Saudi riyals, which are construction projects from a related party, representing 38% of the total revenue.	The audit procedures which we performed, among other matters based on our judgment, included the following: • Tested the design of internal control procedures and their effectiveness in relation to recognition of revenue and the related receivables thereof. • Tested the cut-off procedures to ensure recording of revenue in their correct periods. • Performed analytical procedures to understand the causes of revenue variance compared with the previous year and verify their logic and determine whether there are significant fluctuations which need additional review in the light of our understanding of the current market conditions. • Performed detailed tests to a sample of the sold products and verify the proper application of revenue recognition policy. • Verified the appropriateness of the accounting policy to realize the Group's revenue in accordance with the requirements of IFRS 15: Revenue from Contracts with Customers. • Evaluated the adequacy of the disclosures included in the financial statements in accordance with the requirements of the relevant IFRS.
* Refer to notes (3.15) to the consolidated financial statements regarding the accounting policy related to revenue.	

INDEPENDENT AUDITOR'S REPORT

TO: THE SHAREHOLDERS
NATIONAL BUILDING AND MARKETING COMPANY
SAUDI JOINT STOCK COMPANY - LISTED
RIYADH - KINGDOM OF SAUDI ARABIA

Key audit matters...(continued)

Inventory valuation	
Key audit matter	**How our audit addressed the key audit matter**
Inventory is considered a key audit matter due to the nature of the activity of the Group that depends primarily on the inventory in generating revenue and the extent of its impact on business results, and because the valuation of inventory and determination of its impairment require using several key assumptions and estimates that may have a material impact on the Group's consolidated financial statements. As disclosed in note (12), the inventory balance as of December 31, 2021 amounted to SR47,719,518.	The audit procedures which we performed, among other matters based on our judgment, included the following: • We attended and observed the Company's annual inventory count as of December 31, 2021 to verify the physical existence and the good condition of a sample being randomly selected from items. • Tested the validity of inventory measurement at the lower of cost or net recoverable value. Also, we reviewed the Company's policy to determine the cost using the weighted average method. • Tested the reasonableness of estimates used by the Company to examine the impairment of obsolete and slow-moving inventory. • Evaluated the adequacy of the disclosures included in the financial statements in accordance with the requirements of the relevant IFRS.
* Refer to note (3.6) to the consolidated financial statements of the accounting policy related to inventory.	

Other information

Other information consists of the information included in the Company's annual report for the year ended December 31, 2021 other than the consolidated financial statements and the auditor's report thereon. The Company's Management is responsible for the other information mentioned in its annual report. It is expected that the annual report will be available to us subsequent to the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover other information. We do not and will not express any form of assurances.

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

When we read the other information and find material misstatement in it, we have to inform those charged with governance.

INDEPENDENT AUDITOR'S REPORT

TO: THE SHAREHOLDERS
NATIONAL BUILDING AND MARKETING COMPANY
SAUDI JOINT STOCK COMPANY - LISTED
RIYADH - KINGDOM OF SAUDI ARABIA

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as endorsed in the Kingdom Saudi Arabia and other standards and pronouncements that issued by SOCPA, and the provisions of the Companies Law and the Company's Articles of Association and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

INDEPENDENT AUDITOR'S REPORT

TO: THE SHAREHOLDERS
NATIONAL BUILDING AND MARKETING COMPANY
SAUDI JOINT STOCK COMPANY - LISTED
RIYADH - KINGDOM OF SAUDI ARABIA

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

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, it is possible that future events or circumstances may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for directing, overseeing and implementing the Group audit process. We remain solely responsible for the 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 of the Company and subsidiaries.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and we communicated with them all relationships and other matters that may reasonably affect our independence, and related safeguards, if required.

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

For EL SAYED EL AYOUTY & CO.

Mohamed El Ayouty
Certified Public Accountant
License No. (211)

Riyadh: Sha'ban 24, 1443 H.
March 27, 2022 G.

CERTIFIED PUBLIC ACCOUNTANTS
EL SAYED EL AYOUTY & CO.

NATIONAL BUILDING AND MARKETING COMPANY

(SAUDI JOINT STOCK COMPANY - LISTED) – RIYADH

Consolidated statement of financial position as at December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

	Note	31/12/2021	31/12/2020 Restated (note 30)	01/01/2020 Restated (note 30)
Assets				
Non-current assets				
Property, plant and equipment - net	5	351,958,994	345,720,609	421,878,082
Right-of-use assets – net	6.1	32,840,539	3,241,182	3,991,922
Investments in associates	7	16,746,938	18,406,861	11,274,810
Investments in subsidiaries	8	125,000	-	-
Projects under construction	9	19,485,523	-	-
Paid under investment account	10	75,000	-	-
Investments at fair value through profit or loss	11	483,336	-	14,516,232
Total non-current assets		**421,715,330**	**367,368,652**	**451,661,046**
Current assets				
Inventory	12	47,719,518	26,001,648	82,842,096
Trade receivables and other debit balances - net	13	81,838,280	43,377,282	48,976,211
Due from related parties	14.1	43,041,675	6,313,102	-
Cash and cash equivalents	15	15,493,844	35,977,630	7,426,900
Total current assets		**188,093,317**	**111,669,662**	**139,245,207**
Total assets		**609,808,647**	**479,038,314**	**590,906,253**
Shareholders' equity and liabilities				
Shareholders' equity				
Share capital	16	120,000,000	120,000,000	60,000,000
Statutory reserve	17	15,790,043	7,722,150	8,389,916
Retained earnings		103,486,931	30,875,893	59,761,961
Gains from re-measurement of employees' defined benefits		2,134,419	407,964	86,447
Total Shareholders' equity		**241,411,393**	**159,006,007**	**128,238,324**
Non-current liabilities				
Loans - non-current portion	19	45,486,000	-	-
Lease obligations - non-current portion	6.2	32,301,673	2,849,553	3,451,105
Employees' defined benefit obligations	18	2,362,485	2,655,344	2,500,066
Total non-current liabilities		**80,150,158**	**5,504,897**	**5,951,171**
Current liabilities				
Loans - current portion	19	38,083,801	86,569,801	86,891,217
Banks- credit facilities	20	178,744,359	150,561,522	148,244,849
Lease obligations - current portion	6.2	863,508	844,797	632,438
Trade payables and other credit balances	21	54,177,159	67,440,183	33,964,456
Due to related parties	14.2	13,565,161	8,402,322	183,688,325
Provision for zakat	22	2,813,108	708,785	2,219,163
Provision for claims		-	-	1,076,310
Total current liabilities		**288,247,096**	**314,527,410**	**456,716,758**
Total liabilities		**368,397,254**	**320,032,307**	**462,667,929**
Total Shareholders' equity and liabilities		**609,808,647**	**479,038,314**	**590,906,253**

Finance Department   **Executive Director**   **Chairman of Board of Directors**

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

Consolidated statement of income and other comprehensive income for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

	Note	2021	2020 Restated (note 30)
Revenue	23	660,280,419	286,733,565
Cost of revenue	24	(557,155,293)	(248,323,081)
Gross profit		**103,125,126**	**38,410,484**
General and administrative expenses	25	(15,951,398)	(8,583,126)
Provision for expected credit losses	13.2	-	(2,000,000)
Net operating income		**87,173,728**	**27,827,358**
Other (expenses)/income			
Gains on disposal of property and equipment		-	4,500,000
Investments at fair value through profits or losses	11.1	153,336	-
The Company's share in results of associates	7.1	1,918,327	7,132,051
Finance costs	26	(5,755,771)	(8,384,114)
Other income		106,623	79,656
Total other (expenses) income		**(3,577,485)**	**3,327,593**
Net income for the year before zakat		**83,596,243**	**31,154,951**
Zakat charge	22.1	(2,917,312)	(708,785)
Net income for the year		**80,678,931**	**30,446,166**
Other comprehensive income			
Items that may not be reclassified to statement of profit or loss for subsequent periods:			
Gains of re-measurement of employees' defined benefits	18	1,726,455	321,517
Total comprehensive income for the year		**82,405,386**	**30,767,683**
Basic and diluted earnings per share (SR)	27, 30.3	**6.72**	**2.54**

Finance Department **Executive Director** **Chairman of Board of Directors**

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

NATIONAL BUILDING AND MARKETING COMPANY

(SAUDI JOINT STOCK COMPANY - LISTED) – RIYADH

Consolidated statement of changes in shareholders' equity for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

	Note	Capital	Statutory reserve	Retained earnings	Revaluation gains of financial investments at fair value through other comprehensive income	Actuarial gains on re-measurement of employees' defined benefits	Total Shareholders' equity
Balance at January 01, 2020 - before restatement		**60,000,000**	**8,389,916**	**60,824,311**	-	**200,297**	**129,414,524**
Restatement of previous years	30	-	-	(1,062,350)	-	(113,850)	(1,176,200)
Balance at January 01, 2020 restated	30	**60,000,000**	**8,389,916**	**59,761,961**	-	**86,447**	**128,238,324**
Capital increase		60,000,000	(3,000,000)	(57,000,000)	-	-	-
Net income for the year		-	-	23,322,342	-	-	23,322,342
Comprehensive income for the year		-	-	-	20,562,441	313,290	20,875,731
Total comprehensive income for the year before restatement		-	-	**23,322,342**	**20,562,441**	**313,290**	**44,198,073**
Adjustments to comprehensive income for the year	30	-	-	7,123,824	(20,562,441)	8,227	(13,430,390)
Net comprehensive income for the year - restated	30	-	-	**30,446,166**	-	**321,517**	**30,767,683**
Losses from acquisition of subsidiaries		-	-	(4,135,355)	-	-	(4,135,355)
Prior year adjustments	30	-	-	4,135,355	-	-	4,135,355
Transferred to the statuary reserve		-	2,332,234	(2,332,234)	-	-	-
		120,000,000	**7,722,150**	**30,875,893**	-	**407,964**	**159,006,007**
Balance at January 01, 2021 restated	30	**120,000,000**	**7,722,150**	**30,875,893**	-	**407,964**	**159,006,007**
Net income for the year		-	-	80,678,931	-	-	80,678,931
Comprehensive income for the year		-	-	-	-	1,726,455	1,726,455
Total comprehensive income for the year		-	-	**80,678,931**	-	**1,726,455**	**82,405,386**
Transferred to the statuary reserve		-	8,067,893	(8,067,893)	-	-	-
		120,000,000	**15,790,043**	**103,486,931**	-	**2,134,419**	**241,411,393**

