ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2021

Astra Industrial Group Company and Its Subsidiaries
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Page
Independent auditor's report	1 – 4
Consolidated statement of financial position	5
Consolidated statement of income	6
Consolidated statement of comprehensive income	7
Consolidated statement of changes in equity	8
Consolidated statement of cash flows	9
Notes to the consolidated financial statements	10 – 54

Independent auditor's report to the shareholders of Astra Industrial Group Company

Report on the audit of the consolidated financial statements

Our opinion

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

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2021;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Key audit matter: Expected credit losses for trade receivables

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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Independent auditor's report to the shareholders of Astra Industrial Group Company (continued)

Our audit approach (continued)

Key audit matter/ Expected credit losses for trade receivables

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses for trade receivables As at December 31, 2021, the gross carrying amount of trade receivables amounted to Saudi Riyals 907 million against which the Group recognised provision for impairment amounting to Saudi Riyals 140 million in accordance with the requirements of IFRS 9, *"Financial Instruments"*. The Group assesses at each reporting date whether the trade receivables are credit impaired. Management has applied a simplified expected credit loss ("ECL") model to determine the allowance for impairment. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. We considered this to be a key audit matter due to the level of judgment applied and estimates made in the application of the ECL model. *Refer to Note 2.4, Note 3.3, Note 9 and Note 31.2 to the consolidated financial statements for further information.*	We performed the following procedures: • We developed an understanding of relevant business process and assessed the design and implementation of controls over the determination of the ECL allowance. • With inputs from our experts, we performed the following procedures on management's ECL model: - Checked the consistency of the ECL model developed by the management with the requirements of IFRS 9, *"Financial Instruments"*, and assessed the reasonableness of the methodology; - Tested the completeness and accuracy of underlying information used in the model and checked the arithmetical accuracy of the computation of ECL; - Considered the appropriateness of forward-looking factors used to reflect the impact of future events on expected credit losses; and - Performing a sensitivity analysis on key assumptions including historical loss rates and macro-economic factors; • We also considered the adequacy and appropriateness of the related accounting policies and disclosures in the consolidated financial statements.

Independent auditor's report to the shareholders of Astra Industrial Group Company (continued)

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the 2021 Group Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and the Audit Committee for the consolidated financial statements

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

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

Those charged with governance, i.e. the Audit Committee, are responsible for overseeing the Group's financial reporting process.

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

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

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

Independent auditor's report to the shareholders of Astra Industrial Group Company (continued)

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers

Mufaddal A. Ali
License No. 447

March 1, 2022

Astra Industrial Group Company and Its Subsidiaries
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	5, 6	1,148,057,533	1,188,929,364
Intangible assets	7	36,160,612	32,428,453
Other non-current assets	17.4	6,174,658	8,940,929
		1,190,392,803	1,230,298,746
Current assets			
Inventories	8	754,746,498	743,529,334
Trade receivables	9	767,361,756	757,260,116
Due from related parties	10.3	2,468,249	2,306,030
Prepayments and other current assets	11	126,702,285	113,328,476
Cash and cash equivalents	12	46,314,000	54,460,204
		1,697,592,788	1,670,884,160
TOTAL ASSETS		2,887,985,591	2,901,182,906
LIABILITIES AND EQUITY			
LIABILITIES			
Non-current liabilities			
Loans and lease liabilities	13	40,730,463	42,568,526
Due to a related party – loan	10.5	-	30,052,273
Employees defined benefit liabilities	14	133,401,876	122,798,469
		174,132,339	195,419,268
Current liabilities			
Trade payables	15	209,557,850	223,708,613
Accrued expenses and other current liabilities	16	411,296,128	338,314,733
Due to related parties	10.4	732,731	770,474
Due to a related party – loan	10.5	30,052,273	-
Loans and lease liabilities	13	487,809,789	681,689,144
Zakat and income tax payable	17	70,312,634	74,418,980
		1,209,761,405	1,318,901,944
Total liabilities		1,383,893,744	1,514,321,212
Equity			
Share capital	18	800,000,000	800,000,000
Statutory reserve	19	406,568,677	406,568,677
Retained earnings		321,723,743	184,463,118
Foreign currency translation reserve	31.1.1	(76,651,418)	(65,185,232)
Equity attributable to shareholders of the parent		1,451,641,002	1,325,846,563
Non-controlling interests	28	52,450,845	61,015,131
Net equity		1,504,091,847	1,386,861,694
TOTAL LIABILITIES AND EQUITY		2,887,985,591	2,901,182,906

The accompanying notes (1) through (36) form an integral part of these consolidated financial statements.

Vice President Finance   President / Chief Executive Officer   Authorized Board of Directors Member

Astra Industrial Group Company and Its Subsidiaries
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31 2021	2020
Revenue	25	**2,347,549,100**	2,047,876,104
Cost of revenue	20	**(1,436,820,406)**	(1,245,254,725)
Gross profit		**910,728,694**	802,621,379
Selling and distribution expenses	21	**(334,820,014)**	(345,252,774)
General and administrative expenses	22	**(194,066,878)**	(168,467,158)
Impairment of financial assets	9.2	**(22,462,819)**	(55,467,270)
Research expenses	25	**(25,969,196)**	(20,994,526)
Income from operations		**333,409,787**	212,439,651
Finance costs	13.4	**(52,307,316)**	(47,871,018)
Other expenses, net	23	**(61,431,416)**	(20,510,047)
Income before zakat and income tax		**219,671,055**	144,058,586
Zakat	17.1	**(20,996,972)**	(18,290,240)
Income tax charge	17.1	**(6,601,295)**	(12,411,416)
Deferred tax		**1,464,765**	(7,486,961)
		(26,133,502)	(38,188,617)
Net income for the year		**193,537,553**	105,869,969
Attributable to			
Shareholders of the Parent		**202,368,832**	115,444,034
Non-controlling interests		**(8,831,279)**	(9,574,065)
		193,537,553	105,869,969
Earnings per share attributable to shareholders of the parent (basic and diluted)	24	**2.53**	1.44

The accompanying Notes (1) through (36) form an integral part of these consolidated financial statements.