Finance Department | **Executive Director** | **Chairman of Board of Directors**

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

NATIONAL BUILDING AND MARKETING COMPANY

(SAUDI JOINT STOCK COMPANY - LISTED) – RIYADH

Consolidated statement of cash flows for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before Zakat attributable to Shareholders		83,596,243	31,154,951
Net Income adjusted to net cash flows from operating activities			
Depreciation on property, plant and equipment		18,810,296	23,696,538
Gains on disposal of property, plant and equipment		-	(4,500,000)
Depreciation of right-of-use assets		1,440,851	750,740
Finance charges		5,755,771	8,384,114
Company's share in investment profits of an associate		(1,918,327)	(7,132,051)
Provision for expected credit loss		-	2,000,000
Investments at fair value through profit or loss		(153,336)	-
Employees' defined benefit obligations paid		1,433,596	476,795
		108,965,094	**54,831,087**
Change in assets and liabilities			
Decrease (increase)			
Inventory		(21,717,870)	56,840,448
Trade receivables and other debit balances		(38,460,998)	3,598,929
Due from related parties		(37,253,916)	(6,313,102)
(Decrease) /increase			
Trade payables and other credit balances		(13,263,024)	32,399,417
Due to related parties		9,195,182	(77,805,787)
Zakat paid		(812,989)	(2,219,163)
Finance charges paid		(4,721,714)	(8,198,441)
Net cash flows from operating activities		**1,929,765**	**53,133,388**
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchase of) property, plant and equipment		(25,048,681)	(40,519,281)
Payments for projects under construction		(19,485,523)	-
Investments in associates		(53,750)	-
Paid under investment account		(75,000)	-
Purchase of investments at fair value through profit or loss		(330,000)	-
Proceeds from disposal of investments at FVTPL		-	14,516,232
Net cash flows (used in) investing activities		**(44,992,954)**	**(26,003,049)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Leases paid		(2,603,434)	(574,866)
Net movement in loans and facilities		25,182,837	1,995,257
Net cash flows from financing activities		**22,579,403**	**1,420,391**
Net (decrease) increase in cash balances		**(20,483,786)**	**28,550,730**
Cash and cash equivalents at beginning of the year		**35,977,630**	**7,426,900**
Cash and cash equivalentsat end of the year	15	**15,493,844**	**35,977,630**
Non-cash transactions			
(Sale) of property and equipment from due to related parties excluded		-	(97,480,216)
Additions to property, plant and equipment from capital work in progress excluded		51,853,356	-
Purchase of investments in subsidiaries and associates from due to related parties excluded		(125,000)	(180,000,000)
Increase in share capital from retained earnings and statutory reserve		-	(60,000,000)
Settlement of provision for claims from VAT		-	1,067,310
Additions to right-of-use assets from lease obligations excluded		(30,975,850)	-
Additions to lease obligations from right-of-use assets excluded		30,975,850	
Dividends of associates from due to related parties excluded		3,632,000	-

Finance Department	Executive Director	Chairman of Board of Directors

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

1. General information

1.1. National Building and Marketing Company, a listed Saudi Joint Stock Company, was established as per Ministerial Resolution No. (70/Q) on 29/03/1435H (30/01/2014) and according to the Articles of Association and its latest amendments on 22/05/2017. The Company was registered in the Commercial Register in Riyadh under 1010153678 dated 17/1/1420 H.

1.2. The Company's activity is the wholesale and retail trade in construction materials (iron, timber, manual and industrial tools, electronic and computer appliances, spare parts, office equipment, office furniture, educational aid, maintenance of medical and scientific equipment and supplies, hospital and laboratory supplies, medical furniture, spare parts, general building materials, decoration works, paints, chemicals and advertising gifts.

1.3. The consolidated financial statements include the accounts of the Head Office and the following branches:

a. Laboratory Branch of National Building and Marketing Company, C.R. 1010371828, issued on 13/06/1434 H. (expired)

b. Naher Al Bardouni Branch of National Building and Marketing Company, C.R. 1010283864, issued on 27/03/1431 H (expired).

c. Branch of National Building and Marketing Company, C.R. 1010612194, issued on 26/01/1439 H.

1.4. The Company's fiscal year begins on January 1st and ends on December 31st of each calendar year and the presented consolidated financial statements for the year ended December 31, 2021 compared to the year ended December 31, 2020.

1.5 The accompanying consolidated financial statements include the accounts of the Company and its subsidiary, referred to as the "Group" and they are as follows:

Subsidiary	Place of incorporation	Main activity	Shareholding percentage 31/12/2021	Shareholding percentage 31/12/2020
Ajeej Steel Manufacturing Company	KSA	Industrial	100%	100%

1.6 The Company has investments in subsidiaries, the financial statements of which have not been consolidated, because the subsidiaries have not engaged in any activity since inception to date (note 8). The first financial year of these companies ends on December 31, 2022, as follows.

Subsidiary	Place of incorporation	Main activity	Shareholding percentage 31/12/2021	Shareholding percentage 31/12/2020
RAM Tech Company	KSA	Commercial	70%	-
Yuzmash Industry Company	KSA	Industrial	55%	-

1.7. Significant events

The spread of the corona virus (covid-19) pandemic was confirmed at the beginning of 2020, causing disruption to business and economic activities around the world, including the Kingdom of Saudi Arabia, which took precautionary measures to encounter the adverse effects of the pandemic.

During the year, the Management assessed the potential impact on the Company's operations and activities. Based on this assessment, there was no need to make any material adjustments to the consolidated financial statements for the year ended December 30, 2021. However, given the current uncertainty, any future change in assumptions and estimates may lead to results requiring significant adjustments to the carrying amounts of assets and/or liabilities in future periods. In the light of the rapid development of the current situation and uncertainty about the future, Management will continue to assess the impact based on future developments.

1.8 On the date of the financial position, current liabilities exceeded current assets by SR100,153,779. The financial statements have been prepared on the basis of the going concern principle. The future cash flows have been considered during the twelve months subsequent to the financial statements. The Management concluded that the Company has a strong financial position and operational performance that enable it to fulfill its obligations.

2. Basis of preparation

2.1 Statement of compliance

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

2.2 Basis for consolidating the financial statements

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

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

Control also exists when the Company owns half or less of the voting power of an investee but has other power to govern the financial and operating policies of the entity. The assets, liabilities and results of the subsidiaries are consolidated in full from the date of acquisition, being the date when control is transferred to the Group. Consolidation continues until the date of such control ceases.

The Group applies the acquisition method to account for business combination. Inter-company transactions, balances, income, expenses, unrealized gains and losses on transactions and dividends are eliminated in full.

2.3 Basis of measurement

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

2.4 Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals, which is the functional and presentation currency of the Company.

2.5 Critical accounting judgements, estimates and assumptions

Preparation of the consolidated financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts included in the report for assets, liabilities, revenue and expenses. These estimates and assumptions are based upon historical experience and other factors believed to be reasonable under the circumstances, the results of which are considered the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the audit period and future periods if the revision affects both current and future periods.

The most significant accounting judgments, estimates and assumptions

2.5.1 Judgments

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

Fulfillment of performance obligations

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

Determination of transaction prices

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

2.5.2 Assumptions and estimates

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

Going concern

The consolidated financial statements have been prepared in accordance with the going concern principle. The Management has made an assessment of the Company's ability to continue as a going concern. Despite what is indicated in note (1.8), the Group is satisfied that it has the necessary 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 according to the going concern principle.

Useful lives of property, plant and equipment

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

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

2.5.2 Assumptions and estimates...(continued)

Fair value measurement of financial instruments

When the fair value of the financial assets and liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risks, credit risks and volatility. Changes in the assumptions relating to these factors can affect the reported fair value of the financial instruments. The contingent consideration resulting from a business combination is assessed at the fair value on the acquisition date, part of the business combination. If the consideration meets the definition of a financial liability, it will be subsequently remeasured at the fair value in each reporting date. Fair value is determined based on discounted cash flows. Underlying assumptions take into account the possibility of fulfilling each objective of performance and discount factor.

Interest rate implicit in leases

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

Allowance for expected credit losses on trade receivables

The Company uses a provision matrix to calculate expected credit losses on trade receivables. The matrix is based on past default experience monitored by the Company. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

Impairment of non-financial assets

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

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

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

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

2.5.2 Assumptions and estimates...(continued)

Impairment of non-financial assets...(continued)

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

- Note (3.6) Impairment of inventory
- Note (3.10) Measurement of employees' defined benefit obligations
- Note (3.12) Provisions
- Note (3.14.1): Impairment of financial assets measured at cost or amortized cost

3. Significant accounting policies

3.1 Current/non-current classification of assets and liabilities

The Company presents assets and liabilities in the balance sheet based on current/non-current classification as follows:

Assets

An asset is classified as current when:

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

All other assets are classified as non-current.

Liabilities

A liability is classified as current when:

- It is expected to be settled in normal operating cycle;
- It is 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.

All other liabilities are classified as non-current.

(All amounts in Saudi Riyals unless otherwise stated)

3.2 Property, plant and equipment

3.2.1 Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss, if any, except for land and Constructions work in progress.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within the statement of income.

3.2.2 Derecognition

The carrying amount of an item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an item of property, plant and equipment are recognized in the income statement.

3.2.3 Subsequent costs of acquisition

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

3.2.4 Deprecation

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

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

Improvements to buildings on a leased land and buildings constructed on a leased land are depreciated over the period of their economic productivity or the unfinished lease period whichever is less. The following are the estimated useful lives for the current and comparative periods:

- Buildings on leased lands	5%	- Plant and equipment	15%
- Motor vehicles	20%	- Furniture and decorations	10%
- Electrical devices and air-conditioners	10%	- Tools	15%
- Scaffolding and Fittings	10%	- Office equipment and computers	10%

3.3 Projects under construction

Projects in progress are stated at cost and include the cost of construction, equipment and direct overheads. Capital work in progress is not depreciated. It will be depreciated by the Company when it is ready for use as it is transferred to property and equipment.

3.4 Right-of-use assets and lease rights

The Company recognized new assets and liabilities for different types of its operating leases. Each lease payment is allocated between settling the liabilities and the finance cost. Finance costs are charged to the statement of statement of profit or loss over the term of the relevant lease in order to produce a constant periodic interest of charge on the remaining balance of the liabilities for each accounting period. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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

   - The amount of initial recognition of lease liability
   - Any lease payments made at or before the commencement date minus lease incentives received
   - Any initial direct costs; and
   - Restoration costs.

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

   - Fixed payments (including in-substance fixed payments) less any lease incentives receivable;
   - Variable lease payments that depend on an index or a rate;
   - Amounts expected to be paid under residual value guarantees;
   - The exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
   - Payments of penalties for terminating the lease; If the lease term reflects the tenant's exercise of that option.

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

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

3.5 Investments

3.5.1 Investments in subsidiaries

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

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

3.5.2 Accounting for investments using equity method of accounting

Investments in subsidiaries and associates are accounted for using the equity method of accounting by which an equity investment is initially recorded at cost of acquisition and subsequently adjusted to reflect the investor's share of the income and comprehensive income of the investee.

If the Company's share of losses of an investee equals or exceeds its interest in the investee, the Company discontinues recognizing its share of further losses. However, after the Company's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the investee. If the investee subsequently reports profits, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

3.6 Inventories

Inventories are measured at lower of cost and net realizable value.

<u>The cost is determined as follows:</u>

- Raw materials: The cost includes the costs of purchasing materials and all expenses incurred to bring them to their present location. The cost is measured using the weighted average method.
- Work in progress and finished goods: It includes the cost of materials used in production in addition to the cost of direct labor and all other direct and indirect expenses incurred in connection with converting the product and bringing it to its present location and condition.

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

Impairment of inventory

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

3.7 Trade receivables and other debit balances

Trade receivables and other debit balances are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any transaction costs directly attributable to them.

3.7.1 Provision for expected credit losses

Provision is made for impairment of expected credit losses when there is objective evidence that the Company will not be able to collect all amounts due in accordance with the underlying terms of the transactions. The main financial difficulty of debtors is the possibility of bankruptcy or financial restructuring, or delay in payment. These are indicators of impairment of trade receivables. In respect of large amounts individually, an estimate is made on an individual basis Amounts that are not individually significant but have expired and have not been repaid, they are estimated collectively and a provisions is made based on the length of the period due based on historical recovery rates.

Notes to the consolidated financial statements for the year ended December 31, 2021
(All amounts in Saudi Riyals unless otherwise stated)

3.8 Transactions with related parties

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

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

a. is a member of the key management personnel of the reporting entity*;
b. has control or joint control over the reporting entity;
c. has significant influence over the reporting entity's decision-making process and policies.

* Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any directors (whether executive or otherwise) of the entity.

An entity is related to a reporting entity if any of following conditions applies:

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

3.9 Cash and cash equivalents

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

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

3.10 Employees' defined benefit obligations

The end of service benefits for employees working in accordance with the terms and conditions of the Labor Law in Saudi Arabia will be due upon termination of their service contracts and charged to the income statement. or the bonuses specified at that time. The amount of the liability is calculated on the basis of the present value of the earned bonus to which the employee would be entitled to leave his business at the statement of financial position date. The end-of-service benefit payments are based on the employees' final salaries and allowances and their cumulative years, as defined by the conditions stated in the regulations of the Kingdom of Saudi Arabia. An actuarial expert calculates the specific benefit obligations which include actuarial gains and losses within the other comprehensive income immediately, if any. The Company determines the interest expense for the liability for the specific bonuses for the period using the discount rate used to measure the obligation of the bonuses specified at the beginning of the annual period of the liability.

For Saudi employees, the Company contributes in line with General Organization for Social Insurance regulations and is calculated as a percentage of employees' wages. The Company's obligations are limited to these contributions, which are expensed when due.

3.11 Trade payables and other credit balances

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed to the Company or not.

3.12 Provisions

Provisions are recognized when there is a legal or constructive obligation to the Company arising from a past event, and the Company is likely to settle the obligation with the possibility of making a reliable estimate of that obligation.

3.13 Zakat

Zakat is calculated and provided for by the Company in accordance with the regulations of the Zakat, Tax and Customs Authority and is charged to profit or loss. Adjustments arising from zakat assessment for the Parent Company and the subsidiary are settled during the reporting period when the final assessment is issued and are recorded in separate budgets.

3.14 Financial Instruments

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

Relevant detailed accounting policies are as follows:

3.14.1 Financial assets

Initial recognition and measurement

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

Financial assets are initially measured at the transaction price directly attributable to the acquisition of the asset, including transaction costs except financial assets that are subsequently measured at the fair value through the income statement. If the arrangement constitutes, in effect, a financing transaction, a financial asset is recognized at the present value of future payments discounted at a market rate of interest.

Classification and subsequent measurement

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

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

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

Financial assets at amortized cost

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

3.14.1 Financial assets...(continued)

Financial assets at fair value through other comprehensive income:

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

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

Financial Assets at fair value through profit or loss:

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

Derecognition of financial assets

A financial asset is primarily derecognized when:

The contractual rights to the cash flows from the financial asset expire,

The Company transfers the rights to receive the contractual 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 the Company has transferred substantially all the risks and rewards of the asset, or it has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets measured at cost or amortized cost

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

1. The expected credit loss over 12 months: This expected credit loss arises from default and potential default events within 12 months after the reporting date.
2. The expected credit loss over the life of the financial instrument: It is the expected credit loss of financial assets on reporting date since initial recognition. The expected credit loss over 12 months measurement is applied if the credit risks have not increased substantially at the reporting date. The entity may determine that the credit risk does not increase substantially in case the instrument is exposed to low credit risk at the reporting date. However, the measurement of expected long-term credit losses is always applied to trade receivables and contract assets without any significant financing components. The entity may choose to apply this policy also to trade receivables and contract assets with significant financing components.

3.14.2 Financial liabilities

Initial measurement

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

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

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

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

Classification and subsequent measurement

Financial liabilities are measured at the amortized cost using the effective interest method if the above specified conditions have been met. Financial liabilities are subsequently measured at the amortized cost using the effective interest method. The amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Amortization of the effective interest rate is included in the finance income within the statement of profit or loss. IFRS 9 introduces the change in fair value related to changes in the credit risk of liabilities in the other comprehensive income statement while the remaining amount of the change in fair value is presented in the statement of income.

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

Derecognition of financial liabilities

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

3.14.3 Offsetting of financial instruments

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

3.15 Revenue recognition

The Company recognizes revenue with customers based on a five-step model. Revenue is recognized when the entity satisfies a performance obligation and transfers promised goods or services to a customer. Revenue is generated primarily from sale of goods. The following five steps are applied:

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

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

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

Step 4: Allocate the transaction price to the performance obligations in the contract: Where a contract has multiple performance obligations, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognize revenue when (or as) the Company satisfies a performance obligation.

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

Revenue includes only the total inflows of economic benefits received or receivable to which they relate. All amounts collected to the account of a third party such as income taxes and value added taxes are excluded.

When the inflow of cash or cash equivalents is deferred and the agreement includes in substance a financing transaction, the fair value of the consideration is the present value of all future receipts that is determined using an imputed interest rate.

The imputed rate of interest is the more clearly determinable of either:

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

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

3.15.1 Revenues

Sales are represented in the value of the goods. Net revenue is recognized after deducting discount allowed when it is delivered to the customer.

Project revenue is recognized using the percentage of completion method based on the actual inventory of work performed.

3.15.2 Miscellaneous income

Other income is recognized on an accrual basis.

3.16 Cost of revenue

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

Cost of revenue from goods sold comprise the cost of goods sold and direct costs and overheads associated with preparing the goods for sale.

Cost of revenue includes direct costs and expenses associated with the transaction as well as the cost of materials, supplies, direct labor, other capitalized costs and operating expenses.

3.17 Finance cost

Finance cost comprises interest expense and other costs on borrowings and finance facilities. All finance costs are charged to profits or losses as incurred except finance costs related to owning or establishing an asset that may need some time to be ready for the intended use. It is added to the cost of the asset to be ready for the intended use.

3.18 General and administrative expenses

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

3.19 Foreign currency translation

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

3.20 Segment reporting

The Group's has three business activity sectors.

A geographic segment is a group of assets, operations or entities engaged in business activities from which it may earn revenue in an economic environment subject to risks and returns that are different from those of components operating in other economic environments.

The Group has one geographical segment in Kingdom of Saudi Arabia.