Vice President Finance | President / Chief Executive Officer | Authorized Board of Directors Member

Astra Industrial Group Company and Its Subsidiaries
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31 2021	2020
Net income for the year		193,537,553	105,869,969
Other comprehensive income (OCI) to be reclassified to income in subsequent years:			
Exchange loss on translation of foreign operations		(30,442,214)	(3,298,134)
Reclassification of exchange loss from OCI to statement of income	23	18,976,028	-
		(11,466,186)	(3,298,134)
Other comprehensive income not to be reclassified to income in subsequent years:			
Re-measurement (loss) / gain on employee defined benefit liabilities	14.1	(5,125,161)	4,527,164
		(16,591,347)	1,229,030
Total comprehensive income for the year		176,946,206	107,098,999
Attributable to:			
Shareholders of the Parent		185,794,439	116,663,278
Non-controlling interests		(8,848,233)	(9,564,279)
		176,946,206	107,098,999

The accompanying Notes (1) through (36) form an integral part of these consolidated financial statements.

Vice President Finance   President / Chief Executive Officer   Authorized Board of Directors Member

Astra Industrial Group Company and Its Subsidiaries
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(All amounts are in Saudi Riyals unless otherwise stated)

		Attributable to shareholders of the Parent						
	Note	**Share capital**	**Statutory reserve**	**Retained earnings**	**Foreign currency translation reserve**	**Total**	**Non-controlling interests**	**Net equity**
January 1, 2021		**800,000,000**	**406,568,677**	**184,463,118**	**(65,185,232)**	**1,325,846,563**	**61,015,131**	**1,386,861,694**
Net income for the year		-	-	202,368,832	-	202,368,832	(8,831,279)	193,537,553
Other comprehensive income		-	-	(5,108,207)	(11,466,186)	(16,574,393)	(16,954)	(16,591,347)
Total comprehensive income		-	-	197,260,625	(11,466,186)	185,794,439	(8,848,233)	176,946,206
Formation of a subsidiary	28	-	-	-	-	-	283,947	283,947
Dividends	32	-	-	(60,000,000)	-	(60,000,000)	-	(60,000,000)
December 31, 2021		**800,000,000**	**406,568,677**	**321,723,743**	**(76,651,418)**	**1,451,641,002**	**52,450,845**	**1,504,091,847**
January 1, 2020		800,000,000	406,568,677	70,599,830	(61,887,098)	1,215,281,409	(11,833,272)	1,203,448,137
Net income for the year		-	-	115,444,034	-	115,444,034	(9,574,065)	105,869,969
Other comprehensive income		-	-	4,517,378	(3,298,134)	1,219,244	9,786	1,229,030
Total comprehensive income		-	-	119,961,412	(3,298,134)	116,663,278	(9,564,279)	107,098,999
Increase of shareholding in a subsidiary	28	-	-	(6,098,124)	-	(6,098,124)	14,517,124	8,419,000
Absorption of losses in a subsidiary	32	-	-	-	-	-	67,895,558	67,895,558
December 31, 2020		800,000,000	406,568,677	184,463,118	(65,185,232)	1,325,846,563	61,015,131	1,386,861,694

The accompanying Notes (1) through (36) form an integral part of these consolidated financial statements.

Vice President Finance | President / Chief Executive Officer | Authorized Board of Directors Member

Astra Industrial Group Company and Its Subsidiaries
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before zakat and income tax		219,671,055	144,058,586
Adjustments for non-cash items			
Depreciation and amortization	5, 7.2	93,971,928	89,682,132
Finance costs	13.4	52,307,316	47,871,018
Provision for near expiry, obsolete and slow-moving inventories		30,251,064	74,279,961
Employee defined benefit costs	14.1	17,375,429	18,760,211
Provision for impairment of trade receivables	9.2	22,462,819	55,467,270
Loss on disposal of property, plant and equipment		1,322,933	1,142,007
Changes in operating assets and liabilities:			
Inventories		(41,468,228)	(207,161,994)
Trade receivables		(32,564,459)	(46,100,594)
Due from related parties		(162,219)	293,921
Prepayments and other assets		(8,071,244)	4,495,341
Trade payables		(14,150,763)	77,814,728
Accrued expenses and other current liabilities		72,981,387	65,946,903
Due to related parties		(37,743)	(255,175)
Employees defined benefit paid	14.1	(11,897,183)	(17,432,058)
Zakat and income tax paid	17	(23,517,584)	(26,853,169)
Net cash generated from operating activities		378,474,508	282,009,088
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment	5	(74,405,201)	(62,431,224)
Additions to intangible assets		(6,049,989)	(3,792,027)
Net cash used in investing activities		(80,455,190)	(66,223,251)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in short-term loans	13.1	(194,787,930)	(64,536,419)
Proceeds from long-term loans	13.1	5,999,927	6,318,156
Repayment of long-term loans	13.1	(2,018,523)	(108,874,819)
		(190,806,526)	(167,093,082)
Dividends paid	32	(60,000,000)	-
Repayment of a related party – loan		-	4,641,809
Principal elements of lease payments		(6,829,639)	(3,923,044)
Finance costs paid		(50,388,561)	(45,867,798)
Net cash used in financing activities		(308,024,726)	(212,242,115)
Net change in cash and cash equivalents		(10,005,408)	3,543,722
Cash and cash equivalents at the beginning of the year		54,460,204	45,279,521
Net foreign exchange loss		1,859,204	5,636,961
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	46,314,000	54,460,204