Notes to the consolidated financial statements for the year ended December 31, 2021
(All amounts in Saudi Riyals unless otherwise stated)

4. Changes in significant accounting policies and new standards

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

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

The following is a summary of the amendments applied by the Group:

Standard - Interpretation	Description	Effective date
IFRS 7 and IFRS 16	Interest Rate Benchmark Reform - Phase 2	01 January 2021
IFRS 16	Amendments relating to COVID-19-Related rent concessions	30 June 2021

4.2. New and revised IFRS not yet effective and not applicable:

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

Standard - Interpretation	Description	Effective date
IAS 16	Amendments relating to property, plant and equipment - proceeds before intended use	01 January 2022
IFRS 3	Amendments relating to reference to the IFRS Conceptual Framework issued in March 2018	01 January 2022
IAS 37	Amendments relating to onerous contracts - cost of fulfilling a contract	01 January 2022
Annual Improvements to IRFS Standards 2018-2020 Cycle	Annual improvements include amendments to three standards as follows: **IFRS 1:** First time Adoption of International Financial Reporting Standards **IFRS 9:** Financial Instruments **IAS 41:** Agriculture	01 January 2022
IAS 1 and IAS 8	Amendments relating to definition of material	01 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01 January 2023
IFRS 17	Insurance contracts	01 January 2023

Notes to the consolidated financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

5. Property, plant and equipment – net

5.1. For the year ended December 31, 2021

	Lands	Buildings and fixtures	Buildings on leased lands *	Plant and equipment *	Motor Vehicles	Furniture and decorations	Electrical devices and air-conditioners	Tools	Scaffolding and Fittings	Office equipment and computers	Capital work in progress**	Total
Cost:												
Balance at January 1, 2021	-	-	139,053,312	232,395,113	81,972	654,161	156,393	237,137	-	399,279	31,789,397	404,766,764
Additions during the year	-	-	-	4,778,510	-	19,725	-	164,882	-	21,605	20,063,959	25,048,681
Disposals during the year	-	-	-	51,853,356	-	-	-	-	-	-	(51,853,356)	-
Balance at December 31, 2021	**-**	**-**	**139,053,312**	**289,026,979**	**81,972**	**673,886**	**156,393**	**402,019**	**-**	**420,884**	**-**	**429,815,445**
Accumulated depreciation:												
Balance at January 1, 2021	-	-	24,430,651	33,794,157	69,694	426,958	72,102	91,423	-	161,170	-	59,046,155
Deprecation charged during the year	-	-	6,933,669	11,643,945	12,277	72,280	31,193	44,610	-	72,322	-	18,810,296
Balance at December 31, 2021	**-**	**-**	**31,364,320**	**45,438,102**	**81,971**	**499,238**	**103,295**	**136,033**	**-**	**233,492**	**-**	**77,856,451**
Net book value:												
As at December 31, 2021	**-**	**-**	**107,688,992**	**243,588,877**	**1**	**174,648**	**53,098**	**265,986**	**-**	**187,392**	**-**	**351,958,994**

5.2 Deprecation charged during the year is allocated as follows: -

	2021	2020
Charged to cost of sales (note 24.1)	18,696,079	23,402,353
Charged to general and administrative expenses (note 25)	114,217	294,185
	18,810,296	**23,696,538**

5.3 * These represent buildings on leased lands as per the Saudi Authority for Industrial Cities and Technology Zones (MODON) contract for a period of twenty years starting from 2010, subject to renewal for subsequent additional periods in accordance with the concluded contract. All property, plant and equipment have been mortgaged as part of the securities provided against signed with SIDF agreements (note 19.1).

** Capital works under construction represent constructing a concrete rolled steel line and rolled steel sections line.

Notes to the consolidated financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

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

5.4. For the year ended December 31, 2020

	Lands	Buildings and fixtures	Buildings on leased lands *	Plant and equipment *	Motor Vehicles	Furniture and decorations	Electrical devices and air-conditioners	Tools	Scaffolding and Fittings	Office equipment and computers	Capital work in progress**	Total
Cost:												
Balance at January 1, 2020	18,000,000	13,177,228	139,053,312	292,295,599	81,972	307,384	413,028	718,362	26,877,779	311,913	-	491,236,577
Additions during the year	-	-	-	8,255,240	-	346,777	-	40,501	-	87,366	31,789,397	40,519,281
Disposals during the year	(18,000,000)	(13,177,228)	-	(68,155,726)	-	-	(256,635)	(521,726)	(26,877,779)	-	-	(126,989,094)
Balance at December 31, 2020	-	-	**139,053,312**	**232,395,113**	**81,972**	**654,161**	**156,393**	**237,137**	-	**399,279**	**31,789,397**	**404,766,764**
Accumulated depreciation:												
Balance at January 1, 2020	-	1,861,906	17,477,986	33,153,572	60,065	177,862	199,022	453,325	15,891,825	82,932	-	69,358,495
Deprecation charged during the year	-	329,431	6,952,665	14,614,779	9,629	249,096	44,111	74,700	1,343,889	78,238	-	23,696,538
Disposals during the year	-	(2,191,337)	-	(13,974,194)	-	-	(171,031)	(436,602)	(17,235,714)	-	-	(34,008,878)
Balance at December 31, 2020	-	-	**24,430,651**	**33,794,157**	**69,694**	**426,958**	**72,102**	**91,423**	-	**161,170**	-	**59,046,155**
Net book value:												
As at December 31, 2020	-	-	**114,622,661**	**198,600,956**	**12,278**	**227,203**	**84,291**	**145,714**	-	**238,109**	**31,789,397**	**345,720,609**

(All amounts in Saudi Riyals unless otherwise stated)

6. Right-of-use assets and lease liabilities

6.1. Right-of-use assets – net

	31/12/2021	31/12/2020	01/01/2020
Buildings:			
Cost:			
Balance at beginning of the year	4,587,391	4,587,391	1,389,705
Additions during the year *	31,040,208	-	3,197,686
Balance at year-end	**35,627,599**	**4,587,391**	**4,587,391**
Accumulated depreciation:			
Balance at beginning of the year	1,346,209	595,469	111,203
Deprecation charged during the year **	1,440,851	750,740	484,266
Balance at end of the year	**2,787,060**	**1,346,209**	**595,469**
Net carrying amount at end of the year	**32,840,539**	**3,241,182**	**3,991,922**

* The additions represent a lease of an educational facility "schools" between Tatweer Buildings Company and the National Building and Marketing Company for a period of 35 years at a total value of SR63,228,620, provided that an annual rent of SR1,560,000 will be paid, and will rise gradually starting as of 05/04/2024. An advance rent was paid on March 29, 2021. The present value as of December 31, 2021 is SR30,312,753.

** An amount of SR455,610 was charged to the cost of revenues and an amount of SR1,395,290 was charged to the general and administrative expenses, compared to an amount of SR111,203 and an amount of SR639,537.

6.2. Lease obligations

	31/12/2021	31/12/2020	01/01/2020
Present value of obligation			
Current portion	863,508	844,797	632,438
Non-current portion	32,301,673	2,849,553	3,451,105

7. Investment in associates

	Shareholding percentage	31/12/2021	31/12/2020	01/01/2020
Investments in German Saudi Industrial Company (note 7.1) *	9.08%	16,693,188	18,406,861	11,274,810
Investments in Flex Shield Company for Information Technology **	43%	53,750	-	-
		16,746,938	**18,406,861**	**11,274,810**

* The error of previous years regarding the classification of the Company's investments for investments at fair value through other comprehensive income was corrected for investments in an associate due to the influence of the Board of Directors of the Parent Company. Therefore, that investment was recognized by the equity method and the necessary adjustments were made (note 30).

** On 25/11/2020, 43% of the capital of the Flex Shield Company for Information Technology - a closed joint stock company was contributed to the capital of SR500,000 while 25% of the value of our contribution to the share capital amounting to SR215,000 was paid. The remainder of the value of the shares will be paid on the dates specified by the Board of Directors. The commercial register was issued on February 11, 2021 and the Articles of Association on October 26, 2021. The associate has not practiced activity up to the reporting date; therefore, there are no profits or losses.

(All amounts in Saudi Riyals unless otherwise stated)

7. Investment in associates...(continued)

7.1 Movement of investment in associates

	31/12/2021	31/12/2020	01/01/2020
Balance at beginning of the year	18,406,861	11,274,810	9,770,480
Dividends	(3,632,000)	-	-
Company's share in profits for the year	1,918,327	7,132,051	1,504,330
	16,693,188	**18,406,861**	**11,274,810**

7.1.1 Below is a summary of the Company's financial statements

	31/12/2021	31/12/2020
Total assets	324,566,757	305,342,791
Total liabilities	140,721,078	102,624,062
Equity	183,845,679	202,718,729
Total revenue	153,567,489	130,025,555
Total expenses	132,440,539	101,306,826
Net income for the year	21,126,950	28,718,729

8. Investments in subsidiaries

	Shareholding percentage	31/12/2021	31/12/2020	01/01/2020
RAM Tech Company	70%	70,000	-	-
Yuzmash Industry Company	55%	55,000	-	-
		125,000	-	-

* On 05/12/1442 H (15/07/2021), Ram Tech Trading Company - a limited liability - was established with a share capital of SR100,000, and 70% of the share capital was contributed at a total amount of SR70,000. The commercial register was issued on 05/08/2021. The first fiscal year ends on December 31, 2022. Therefore, the Company's financial statements have not been consolidated and the Company has not engaged in any activity since inception.

** On 17/10/1442 H (29/05/2021), Yuzmash Industry Company - a limited Liability - was established with a share capital of SR100,000, and 55% of the capital was contributed at an amount of SR55,000. The commercial register was issued on December 23, 2021. The first fiscal year ends on December 31, 2022. Therefore, the Company's financial statements have not been consolidated and the Company has not engaged in any activity since inception.

9. Projects under construction

	31/12/2021	31/12/2020	01/01/2020
Expenses of completing the project of educational facility*	**19,485,523**	-	-

* The balance represents the value of the amounts paid for the implementation of works to complete educational facilities "schools" based on the agreement between the National Building and Marketing Company and Adwaa Al-Hedaya Schools Company (closed joint-stock company) a related party on March 01, 2021 as per the agreement between Tatweer Buildings Company and the National Building and Marketing Company on educational facility investment contract (incomplete) as indicated in note (6.1).

Notes to the consolidated financial statements for the year ended December 31, 2021
(All amounts in Saudi Riyals unless otherwise stated)

10. Paid under investment account

	Shareholding percentage	31/12/2021	31/12/2020	01/01/2020
Investment in Alma for Military Industries Company	60%	75,000	-	-

* On 08/12/2021, 60% of the share capital of Alma for Military Industries Company - a closed joint stock company - was contributed to the capital of SR500,000 while 25% of the value of our contribution to the share capital amounting to SR300,000 was paid. The remainder of the contribution will be paid on the dates specified by the Board of Directors. The commercial register was issued on 04/01/2022 while the Articles of Association have not been issued until December 31, 2021.