For supplement schedule of significant non-cash information, see note 33 in these consolidated financial statements.

The accompanying Notes (1) through (36) form an integral part of these consolidated financial statements.

Vice President Finance .... President / Chief Executive Officer .... Authorized Board of Directors Member ....

1 ORGANIZATION AND ACTIVITIES

Astra Industrial Group Company (the "Company" / "AIG") is a Saudi Joint Stock Company operating under commercial registration number 1010069607 issued in Riyadh on Muharram 9, 1409H (corresponding to August 22, 1988). The address of the Group's head office is as follows:

Astra Industrial Group
P.O. Box 1560
Riyadh 11441
Kingdom of Saudi Arabia (KSA)

The principal activities of the Group are as follows:

- Building, managing, operating and investing in industrial plants.
- Production, marketing and distribution of medicine and pharmaceutical products.
- Production of polymer compounds, plastic additives, color concentrates and other plastic products.
- Production of compounded fertilizers and agriculture pesticides and wholesale and retail trading of fertilizers, fungicides and insecticides.
- Metal based construction of buildings, building frames, production of rebar, and billet steel products.
- Operating plant for processing of minerals and production of industrial mineral.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

These consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies such as employees defined benefit liabilities which are recognised at the present value of future obligations using the Projected Unit Credit Method.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation

The subsidiary companies included in these consolidated financial statements are as follows:

Subsidiary Company	*Country of Incorporation*	*Percentage of effective ownership (directly or indirectly)*	
		2021	**2020**
Pharmaceutical segment:			
Tabuk Pharmaceutical Manufacturing Company ("TPMC")			
TPMC has the following subsidiaries:	Kingdom of Saudi Arabia	**100**	100
- Tabuk Pharmaceutical Research Company	The Hashemite Kingdom of Jordan	**100**	100
- Tabuk Pharmaceutical Company Limited ("TPCL Sudan")	Republic of the Sudan	**100**	100
- Tabuk Pharmaceutical Manufacturing Company	Arab republic of Egypt	**100**	100
- Eurl Societe Tabuk Algerie ****	People's Democratic Republic of Algeria	**100**	100
Specialty chemical segment:			
Astra Polymer Compounding Company Limited ("Polymer")			
Polymer has the following subsidiaries:	Kingdom of Saudi Arabia	**100**	100
- Astra Polymers free zone Imalat Sanayi Ve Ticaret Anonim Sirketi. ("Astra Polymers Free Zone")	Republic of Turkey	**100**	100
- Astra Polymer Pazarlama San. Ve Tic. A.Ş	Republic of Turkey	**100**	100
- Astra Specialty Compounds India Private Limited	Republic of India	**100**	100
Astra Industrial Complex Co. Ltd. for Fertilizer and Agrochemicals ("AstraChem")			
AstraChem has the following subsidiaries:	Kingdom of Saudi Arabia	**100**	100
- AstraChem Saudia	People's Democratic Republic of Algeria	**100**	100
- AstraChem Morocco	Kingdom of Morocco	**100**	100
- Aggis International Limited	British Virgin Islands	**100**	100
- Chemidor Tarim Ticaret Limited Sirketi, formally (AstraChem Turkey)***	Republic of Turkey	**100**	100
- AstraChem Syria	Syrian Arab Republic	**100**	100
- AstraChem Tashqand	Republic of Uzbekistan	**100**	100
- Astra Industrial Complex Co. Ltd. for Fertilizer and Agrochemicals, Jordan	The Hashemite Kingdom of Jordan	**100**	100
- Astra Nova, Turkey	Republic of Turkey	**100**	100
- AstraChem Ukraine Ltd.	Ukraine	**100**	100
- AstraChem Saudi Jordan Co.	Arab republic of Egypt	**100**	100
- Astra Agricultural Saudi Jordan Co.	Arab republic of Egypt	**100**	100
- Astra Industrial Complex for Fertilizers and Agrochemicals and Investments	Sultanate of Oman	**100**	100
- Green Highland Seeds Company Limited – Jordon	The Hashemite Kingdom of Jordan	**100**	100
- AstraChem Agriculture Co, LLC.	United Arab Emirates	**100**	100
- Universal United Chemicals Co. Ltd.	People's Republic of China	**100**	100
- Astra Agricultural Company Limited	Kingdom of Saudi Arabia	**100**	100
- CHEMNOVA Limited Liability Company**	People's Democratic Republic of Algeria	**49**	-
Power and steel industries segment:			
International Building Systems Factory Company Limited ("IBSF")	Kingdom of Saudi Arabia	**100**	100
Astra Energy LLC ("Astra Energy")*			
Astra Energy has the following subsidiary:	The Hashemite Kingdom of Jordan	**76**	76
- Fertile Crescent for Electricity Generation Company	Republic of Iraq	**76**	76
Al-Tanmiya Company for Steel Manufacturing ("Tanmiya")*	The Hashemite Kingdom of Jordan	**65**	65
- Al Inma'a Company	Republic of Iraq	**65**	65
Processing of minerals segment:			
Astra Mining Company Limited ("Astra Mining")* Note 28 (d)	Kingdom of Saudi Arabia	**77.3**	77.3

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

*The Company exercises control over this investee company and therefore is considered a subsidiary.

** During 2021, one of the subsidiaries (i.e; Astra Industrial Complex Co. Ltd. for Fertilizer and Agrochemicals) of the Group established a Company in Algeria namely "CHEMNOVA Limited Liability Company" with 49% shareholding. The Group has significant control on the CHEMNOVA Limited Liability Company through its subsidiary Astra Industrial Complex Co. Ltd. for Fertilizer and Agrochemicals, therefor, the investment in CHEMNOVA Limited Liability Company is considered a subsidiary to the Group and is consolidated in its financial statements.

CHEMNOVA Limited Liability Company main activates are import, Phytosanitary products, tools and equipment and its spare parts related to farming industry.

***During the year, one of the subsidiaries, AstraChem Turkey, changed its name to Chemidor Tarim Ticaret Limited Sirketi. The legal formalities have been completed during the year.

**** During the year, one of the subsidiaries, Tabuk Eurl Algeria, changed its name to Eurl Societe Tabuk Algerie. The legal formalities have been completed during the year.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("Group") as at December 31, 2021.

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Entities are deconsolidated from the date when the Group ceased to have control.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.6).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Consolidation is performed based on consistent accounting policies throughout the Group including all subsidiaries.

2.3 Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.4 Financial instruments

Classification of financial assets depends on the Group's business model for managing its financial assets and the contractual terms of the cash flows. The Group classifies its financial assets as:

- financial assets measured at amortised cost, or
- financial assets measured at fair value

Gains or losses of assets measured at fair value will be recognised either through the consolidated statement of income or through the consolidated statement of other comprehensive income ("OCI").

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial instruments (continued)

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interests, are measured at amortised cost.

Initial measurement

Financial assets are initially measured at its fair value, plus transaction costs in the case of a financial asset not at fair value through income statement. Transaction costs of financial assets carried at fair value through income statement are recognised in the consolidated statement of income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the requirements as solely payment of principal and interest.

Subsequent measurement

Debt instruments

Currently, the Group subsequently measures its debt instruments at amortized cost.

Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) are measured at amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost and not part of a hedging relationship is recognised in the consolidated statement of income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

De-recognition

A financial asset or a part of a financial asset is de-recognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

  a) *Group has transferred substantially all the risks and rewards of the asset, or*
  b) *The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.*

Impairment

The Group assesses on a forward looking basis the Expected Credit Losses ("ECL") associated with its debt instruments as part of its financial assets, carried at amortised cost.

For accounts receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, receivables are grouped based on shared credit risk characteristics and the days past due. Expected loss rates are derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors.

The financial assets, other than trade receivables, of the Group are categorized as follows:

(a) *Performing: these represent the financial assets where customers have a low risk of default and a strong capacity to meet contractual cash flows. Less than 30 days past due balances do not result in significant increase in credit risk and are considered as performing.*

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial instruments (continued)

The Company measures the loss allowance for performing financial assets at an amount equal to 12-month expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime. 12-month expected credit losses are the portion of expected credit losses that results from default events on the financial assets that are possible within 12 months after the reporting date.

(b) *Underperforming: these represent the financial assets where there is a significant increase in credit risk and that is presumed if the customer is more than 30 days past due in making a contractual payment.*

The Group measures the loss allowance for underperforming financial assets at an amount equal to lifetime expected credit losses.

(c) *Non-performing: these represent defaulted financial assets. A default on a financial asset is considered when the customer fails to make a contractual payment/installment within 90 days after they fall due.*

The Group measures the loss allowance for non-performing financial assets at an amount equal to lifetime expected credit losses.

A credit loss, including for the loans to joint venture, is calculated as the present value (at original effective profit rate) of the difference between:

(a) *The contractual cash flows that are due to the Group under the contract; and*
(b) *The cash flows that the Group expects to receive.*

Financial assets are written-off only when it is past due for at least three years and there is no reasonable expectation of recovery. Where financial assets are written off, the Group continues to engage enforcement activities to attempt to recover the receivable due. Where recoveries are made, after write-off, they are presented as part of provision for impairment-net and are recognised as other income in the consolidated statement of comprehensive income/loss.

2.5 Revenue recognition

(i) *Revenue from sale of goods*

Revenue on the sale of the Group products is recognised when contractual promise to a customer (performance obligation) has been fulfilled by transferring control over the promised goods to the customer. Revenue is recognised at the point in time of shipment, at the receipt of the products by the customer.

The pharmaceutical segment of the Group has arrangements with customers related to goods return. Therefore, a refund liability (included in accrued expenses and other liabilities) is recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method) and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

(ii) *Revenue from rendering of services*

The service revenue is recognised when the related performance obligations are satisfied.