11. Investments at FVTPL

	31/12/2021	31/12/2020	01/01/2020
Shares in listed companies	-	-	14,516,232
Investments in Riyadh Financial Portfolio (11.1)	483,336	-	-
	483,336	-	**14,516,232**

11.1 Riyad Financial Portfolio	31/12/2021	31/12/2020	01/01/2020
Balance at beginning of the year	-	-	-
Additions during the year at cost	330,000	-	-
Unrealized gain from revaluation during the year	153,336	-	-
	483,336	-	-

12. Inventory

	31/12/2021	31/12/2020	01/01/2020
Scrap Iron	31,745,531	15,178,397	54,036,979
Steel pallets - finished goods	4,651,975	4,158,889	8,250,362
Spare parts, fuel and oils	8,092,641	5,960,153	3,130,704
Operation tasks	2,724,798	49,982	944,719
Printing ink	-	-	6,864,237
Other construction materials	504,573	654,227	9,615,095
	47,719,518	**26,001,648**	**82,842,096**

(All amounts in Saudi Riyals unless otherwise stated)

13. Trade receivables and other debit balances – net

	31/12/2021	31/12/2020	01/01/2020
Customers - (note 13.1)	9,449,104	10,707,059	14,343,051
Suppliers, advance payments	41,294,096	24,509,080	27,985,340
Margin against letters of guarantee and letters of credit	38,774	225,712	110,333
Prepaid expenses and other debit balances	1,067,090	4,677,536	4,735,387
Value Added Tax (VAT)	30,660,956	2,694,240	-
Deposits for others	1,512,324	920,000	-
Accounts receivable and employees custody	2,314,312	4,142,033	2,383,422
Others	912,877	912,875	2,829,931
	87,249,533	**48,788,535**	**52,387,464**
Provision for expected credit loss (note 13.2)	(5,411,253)	(5,411,253)	(3,411,253)
	81,838,280	**43,377,282**	**48,976,211**

13.1 Aging of trade receivables

	31/12/2021	31/12/2020
Up to a month	174,379	2,422,687
1-2 months	4,842,766	1,471,593
2-3 months	2,325,434	4,971,877
Over 3 months	2,106,525	1,840,902
	9,449,104	**10,707,059**

13.2 Provision for expected credit losses

	31/12/2021	31/12/2020	01/01/2020
Balance at beginning of the year	5,411,253	3,411,253	-
Provided during the year	-	2,000,000	3,411,253
	5,411,253	**5,411,253**	**3,411,253**

(All amounts in Saudi Riyals unless otherwise stated)

14. Transactions with related parties

Related parties represent the main Shareholders, directors of the Board, employees of the Company's Senior Management, and the companies under the control of or significantly affected by these parties (other related parties). During this period, the Group made transactions with the following related parties: (terms of transactions with related parties were approved by the board of directors) An independent report is presented including all transactions that took place during the year to the General Assembly of Shareholders at its annual meeting for approval.

14.1 Due from related parties

Related party	Nature of relationship	31/12/2021	31/12/2020	01/01/2020
Kakaat Food and Catering Company	Affiliate	1,380,295	-	-
Trolley Carriage & Iron Works Co.	Affiliate	315,060	4,594,183	-
Shields Manfacture Company - Ink Materials Branch	Affiliate	551,098	-	-
Flex Shield Company for Security and Safety	Affiliate	1,417,422	902,850	-
Adwaa Al-Hedaya Schools Company	Affiliate	36,730	-	-
Manazel Alalamiyah Company for Operation and Maintenance	Affiliate	464,374	22,217	-
Flex Shield Company for Information Technology	Associate	101,919	127,060	-
Resin Industry Factory	Affiliate	4,042,369	-	-
Al-Kharj Union Factory Company	Affiliate	5,149,034	60,107	-
Ethraa Holding Company	Affiliate	24,574	-	-
Al-Fayziyah Real Estate Development Company	Affiliate	8,111,990	-	-
RAM Tech Company	Subsidiary	120,160	-	-
Alma for Military Industries Company	Affiliate	56,150	-	-
Jowdat Contracting Company	Affiliate	21,270,500	606,685	-
		43,041,675	**6,313,102**	-

14.2 Due to related parties

Related party	Nature of relationship	31/12/2021	31/12/2020	01/01/2020
German Saudi Industrial Company (closed joint-stock company)	Associate	7,352,021	-	-
Fahad Thanayyan Al-Thanayyan	Major Shareholder	6,161,915	7,734,656	84,518,944
Mohammad Iqbal Dabool	Shareholder/ Deputy Chairman of Board of Directors	-	-	99,169,381
Yuzmash Industry Company	Subsidiary	51,225	-	-
Alma for Military Industries Company	Affiliate	-	-	-
Kakaat Food and Catering Company	Affiliate	-	667,666	-
		13,565,161	**8,402,322**	**183,688,325**

(All amounts in Saudi Riyals unless otherwise stated)

14.3. Significant transactions with related parties

Related party	Nature of transaction	2021	2020
Kakaat Food and Catering Company	Payment and salaries	117,155	-
	Expenses paid on behalf	1,060,413	667,666
	VAT paid on behalf of the Company	870,393	-
Trolley Carriage & Iron Works Co.	VAT paid for Company	869,511	-
	Payments to suppliers/ expenses paid on behalf of	1,482,566	-
	Purchases	(7,539,422)	-
	Sales	908,222	4,594,183
Shields Manfacture Company - Ink Materials Branch	VAT paid on behalf of the Company	592,590	-
	Expenses paid on behalf of the Company	(1,683,675)	-
	Payments made to suppliers	1,642,183	-
Flex Shield Company for Security and Safety	VAT paid on behalf of the Company	164,088	-
	Inter-Company debt transfer	1,084,793	-
	Finance	(834,022)	-
	Expenses paid on behalf	99,713	902,850
Manazel Alalamiyah Company for Operation and Maintenance	Bank transfers	259,600	-
	Expenses paid on behalf	182,557	22,217
Flex Shield Company for Information Technology	Expenses paid on behalf	177,485	127,060
	Investment paid on behalf of the Company	(53,750)	-
	Bank transfers	(148,876)	-
Resin Industry Factory	VAT paid on behalf of the Company	444,681	-
	Bank transfers	1,230,775	-
	Expenses paid on behalf	2,366,913	-
Al-Kharj Union Factory Company	Ajeej Factory debt transfer	(2,812,372)	-
	Expenses paid on behalf	4,799,720	60,107
	Bank transfers	985,000	-
	Sales	2,116,579	-
Yuzmash Industry Company	Expenses paid on behalf	3,775	-
	Investment paid on behalf of the Company	(55,000)	-
Ethraa Holding Company	Expenses paid on behalf	24,574	-
Adwaa Al-Hedaya Schools Company	Advance payments as part of project under construction costs (note 9)	19,485,523	-
	Expenses paid on behalf of the Company	36,730	-
Al-Fayziyah Real Estate Development Company	AlJawhara Project income (note 27)	251,750,488	-
	Proceeds from income	(246,480,926)	-
	Bank transfers	12,109,675	-
	Expenses paid on behalf of the Company	(9,866,987)	-
	VAT paid on behalf of the Company	599,740	-

Notes to the consolidated financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

14.3. Significant transactions with related parties...(continued)

Related party	Nature of transaction	2021	2020
RAM Tech Company	Expenses paid on behalf	15,160	-
	Investment paid on behalf of the Company	(70,000)	-
	Finance	175,000	-
Jowdat Contracting Company	Finance	19,446,948	(606,685)
	Payment and salaries	272,272	-
	Payments to suppliers/ expenses paid on behalf of	1,551,280	3,269,124
	Inter-Company debt transfer	-	(3,269,124)
German Saudi Industrial Company	Bank transfers	5,132,000	-
	Payments to suppliers/ expenses paid on behalf of	(3,621,682)	-
	VAT paid on behalf of the Company	(15,186,784)	
	Inter-Company debt transfer	6,324,445	-
Alma for Military Industries Company	Investment paid on behalf of the Company	(75,000)	-
	Bank transfers	131,150	-
Fahad Thanayyan Al-Thanayyan	Barter sale of lands and buildings at book value under contract	-	28,985,892
	Acquisition of Ajeej Steel Manufacturing Company under acquisition agreement, which is approved by the Extraordinary General Assembly	-	(180,000,000)
	Closing of current account of Ajeej Steel Manufacturing Company under debt conversion contract	-	35,164,633
	Closing of current account of Trolley Carriage & Iron Works Factory Co. under debt conversion contract to settle debts	-	108,107,399
	Expenses paid on behalf	(1,572,741)	-

14.4 Salaries, allowances and remunerations of Senior Executives and Board of Directors

The Company's Senior Management includes the Directors of the Board and Senior Executives who exercise authority and responsibility in planning, directing and controlling the Company's activities, directly or indirectly. As of the year 2018, the Company's Board decided to grant its Directors an annual bonus and salaries for Senior Executives.

General and administrative expenses include during the years ending as follows:

	2021	2020
Remunerations and allowances of Board of Directors (note 25)	190,000	275,000
Salaries and related allowances to Senior Executives (note 25)	1,350,000	235,000

Notes to the consolidated financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

15. Cash and cash equivalent

	31/12/2021	31/12/2020	01/01/2020
Current account in local banks	15,493,844	35,977,630	7,426,900

16. Share capital

	31/12/2021	31/12/2020	01/01/2020
Balance at end of the year	120,000,000	120,000,000	60,000,000

The share capital of the Company is SR 60,000,000, consisting of 6,000,000 shares with a nominal value of SR10 per share. The founders subscribed to the entire share capital of the Company as in-kind shares.