The Group determines whether it is a principal or agent for each specified services promised to the customer. When the Group acts as an agent and satisfies a performance obligation, the Group recognises revenue at net amount of any fee or commission to which it expects to be entitled, from Principal, in exchange for rendering of services to the other party. In such cases, the Group does not recognize the related inventory in the consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Revenue recognition (continued)

Multiple performance obligations
Some contracts include multiple performance obligations, such as the delivery and installation of steel structures. In such cases, at contract inception the total selling price is allocated to goods based on the standalone selling prices of goods and the residual is allocated to installation services. The revenue is recognised when each performance obligation is satisfied under the terms of the contract. When contracts contain customer acceptance provisions, revenue is recognised upon the satisfaction of the acceptance criteria.

Financing components
The amount of revenue to be recognised is based on the consideration that the Group expects to receive, at contract inception, in exchange for its goods and services. The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

See Note 25 for the details of revenue recognised during 2021 and 2020.

2.6 Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects to measure the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

In a business combination achieved in stages, the Group remeasures its previously held interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in the consolidated statement of income.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Contingent consideration, if any, to be transferred by the acquirer will be recognised at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in income. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Business combination and goodwill (continued)

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

On first time adoption of IFRS, the Group has applied exemption whereby IAS 21 was not retrospectively applied to fair value adjustments and goodwill from business combinations that occurred before the date of transition to IFRS. Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the Parent or are non-monetary foreign currency items and no further translation differences occur.

2.7 Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash and bank balances unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

2.8 Foreign currencies

The Group's consolidated financial statements are presented in Saudi Riyals, which is also the Company's functional and Group's presentation currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to consolidated statement of income reflects the amount that arises from using this method.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is classified to consolidated statement of income. Repayment of intercompany loans are considered as disposal or partial disposal. Tax charges and credits, if any, attributable to exchange differences on those monetary items are also recorded in OCI.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Foreign currencies (continued)

(i) Transactions and balances (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(ii) Group companies

On consolidation, the assets and liabilities of foreign operations (whose functional currency is not the currency of a hyperinflationary economy) including comparatives, are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their statement of income are translated at the average exchange rates. The exchange differences arising on the translation of foreign operations are recognised in OCI. On partial or full disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in the consolidated statement of income.

On consolidation, the financial statements of foreign operations (whose functional currency is the currency of a hyperinflationary economy), are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date. Prior to translating the financial statements of foreign operations in a hyperinflationary economy, the statement of income and non-monetary statement of financial position items are restated taking into account changes in the general purchasing power of the functional currency based on the inflation up to the statement of financial position date. The net monetary gain or loss is recognised as part of 'Other income (expenses)' in the consolidated statement of income. The comparative amounts presented previously in a stable currency are not restated.

2.9 Zakat and income tax

(i) Zakat and foreign income tax

Zakat is provided for in accordance with Zakat, Tax and Customs Authority regulations. Income tax for foreign entities is provided for in accordance with the relevant income tax regulations of the countries of incorporation. Adjustments arising from final Zakat and Foreign income tax assessments are recorded in the period in which such assessments are made.

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and unused tax losses can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference and unused tax losses arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Zakat and income tax (continued)

Recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.10 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any, except for land and projects under construction which are stated at cost. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for qualifying assets if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria is satisfied. All other repairs and maintenance costs are recognised in the consolidated statement of income as incurred. The present value of the expected cost for the decommissioning of the asset after its use, is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

	Years
Buildings	10 - 33
Leasehold improvements	4 - 10
Machinery and equipment	5 - 20
Furniture, fixtures and office equipment	3 - 10
Vehicles	4

A units of production method of depreciation is applied where the Unit of Production method will depreciate the assets in a manner that more accurately reflects the economic benefits of the assets over their remaining useful life than the straight-line method. Currently, Astra Mining and Tanmiya for Steel Industries are the only subsidiaries of the Group, where the unit of production method is being used to depreciate their machinery and equipment.

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

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each period end and adjusted accordingly, if appropriate.

Leasehold improvements are depreciated over the shorter of the estimated useful life or the remaining term of the lease. The capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Leases

Leases are recognised as a right-of-use asset and a corresponding liability, at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate.

Lease payments include in the measurement of lease liabilities comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Subsequently, the lease liabilities are measure at amortized cost using the effective interest rate method. It is re-measured when there is a change in future lease payments arising from a change in index or rate, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liabilities are re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in consolidated statement of income if the carrying amount of right-of-use asset is reduced to zero.

Right-of-use ("ROU") assets

Right-of-use assets are initially measured at cost, comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Refundable security deposits are not included in the initial measurement of a right-of-use asset. However, the difference between the nominal amount of the refundable security deposits and its fair value at the commencement of the lease represent, an additional lease payment which is prepaid and accordingly added to the initial carrying amount of the right-of-use asset and released to the consolidated statement of income over the lease term as part of the depreciation of that asset.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition, the right-to-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of lease liabilities.

Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Leases (continued)

Short-term and low value leases

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office equipment and furniture.

2.12 Borrowings and borrowing costs

2.12.1 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The borrowings are classified as a current liability when the remaining maturity is less than 12 months.

2.12.2 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.13 Intangible assets (other than goodwill and intangible assets with indefinite useful lives)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the consolidated statement of income when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives, which ranges from 2 to 7 years. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Impairment of goodwill and intangible assets with indefinite useful lives

These are tested for impairment annually as at December 31, and when circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill or intangible asset relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised.

Impairment losses relating to goodwill cannot be reversed in future periods.