On Safar 12, 1439 H (January 17, 2017 G.), the Capital Market Authority issued a decision to approve the prospectus for the National Building and Marketing Company - a listed Saudi Joint Stock Company - and offered 1,200,000 shares, representing 20% of its shares in the parallel market.

On December 31, 2020, the Extraordinary Assembly decided to increase the Company's share capital by SR60 million to become SR120 million by granting free shares to Shareholders from the statutory reserve at an amount of SR 3,000,000 and the retained earnings of SR57,000,000. The procedures for amending the Articles of Association are under process.

17. Statutory reserve

	31/12/2021	31/12/2020	01/01/2020
Balance at beginning of the year	7,722,150	8,389,916	7,767,670
Transferred to share capital increase (note 16)	-	(3,000,000)	-
Provided for the year	8,067,893	2,332,234	622,246
Balance at end of the year	**15,790,043**	**7,722,150**	**8,389,916**

A 10% of the annual net income is set aside for the statutory reserve. The Ordinary General Assembly may discontinue such reserve when it reaches 30% of the share capital. This reserve is not available for distribution.

18. Employees' defined benefit obligations

The movement of employees' defined benefit obligations in the statement of financial position was as follows:

	31/12/2021	31/12/2020	01/01/2020
Balance at beginning of the year	2,655,344	2,500,066	1,945,468
Provided during the year (18.2)	1,366,626	412,026	390,384
Actuarial gains	(1,726,455)	(321,517)	79,516
Finance costs (18.2)	66,970	64,769	84,698
Balance at end of the year	**2,362,485**	**2,655,344**	**2,500,066**

18.1 Assumptions used for calculating the provision

	2021	2020
Retirement age	60 years	60 years
Mortality rate - Saudi Arabia	74 years	74 years
Discount rate	2.50 – 3.50%	2.85 - 3.3%
Annual salary increase rate	1.8 - 3%	2 - 3.5%

(All amounts in Saudi Riyals unless otherwise stated)

18. Employees' defined benefit obligations...(continued)

18.2 The provided during the year is allocated as follows:

	2021	2020
Charged to revenue cost (note 24.1)	973,314	73,849
Charged to general and administrative expenses (note 25)	460,282	402,946
	1,433,596	**476,795**

19. Long-term loans

	31/12/2021	31/12/2020	01/01/2020
19.1 Saudi Industrial Development Fund			
Balance at the beginning of the year	58,486,000	58,486,000	58,486,000
Paid during the year	(3,000,000)	-	-
Balance at end of the year	**55,486,000**	**58,486,000**	**58,486,600**
19.2 Alawwal Bank			
Balance at the beginning of the year	28,083,801	28,405,217	28,150,635
Utilized during the year	-	-	114,241,190
Paid during the year	-	(321,416)	(113,986,608)
Balance at end of the year	**28,083,801**	**28,083,801**	**28,405,217**
	83,569,801	**86,569,801**	**86,891,217**

	31/12/2021	31/12/2020	01/01/2020
Long term loans - current portion	38,083,801	86,569,801	86,891,217
Long term loans - non-current portion	45,486,000	-	-
	83,569,801	**86,569,801**	**86,891,217**

19.1 Saudi Industrial Development Fund

Loan agreements were signed with the Saudi Industrial Development Fund (SIDF) to obtain loans amounting to SR91,100,000 to finance the expansion and construction of the Company's production facilities, of which SR58,486,000 were utilized. The collaterals of SIDF facilities require the Company to maintain certain financial levels and keep annual dividends and capital expenses at certain limits as per regulatory requirements which require a paid-up capital of SR53 million, and amendment of the industrial license to reflect the actual project location, products, proposed production capacity, and other specific matters.

The loan is secured against the following collaterals as of December 31, 2021:

- Mortgage of the Subsidiary's property, plant and equipment (note 5.3)
- Personal guarantees from Major Shareholders of the Parent Company

Total maturity of the loan depends on the repayment schedules agreed upon with the Fund. On 19/03/1443H (25/10/2021), the Saudi Industrial Development Fund agreed to reschedule the loan balance granted to the subsidiary in four unequal semi-annual installments, starting from 15/10/1443 H (16/5/2022) and ending on 15/04/1445 H (30/10/2023), after implementing the conditions contained in the approved rescheduling memorandum. The conditions require that SR3 million of the amount due from the Company must be paid. The Company made the payment.

Notes to the consolidated financial statements for the year ended December 31, 2021
(All amounts in Saudi Riyals unless otherwise stated)

19.2 Alawwal Bank facilities

The Company entered into an agreement with Alawwal Bank to provide Tawarruq facilities and finance to the Company's factory and equip its machines and property. These loans bear financial expenses based on the prevailing market rates, mainly + 1% SAIBOR annually.

Loan facility covenants require the Company to maintain specific financial levels and keep annual dividends and capital expenditures above certain limits and other specified matters. The carrying amounts of long-term loans are stated in Saudi riyals.

The bank facilities "Tawarruq" are secured against the following collaterals:

- Promissory note duly signed amounting to SR30,205,000 paid on demand.
- Joint and several guarantees amounting to SR30,205,000 duly signed by major Shareholders of the Parent Company.
- Corporate guarantees amounting to SR30,205,000 duly signed by Jawdat Contracting Company (a related party).
- Confirmed waiver in favor of Alawwal Bank for finance returns from the SIDF.

The Company has waived the payments of the Saudi Industrial Development Fund loan in favor of Alawwal Bank. The total maturity of the loan depends on the repayment schedules agreed upon with the bank. Negotiations are underway with the bank to reschedule the outstanding balance.

20. Banks – Credit Facilities

	31/12/2021	31/12/2020	01/01/2020
Alrajhi Bank (20.1)	122,610,260	114,395,102	127,341,832
Local banks - Alinma (20.2)	35,669,890	36,166,420	20,903,017
Local banks - Riyad (20.3)	20,464,209	-	-
	178,744,359	**150,561,522**	**148,244,849**

20.1 Alrajhi Bank facilities

The Company entered into a banking facility agreement with Al Rajhi Bank to finance working capital at a profit rate of SIBOR for six months + 3% annually through:

- General items with a credit limit of SR120 million.
- Joint letters of credit and financing up to SR360 million.
- Forward sale and minimum export prices of SR120 million.

Banking facilities are secured against collaterals, covenants and the following terms:

- A performance bond declaration is to be provided by major Shareholders of the Parent Company.
- A corporate guarantee is to be provided by the German Saudi Industrial Company.
- An undertaking from the Company to provide the bank with a waiver of a credit letter from Al-Rajhi Steel Company in the bank's account, covering 150% of the total facilities.
- An undertaking from the Company to inform the bank of any changes in the shareholding of the issued capital by the obligor.
- Submitting the financial reports and the quarterly and semi-annual financial statements of the Company at the end of each reporting period (or in the case of the guarantor, the financial statements of the Group) for that period and ensuring that the obligors will do so.
- Financial and legal obligations and commitments and other conditions related to the Company's financial system.

(All amounts in Saudi Riyals unless otherwise stated)

20.2 Alinma Bank facilities

The Parent Company obtained credit facilities to finance Musharaka then Murabaha letters of credit at an amount of SR35 million at a profit rate of SIBOR for nine months +3 % annually secured by joint and several guarantees by one of the major Shareholders and others, as well as a real estate mortgage owned by one of the major Shareholders.

20.3 Riyad Bank facilities

On 30/06/2021, the Parent Company signed a short-term banking facility agreement with Riyad Bank, amounting to 45 million riyals at a profit rate of SIBOR +3.50% to finance the working capital. It was secured against a promissory note signed by one of the major Shareholders.

21. Trade payables and other credit balances

	31/12/2021	31/12/2020	01/01/2020
Suppliers	40,951,912	46,376,975	19,785,493
Employees' receivables	1,572,985	745,159	691,408
Value Added Tax (VAT)	-	919,381	715,529
Salaries, wages and allowances	2,129,237	1,300,733	1,753,850
Accrued interest expenses	-	1,907,500	6,795,075
Customers - advance payments	9,028,875	15,948,191	3,469,878
Others	494,150	242,244	753,223
	54,177,159	**67,440,183**	**33,964,456**

22. Provision for zakat

22.1 Movement in provision for zakat

	31/12/2021	31/12/2020	01/01/2020
Balance at beginning of the year	708,785	2,219,163	1,910,965
Paid during the year	(970,639)	(2,219,163)	(1,910,965)
Zakat difference	157,650	-	-
Provided during the year	2,917,312	708,785	2,219,163
Balance at end of the year	**2,813,108**	**708,785**	**2,219,163**

22.2 Zakat status

22.2.1 Parent Company

National Building and Marketing Company submitted its zakat declaration for the year ended December 31, 2020 and obtained a restricted certificate for the year 2022.

On 25/02/2020, the Parent Company received a zakat claim for the years 2014 and 2015 amounting to SR1,076,310. The National Building and Marketing Company recorded this amount as a provision for claims until the procedures for objecting to this amount were completed.

22.2.2 Subsidiary

Ajeej Steel Manufacturing Company submitted its zakat declaration for the year ended December 31, 2020 and obtained a restricted certificate for the year 2022.

(All amounts in Saudi Riyals unless otherwise stated)

23. Revenues

	2021	2020
Steel billets	366,448,887	213,698,312
Construction material	42,081,044	73,035,253
Construction projects (23.1)	251,750,188	-
	660,280,419	**286,733,565**

23.1 Construction projects

Based on the three-party contract concluded on January 16, 2021 between Al-Fayziyah Company for Real Estate Development (First Party- a related party), Jowdat Contracting Company (Second Party- a related party) and the National Building and Marketing Company (Third Party), the First Party is the developer of Al Jawhara Residential Project, for which it previously signed a construction contract with the Ministry of Housing.