2.15 Research costs

Research costs are expensed as incurred.

2.16 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost of raw and packing materials, consumables and finished goods is principally determined on a weighted average cost basis. Inventories of work in progress and finished goods include cost of materials, labor and an appropriate proportion of direct overheads based on normal level of activity. When inventories become old or obsolete, a provision for slow-moving and obsolete inventories is provided and charged to the consolidated statement of income.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

2.17 Impairment of non-financial assets

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

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

The Group bases its impairment calculation on detailed projections which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These projections are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost.

2.19 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Cash and cash equivalents

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

2.21 Expenses

Selling and marketing expenses are those that mainly relate to salesmen of the Group. All other expenses are allocated to general and administration expenses in accordance with allocation factors determined as appropriate by the Group.

2.22 Dividends to shareholders

The Group recognises a liability to make cash or non-cash distributions to shareholders of the Parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the Regulations for Companies of Saudi Arabia, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

2.23 Provisions

(i) General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income net of any reimbursement, if any.

If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance costs.

(ii) Employees' benefit

The Group recognizes a liability when an employee has provided service in exchange for employee benefits to be paid in the future and an expense when the Group consumes the economic benefits arising from service provided by an employee in exchange for employee benefits. Employee benefits are short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Provisions (continued)

(a) Short-term employee benefits

Provision is made for benefits accruing to employees in respect of salaries and wages, vacation leaves, ticket and other benefits when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months, if any, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits, which are not expected to be settled within 12 months, are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

(b) Employee *benefit obligations*

The Group operates a defined benefit scheme for its employees in accordance with the applicable labor regulations. The cost of providing the benefits under the defined benefits plan is determined using the projected unit credit method. Actuarial gains and losses are recognised in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in the retained earnings and are not reclassified to consolidated statement of income in subsequent periods.

Interest expense is calculated by applying the discount rate to the net employees defined benefit liabilities. The Group recognises the following changes in the net defined benefit obligation under "Cost of sales", 'General and administrative expenses" and "Selling and distribution expenses" in the consolidated statement of income (by function).

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and,
- Net interest expense or income

The defined benefit asset or liability comprises the present value of the defined benefit obligation, less past service costs and less the fair value of plan assets out of which the obligations are to be settled. However, currently the plan is unfunded and has no assets.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Significant accounting judgements, estimates and assumptions are described below:

3.1 Going concern

The Group operates in diversified industries including pharmaceutical, specialty chemical, power and steel and other. Further, the operations are geographically spread in various locations. Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Moreover, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis. Also see Note 29 (Capital management) and 31.3 (Liquidity risk).

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.2 Impairment of non-financial assets (Note 2.17, 5, 7)

Impairment tests are undertaken on the basis of the smallest identifiable group of assets (cash-generating unit), or individual assets, for which there are largely independent cash inflows. The key assumptions used to determine the different cash-generating units involves significant judgment from management. In general, each subsidiary and manufacturing plant were considered as separate CGUs.

For CGUs where there was an indicator of impairment, a number of valuation models were prepared by the management as part of their 2021 impairment considerations. Fair value less cost to sell valuations were primarily based on third party valuations reports. The VIUs were built on discounted cash flow model using key estimates and assumption including expected selling prices, expected product volumes, terminal values, and discount rates. There is an inherent uncertainty over forecasted information and assumptions. Changes in these assumptions and forecasts could impact the recoverable amounts of assets.

The recoverable amounts computed using valuation models, in all cases except for TPCL Sudan, were in excess of the carrying values of the CGUs. As a result, impairment charges was only recorded for TPCL Sudan in the consolidated financial statements.

3.3 Impairment of financial assets (Note 2.4, 9, 31.2)

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

3.4 Impairment of inventories (Note 8)

The Group determines its provision for near expiry, obsolete and slow-moving inventories based upon historical experience, current condition, and current and future expectations with respect to its use. The estimate of the Group's provision for inventory could change from period to period, which could be due to assessment of the future usage of inventories. The risk of impairment of inventories mainly arises from pharmaceutical segment as the pharmaceutical products are subject to expiry. As at December 31, 2021, the inventory of pharmaceutical net of provision amounted SAR 278.6 million (2020: SR 288.7 million).

3.5 Defined benefit plan (Note 14)

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial techniques. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and other factors.

Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates.

4 New standards and interpretations

4.1 New standards and interpretations effective during the year

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

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

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

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

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the International Accounting Standards Board ("IASB") published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On March 31, 2021, the IASB published an additional amendment to extend the date of the practical expedient from June 30, 2021 to June 30, 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

The adoption of above amendments does not have any material impact on the consolidated financial statements during the year.