The contract includes the commitment of the first party to release the current payment certificates for implementation and transfer the value of these payment certificates to the second party at a percentage of 15 % and to the third party at a percentage of 85% in return for the supply, implementation and supervision of the construction of residential villas as of payment certificate No. (18), which represents 65.7% of the total sales subject of the contract. On June 15, 2021, an addendum to the contract was made, stipulating that the second party waived 15% to the third party, provided that it implements all the remaining works and complies with obligations in the contract and also obtains the full value of the works. This will be done after approving the payment certificates from the certified auditor and the advisory office supervising the construction work and appointed by the project developer, from the developer's real estate escrow account.

Based on the above-mentioned contract, an agreement and addenda were made on January 20, 2021 with the Company (the developer's agent) and RS Infratech Saudi Company Ltd as a sub-contractor to implement all the works of the aforementioned contract.

The following is a summary of the contracts:

	Revenue	Cost
Total contracts *	644,316,040	508,660,000
Less: Total completed parts of contracts during the year	(251,750,488)	(179,158,922)
Remaining parts of contracts	**392,565,552**	**329,501,078**

* The amount represents the total contract value of SR775,000,000 less the parts completed previously up to payment certificate number (17) at an amount of SR130,683,960, which is executed by Jawdat Contracting Company. The Company's Management expects to complete this project by the end of 2022.

Notes to the consolidated financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

24. Cost of revenue

	2021	2020
24.1 Cost of sales		
Inventory at beginning of the year	21,842,759	74,591,734
Purchases during the year	356,131,096	138,811,199
Less : Inventory at end of the year	(43,067,543)	(21,842,759)
Cost of materials used for production	**334,906,312**	**191,560,174**
Operating expenses	41,879,034	52,671,434
Finished goods cost	**376,785,346**	**244,231,608**
Change to inventory of finished goods	(493,086)	4,091,473
	376,292,260	**248,323,081**
24.2 Cost of construction projects		
Subcontractors (23.1)	179,158,922	-
Hired labor	1,704,111	-
	180,863,033	**-**
	557,155,293	**248,323,081**

25. General and administrative expenses

	2021	2020
Salaries, wages and related expenses (note 14.4)	7,136,572	3,502,908
Bonuses and allowances of Board of Directors (note 14.4)	190,000	275,000
Employees' defined benefits (note 18.2)	460,282	402,946
GOSI	417,363	123,634
Government fees and expenses	39,467	169,856
Stationary and printings	15,328	12,746
Post and telephone	9,806	6,071
Maintenance expenses	2,240	5,571
Rent	200,544	-
Visas and residence permits	413,810	72,284
Depreciations on property and equipment (note 5.2)	114,217	294,185
Depreciation on right-of-use assets (note 6.1)	1,395,290	639,537
Penalties for late settlement of value added tax	2,183,852	1,926,505
Consulting and professional fees	1,749,489	524,000
Other administrative expenses	1,623,138	627,883
	15,951,398	**8,583,126**

26. Finance costs

	2021	2020
Finance charges and bank finance costs	4,721,714	8,198,441
Interest expense on right-of-use assets	1,034,057	185,673
	5,755,771	**8,384,114**

Notes to the consolidated financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

27. Earnings per share

Basic and diluted earnings per share is calculated by dividing the annual profit attributable to the Company's Shareholders by the weighted average number of shares issued as follows:

	2021	2020
Profit for the year	80,678,931	30,446,166
Weighted average number of shares issued	12,000,000	12,000,000
Basic and diluted earnings per share (SR)	**6.72**	**2.54**

28. Segment report

For the year ended December 31, 2021

	Manufacturing of steel billets	Contracting projects *	Commercial	Total
Revenue	366,448,887	251,750,488	42,081,044	660,280,419
Cost of revenue	339,698,641	180,863,033	36,593,619	557,155,293
Net income	19,913,804	56,499,726	2,087,121	78,500,651
Property, plant and equipment - net	351,756,852	-	202,142	351,958,994
Finance charges	2,505,826	3,249,945	-	5,755,771

For the year ended December 31, 2020

	Manufacturing of steel billets	Contracting projects *	Commercial	Total
Revenue	213,698,312	-	73,035,253	286,733,565
Cost of revenue	196,212,938	-	52,110,143	248,323,081
Net income	7,076,830	-	11,657,629	18,734,459
Property, plant and equipment - net	345,477,232	-	243,377	345,720,609
Finance charges	7,776,393	-	607,721	8,384,114

29. Financial instruments

Share capital management:

The Group's objectives when managing the share capital are to protect its ability to continue as a going concern and generate maximum returns for shareholders and benefits for other stakeholders as well, and to maintain a strong capital structure and reduce cost of the share capital.

The Group may adjust the amount of dividends paid to shareholders or manage its working capital requirements in order to maintain or adjust the share capital. The Group monitors the share capital on the basis of the gearing ratio. The Group aims to maintain a debt percentage of 30%-50%. The ratio is calculated by dividing the net debt by the total share capital.

Net debt is calculated by taking total loans (including current and non-current loans as stated in the financial position) less cash and bank balances (including short-term deposits). Total share capital is calculated on the basis of equity and net debt as shown in the financial position.

The gearing ratio was as follows:

	2021	2020
Total borrowings	262,314,160	237,131,323
Less: Cash and bank balances	(15,493,844)	(35,977,630)
Net debt	246,820,316	201,153,693
Total share capital	488,231,709	360,159,700
Gearing ratio	51%	56%

Notes to the consolidated financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

Group has not changed its approach to managing the share capital during the years ended December 31, 2021 and 2020.

29. Financial instruments...(continued)

Categories of financial instruments:

The accounting policies related to financial instruments were applied to the below items:

	2021	2020
Investments at fair value through profit and loss		
Quoted equity shares	483,336	-
Total	**483,336**	**-**

	2021	2020
Financial assets at amortized cost		
Trade and other receivables	81,838,280	43,377,282
Amount due from related parties	43,041,675	6,313,102
Cash and cash equivalents	15,493,844	35,977,630
Total	**140,373,799**	**85,668,014**

	2021	2020
Other financial liabilities at amortized cost		
Term loans	216,828,160	237,131,323
Amount due to related parties	13,565,161	8,402,322
Trade and other payables	57,853,775	68,993,765
Total	**288,247,096**	**314,527,410**

29.2 Financial instruments and risk management

The Group's activities are exposed to various financial risks including: Liquidity risk, credit risk, and market risk (include currency risk, fair value risk, cash flow of commission rate and price risk). The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

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

29.3 Liquidity risks

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

The Group's terms of sales stipulate that payments are made in cash upon delivery of the goods or on a credit sale basis according to credit terms whose payment term usually ranges between 30 to 180 days.

All current liabilities are expected to be settled within 12 months as of the date of the financial statements. Trade payables are usually settled within 30-90 days as of the purchase date.

For the year ended December 31, 2021

	On demand or less than a year	1 - 5 years	More than 5 years	Carrying amount
Long term loans	38,083,801	45,486,000	-	83,569,801
Banks - credit facilities	178,744,359	-	-	178,744,359
Trade payables and other credit balances	60,216,260	2,875,930	29,425,743	92,517,933

(All amounts in Saudi Riyals unless otherwise stated)

Due to related parties	13,565,161	-	-	13,565,161
	290,609,581	**48,361,930**	**29,425,743**	**368,397,254**

29. Financial instruments...(continued)

For the year ended December 31, 2020

	On demand or less than a year	1 - 5 years	More than 5 years	Carrying amount
Long term loans	86,569,801	-	-	86,569,801
Banks - credit facilities	150,561,522	-	-	150,561,522
Trade payables and other credit balances	71,649,109	2,849,553	-	74,498,662
Due to related parties	8,402,322	-	-	8,402,322
	317,182,754	**2,849,553**	**-**	**320,032,307**

29.4 Credit Risk Management

Credit risk is the risk that other parties will not be able to meet their contractual obligations to the Group, which may result in a financial loss to the Group. The concentrations of potential credit risk include mainly trade receivables and short-term cash investments. Short term cash investments are deposited with banks having a high credit rating. The Group's Management believes that there are no concentrations of credit risk for which no adequate provision has been made as at Group reporting date.

Market risk

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

The Group is exposed to the following market risks:

Currency risk

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

The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Management regularly monitors changes in foreign exchange rates and manages the impact on the financial statements.

Fair value risk

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

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

When measuring fair value, the Group uses observable market information whenever possible. Fair values are categorized into different levels in the fair value hierarchy based on the inputs used in the valuation methods as follows:

29. Financial instruments...(continued)

Fair value risk...(continued)

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If multiple inputs used to measure fair value are categorized into different levels of the fair value hierarchy, the Fair Value Measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period in which the change occurred. During the period there were no transfers between the fair value levels of Level 1 and Level 2.

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

The financial assets measured at fair value are as follows:

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
Investments at fair value through profit or loss	-	483,336	-	483,336

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
Investments at fair value through profit or loss	-	-	-	-

Interest rate risk (currencies)

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

Commodity price risk

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

Notes to the consolidated financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

30. Previous years reconciliations

30.1. Statement of consolidated financial position as at 1/1/2020

	Note	National Building and Marketing Company	Ajeej Steel Manufacturing Company	Re-classification	Re-conciliation	Consolidated
		01/01/2020	01/01/2020			01/01/2020
		As reported	As reported			Restated
Assets						
Non-current assets						
Property and equipment -net	(a,c)	98,184,963	323,693,119	-	(2,515,655)	421,878,082
Right-of-use assets – net	(a)	2,824,623	1,167,299	-	-	3,991,922
Investments at fair value through other comprehensive income (FVOCI)	(b)	5,800,000	-	-	(5,800,000)	-
Investments at fair value through profit or loss	(a)	-	14,516,232	-	-	14,516,232
Investments in associate	(b)	-	-	-	11,274,810	11,274,810
Total non-current assets		**106,809,586**	**339,376,650**	**-**	**2,959,155**	**451,661,046**
Current assets						
Inventory	(a)	34,788,035	48,054,061	-	-	82,842,096
Trade receivables and other debit balances - net	(a)	19,594,675	29,381,536	-	-	48,976,211
Due from related parties	(a)	13,057,359	-	-	(13,057,359)	-
Cash and cash equivalents	(a)	2,998,875	4,428,025	-	-	7,426,900
Total current assets		**70,438,944**	**81,863,622**	**-**	**(13,057,359)**	**139,245,207**
Total assets		**177,248,530**	**421,240,272**	**-**	**(10,098,204)**	**590,906,253**
Shareholders' equity and liabilities						
Shareholders' equity						
Share capital	(a)	60,000,000	53,000,000	-	(53,000,000)	60,000,000
Statutory reserve	(a)	8,389,916	456,584	-	(456,584)	8,389,916
Retained earnings	(a,b,c)	60,824,311	(6,993,744)	113,850	3,415,739	59,761,961
Gains from re-measurement of employees' defined benefits	(d)	200,297	(113,850)	(113,850)	-	86,447
Total Shareholders' equity		**129,414,524**	**46,348,990**	**-**	**(50,040,845)**	**128,238,324**
Non-current liabilities						
Loans – non-current portion		-	86,891,217	(86,891,217)	-	-
Lease obligations - non-current portion	(a)	2,145,300	1,305,805	-	-	3,451,105
Employees' defined benefit obligations	(a)	2,272,580	227,486	-	-	2,500,066
Total non-current liabilities		**4,417,880**	**88,424,508**	**(86,891,217)**	**-**	**5,951,171**
Current liabilities						
Loans - current portion	(a,d)	-	-	86,891,217	-	86,891,217
Banks and banking facilities	(a)	20,903,017	127,341,832	-	-	148,244,849
Lease obligations - current portion	(a)	533,564	98,874	-	-	632,438
Trade payables and other credit balances	(a,d)	20,065,470	22,571,454	(8,672,468)	-	33,964,456
Due to related parties	(a,d)	-	135,073,216	8,672,468	39,942,641	183,688,325
Provision for zakat	(a)	837,765	1,381,398	-	-	2,219,163
Provision for claims	(a)	1,076,310	-	-	-	1,076,310
Total current liabilities		**43,416,126**	**286,466,774**	**86,891,217**	**39,942,641**	**456,716,758**
Total liabilities		**47,834,006**	**374,891,282**	**-**	**39,942,641**	**462,667,929**
Total Shareholders' equity and liabilities		**177,248,530**	**423,755,927**	**-**	**(10,098,204)**	**590,906,253**

Notes to the consolidated financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

30. Previous years reconciliations ...(continued)

30.2. Statement of consolidated financial position as at 31/12/2020

	Note	National Building and Marketing Company	Ajeej Steel Manufacturing Company	Re-classification	Re-conciliation	Consolidated
		31/12/2021	31/12/2020			31/31/2020
		As reported	As reported			Restated
Assets						
Non-current assets						
Property and equipment -net	(a, c)	243,377	347,992,887	-	(2,515,655)	345,720,609
Right-of-use assets – net	(a)	2,185,086	1,056,096	-	-	3,241,182
Investments at fair value through other comprehensive income (FVOCI)	(b)	26,362,441	-	-	(26,362,441)	-
Investments in associate	(b)	-	-	-	18,406,861	18,406,861
Investments in Subsidiaries	(a)	183,029,358	-	-	(183,029,358)	-
Total non-current assets		**211,820,262**	**349,048,983**		**(193,500,593)**	**367,368,652**
Current assets						
Inventory	(a)	654,227	25,347,421	-	-	26,001,648
Trade receivables and other debit balances - net	(a, d)	25,666,589	22,965,263	(5,254,570)	-	43,377,282
Due from related parties	(a, d)	-	1,052,127	5,260,975	-	6,313,102
Cash and cash equivalents	(a)	3,240,193	32,737,437	-	-	35,977,630
Total current assets		**29,561,009**	**82,102,248**	**6,405**	**-**	**111,669,662**
Total assets		**241,381,271**	**431,151,231**	**6,405**	**(193,500,593)**	**479,038,314**
Shareholders' equity and liabilities						
Shareholders' equity						
Share capital	(a)	120,000,000	180,000,000	-	(180,000,000)	120,000,000
Statutory reserve	(a)	7,722,150	713,861	-	(713,861)	7,722,150
Retained earnings	(a,b,c)	20,679,064	2,315,497	105,623	7,775,709	30,875,893
Gain on revaluation of financial investments at fair value through other comprehensive income	(a)	20,562,441	-	-	(20,562,441)	-
Gains from re-measurement of employees' defined benefits	(a)	513,587	-	(105,623)	-	407,964
Total Shareholders' equity		**169,477,242**	**183,029,358**	**-**	**(193,500,593)**	**159,006,007**
Non-current liabilities						
Loans - non-current portion		-	86,569,801	(86,569,801)	-	-
Lease obligations - non-current portion	(a)	1,647,565	1,201,988	-	-	2,849,553
Employees' defined benefit obligations	(a)	2,349,830	305,514	-	-	2,655,344
Total non-current liabilities		**3,997,395**	**88,077,303**	**(86,569,801)**	**-**	**5,504,897**
Current liabilities						
Loans - current portion	(a, d)	-	-	86,569,801	-	86,569,801
Bank and banking facilities	(a)	36,166,420	114,395,102	-	-	150,561,522
Lease obligations - current portion	(a)	740,980	103,817	-	-	844,797
Trade payables and other credit balances	(a, d)	22,741,504	44,692,274	6,405	-	67,440,183
Due to related parties	(a)	7,734,656	667,666	-	-	8,402,322
Provision for zakat	(a)	523,074	185,711	-	-	708,785
Total current liabilities		**67,906,634**	**160,044,570**	**86,576,206**	**-**	**314,527,413**
Total liabilities		**71,904,029**	**248,121,873**	**6,405**	**-**	**320,032,310**
Total Shareholders' equity and liabilities		**241,381,271**	**431,151,231**	**6,405**	**(193,500,593)**	**479,038,314**

Notes to the consolidated financial statements for the year ended December 31, 2021
(All amounts in Saudi Riyals unless otherwise stated)

30. Previous years reconciliations ...(continued)

30.3. Consolidated profit or loss and other comprehensive income for the year ended 31/12/2020

	Note	National Building and Marketing Company	Ajeej Steel Manufacturing Company	Re-classification	Re-conciliation	Consolidated
		31/12/2021	31/12/2020			31/31/2020
		As reported	As reported			Restated
Revenue	(a,d)	204,956,368	213,698,312	-	(131,921,115)	286,733,565
Cost of revenue	(a,d)	(184,031,258)	(196,119,325)	(93,613)	131,921,115	(248,323,081)
Gross profit		**20,925,110**	**17,578,987**	**(93,613)**	**-**	**38,410,484**
General and administrative expenses	(a,d)	(6,136,686)	(2,540,053)	93,613	-	(8,583,126)
Provision for expected credit loss		(2,000,000)	-	-	-	(2,000,000)
Net operating income		**12,788,424**	**15,038,934**	**-**	**-**	**27,827,358**
(Expenses)/ other income						
Finance charges	(a)	(607,721)	(7,776,393)	-	-	(8,384,114)
Other income/(expenses)	(a)	-	79,656	-	-	79,656
Gains on disposal of property and equipment	(a)	4,500,000	-	-	-	4,500,000
Company's share in investment profits of an associate	(a,b)	-	-	-	7,132,051	7,132,051
Company's share in investment profits of a subsidiary	(a)	7,164,713	-	-	(7,164,713)	-
Total (expenses)/ other income		**11,056,992**	**(7,696,737)**	**-**	**(32,662)**	**3,327,593**
Net income for the year before zakat		**23,845,416**	**7,342,197**	**-**	**(32,662)**	**31,154,951**
Provision for zakat	(a)	(523,074)	(185,711)	-	-	(708,785)
Net income for the year		**23,322,342**	**7,156,486**	**-**	**(32,662)**	**30,446,166**
Comprehensive income						
Items that will not be re-classified to profit or loss:						
Unrealized gains from revaluation of investments at fair value	(a)	20,562,441	-	-	(20,562,441)	-
Gains of re-measurement of employees' defined benefits	(a)	313,290	8,227	-	-	321,517
Total comprehensive income		**20,875,731**	**8,227**	**-**	**(20,562,441)**	**321,517**
Net comprehensive income for the year		**44,198,073**	**7,164,713**	**-**	**(20,595,103)**	**30,767,683**
Basic and diluted earnings per share (SR)		**1.94**	**0.60**	**-**	**-**	**2.54**

Notes to the consolidated financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

30. Previous years reconciliations ...(continued)

30.4 Explanation to the previous years reconciliations

The restatement of previous years errors is as follows:

a) Consolidation of the financial statements of the National Building and Marketing Company and the Ajeej Steel Manufacturing Company, which is a subsidiary, as a result of the National Building and Marketing Company's control over the subsidiary and its classification as a subsidiary instead of erroneously classifying it as investments in a non-consolidated subsidiary. The consolidated financial statements of the Group were prepared and presented on 31/12/2020, and 01/01/2020.

b) The classification of investments at fair value through other comprehensive income has been corrected to investments in an associate due to the significant influence through the Board members of the Parent Company and the recognition of the investment using the equity method.

c) The adjustments consisted of recalculating the depreciation of buildings and plant as at January 01, 2020, which led to a decrease in the item of property, plant and equipment by SR2,515,655 and an increase in the item of accumulated losses by the same amount.

d) Some comparative figures have been reclassified for the year ended January 01, 2020 and December 31, 2020 in order to be in line with the current year's presentation.

31. Contingent commitments and liabilities

	2021	2020
Contractual commitments - unexecuted	329,501,078	-
Credits letters without collateral	807,376	-

32. Subsequent events

On 07/02/2022, the Company subscribed in Elm Company through Riyad Finance Portfolio. The Company's share of this cost was SR495,232.

Other than what is stated above, the Management believes that there are no significant subsequent events from the end of the year to the reporting date that may affect the Company's consolidated financial statements.

33. Approval of consolidated financial statements

These consolidated financial statements were approved by the Board of Directors on March 27, 2022.