4.2 Standards issued but not yet effective

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

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

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

4.2.2 Amendments to IFRS 3, IAS 16, IAS 37

- IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

4 New standards and interpretations (continued)

4.2 Standards issued but not yet effective (continued)

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

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

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

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

5 PROPERTY, PLANT AND EQUIPMENT ("PPE")

2021	Land and buildings	Leasehold improvements	Machinery and equipment	Furniture, fixtures and office equipment	Vehicles	Capital stores and work in progress	Total
Cost:							
Opening balance	716,644,636	23,532,924	1,145,598,823	91,661,082	42,850,224	62,496,577	2,082,784,266
Additions	4,580,258	312,630	13,100,871	6,560,323	2,546,872	47,304,247	74,405,201
Impact of hyperinflation on cost (Note 23.2)	33,303,432	-	13,937,394	1,810,014	1,894,256	(1,171,571)	49,773,525
Transfers	2,645,543	-	10,039,728	1,487,280	563,520	(14,736,071)	-
Disposals / write-offs	(1,062,233)	(77,383)	(1,173,519)	(2,000,144)	(862,243)	-	(5,175,522)
Exchange differences	(138,994,395)	(183,520)	(72,691,014)	(9,035,166)	(10,506,340)	(14,780,197)	(246,190,632)
Closing balance	617,117,241	23,584,651	1,108,812,283	90,483,389	36,486,289	79,112,985	1,955,596,838
Accumulated depreciation and impairment loss:							
Opening balance	296,858,593	14,059,762	459,393,293	73,544,137	34,603,098	15,396,019	893,854,902
Charges for the year	20,966,927	867,481	60,629,485	7,283,980	2,693,811	-	92,441,684
Impact of hyperinflation on accumulated depreciation (Note 23.2)	4,492,196	-	10,663,520	1,616,372	1,609,690	-	18,381,778
Impairment loss (Note 23.2)	28,811,236	-	3,273,873	193,642	284,565	(1,171,571)	31,391,745
Disposals/ write-offs	(427,891)	(66,050)	(549,228)	(1,965,178)	(844,242)	-	(3,852,589)
Exchange differences	(131,345,409)	(70,450)	(67,160,898)	(8,522,932)	(9,467,308)	(8,111,218)	(224,678,215)
Closing balance	219,355,652	14,790,743	466,250,045	72,150,021	28,879,614	6,113,230	807,539,305
Net book value:							
December 31, 2021	397,761,589	8,793,908	642,562,238	18,333,368	7,606,675	72,999,755	1,148,057,533

No borrowing costs were capitalised during the year ended December 31, 2021 and 2020 considering that there were no qualifying assets, which necessary takes substantial period of time to get ready for its intended use.

As at December 31, 2021:

- The land and buildings include land amounting to SAR 40.45 million (2020: SAR 41.77 million).
- ROU net book value was SAR 37.44 million (2020: SAR 43.25 million). See Note 6.
- Exchange differences mainly arise from TPCL Sudan. See Note 23.2.

5 PROPERTY, PLANT AND EQUIPMENT ("PPE") (continued)

2020	Land and buildings	Leasehold improvements	Machinery and equipment	Furniture, fixtures and office equipment	Vehicles	Capital stores and work in progress	Total
Cost:							
Opening balance	599,829,464	18,400,037	1,079,624,828	70,043,851	36,908,778	41,279,575	1,846,086,533
Additions	5,291,122	303,955	21,068,939	4,089,538	2,930,761	28,746,909	62,431,224
Impact of hyperinflation on cost (Note 23.2)	128,499,256	-	44,128,520	7,199,602	6,748,250	9,293,282	195,868,910
Transfers	(11,409,390)	4,981,481	10,342,480	12,608,051	210,207	(16,732,829)	-
Disposals / write-offs	(194,361)	(62,010)	(4,855,764)	(2,011,344)	(3,289,294)	-	(10,412,773)
Exchange differences	(5,371,455)	(90,539)	(4,710,180)	(268,616)	(658,477)	(90,361)	(11,189,628)
Closing balance	716,644,636	23,532,924	1,145,598,823	91,661,082	42,850,225	62,496,576	2,082,784,266
Accumulated depreciation and impairment loss:							
Opening balance	150,772,878	11,245,680	369,154,252	54,639,518	28,659,495	6,245,474	620,717,297
Charges for the year	18,058,135	2,853,582	51,130,914	13,806,735	2,705,476	-	88,554,842
Impact of hyperinflation on accumulated depreciation (Note 23.2)	15,276,028	-	35,455,759	5,922,688	4,943,612	-	61,598,087
Impairment loss (Note 23.2)	113,223,228	-	8,672,761	1,276,914	1,804,638	9,293,282	134,270,823
Disposals/ write-offs	(160,464)	(51,675)	(3,852,328)	(1,971,436)	(3,234,863)	-	(9,270,766)
Exchange differences	(311,212)	12,175	(1,168,065)	(130,282)	(275,259)	(142,738)	(2,015,381)
Closing balance	296,858,593	14,059,762	459,393,293	73,544,137	34,603,099	15,396,018	893,854,902
Net book value:							
December 31, 2020	419,786,043	9,473,162	686,205,530	18,116,945	8,247,126	47,100,558	1,188,929,364

6 LEASES

The Group holds various properties and vehicles on lease. Rental contracts period after considering extension options reach between 2 to 22 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

6.1 The consolidated statement of financial position included the following amounts relating to leases:

	December 31, 2021	December 31, 2020
Right-of-use assets		
Land and buildings	**36,513,286**	41,971,086
Vehicles	**929,040**	1,281,998
	37,442,326	43,253,084
Lease liabilities		
Non-current	**33,187,893**	38,038,298
Current	**5,509,121**	5,569,608
	38,697,014	43,607,906

Right-of-use assets and lease liabilities were included in the line item "Property, plant and equipment" and "Loans and lease liabilities", respectively, in the consolidated statement of financial position. Also refer to note 25 for additional details about right-of-use assets.

6.2 The consolidated statement of income included the following amounts related to leases:

	2021	2020
Depreciation charge of right-of-use assets	**6,796,423**	6,422,068
Interest expense (included in finance costs)	**1,918,748**	2,003,220
	8,715,171	8,425,288

6.3 Additions on right-of-use assets amounted to SAR 2 million during the year ended December 31, 2021. The total cash outflow for leases during the year ended December 31, 2021 amounted to SAR 8.8 million (2020: SAR 3.9 million).

6.4 The contractual maturities of lease liabilities (undiscounted basis) were as follows:

	2021	2020
Less than one year	**7,386,630**	17,594,902
More than one year	**42,756,033**	35,013,004
	50,142,663	52,607,906

6.5 Short-term and low value leases expense for the year amounted to SAR 12.6 million (2020: SAR 14 million).

7 INTANGIBLE ASSETS

	Note	2021	2020
Goodwill	7.1	**25,206,754**	25,206,754
Software and licenses	7.2	**10,953,858**	7,221,699
		36,160,612	32,428,453

7 INTANGIBLE ASSETS (continued)

7.1 Goodwill

The goodwill was generated from the acquisition of Astra Nova, Turkey (SAR 9.2 million) and Astra Polymers Free Zone, Turkey (SAR16 million).

The recoverable amount of goodwill is determined based on value-in-use calculations. These calculations use cash flow projections which are based on financial budgets approved by management covering a five year period as well as the factors used in computing terminal value. Terminal value was calculated using Gordon Growth Model for the final year of the forecast period.

The key assumptions used for value-in-use calculations were as follows:

	Astra Nova, Turkey		Astra Polymers Free Zone, Turkey	
	2021	**2020**	**2021**	**2020**
Revenue growth rate (average)	**7.8%**	9.7%	**6%**	3.7%
Pre-tax and pre-Zakat discount rate	**25.8%**	23%	**25.8%**	23%
Terminal growth rate	**2.5%**	2.5%	**2.5%**	2.5%

The results of impairment test indicated no impairment charge.

Sensitivity analysis

There will be no impairment charge due to following change in key assumptions used for the valuation of Goodwill, considering all other assumptions being constant:

Revenue growth rate decrease by 5%
Pre-tax and pre-Zakat discount rate increase by 5%
Terminal growth rate at 2%

For Group's performance from Turkey operations, refer to Note 25 of these consolidated financial statements.

7.2 Software and licenses

The Group holds computer software and licenses with a cost amounting to SAR 42.2 million (2020: SAR 37.5 million) and accumulated amortisation amounting to SAR 31.3 million (2020: SAR 30.2 million). Amortization charge for the year amounted to SAR 1.5 million (2020: SAR 1.1 million).

8 INVENTORIES

	2021	**2020**
Raw and packing materials	**404,625,519**	456,001,487
Finished goods	**329,147,737**	281,023,276
Work-in-process	**44,343,870**	37,410,213
Goods in transit	**6,143,548**	16,772,185
Consumables	**25,659,194**	22,247,779
	809,919,868	813,454,940
Provision for near expiry, obsolete and slow-moving inventories	**(55,173,370)**	(69,925,606)
	754,746,498	743,529,334

9 TRADE RECEIVABLES (also see note 31.2.1.3)

	2021	2020
Not yet past due	**572,782,830**	529,877,387
Past due	**334,530,184**	374,029,376
	907,313,014	903,906,763
Provision for impairment	**(139,951,258)**	(146,646,647)
	767,361,756	757,260,116
Provision to trade receivables coverage ratio	**15.42%**	16.22%
Provision to past due trade receivables coverage ratio	**41.84%**	39.21%
More than one year past due provision coverage ratio	**86.23%**	76.03%

9.1 As at December 31, 2021, trade receivables include retention receivables of SAR 42.3 million (2020: SAR 21.7 million) and contract assets (unbilled receivables) of SAR 42 million (2020: SAR 24 million).

9.2 Movements in the provision for impairment of trade receivables was as follows:

	2021	2020
Opening balance	**146,646,647**	105,680,407
Provision for the year	**22,462,819**	55,467,270
Write-offs/reversal during the year	**(29,158,208)**	(14,501,030)
Closing balance	**139,951,258**	146,646,647

9.3 Movement in contract assets and contract liabilities were as follows:

Contract assets (unbilled receivables)	2021	2020
Opening balance	**23,986,713**	32,826,534
Transfers from contract assets recognised at the beginning of the year to receivables	**(22,083,856)**	(32,204,747)
Increases as a result of changes in the measure of progress	**40,083,515**	23,364,926
	41,986,372	23,986,713

Contract liabilities (deferred revenue / customer advances) Note 16	2021	2020
Opening balance	**40,009,804**	17,268,984
Revenue recognised that was included in the contract liability balance at the beginning of the period	**(31,893,372)**	(11,473,537)
Increases due to cash received, excluding amounts recognised as revenue during the period	**60,941,546**	34,214,357
	69,057,978	40,009,804

Majority of the contract liabilities expected to be recognised as revenues in the next financial year.

10 RELATED PARTY TRANSACTIONS AND BALANCES

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

Relationship	Nature of transactions	2021	2020
Affiliates	Revenue	**4,685,594**	6,730,223
	Purchases	**12,134,849**	7,594,096
	Other income	**-**	200,000

10.2 Key management personnel include directors and key executives at the Group level. Transactions with those are summarized below:

	2021	2020
Short-term employee benefits (salaries and other allowances)	**13,435,470**	11,452,267
Post-employment benefit (end-of-service benefits)	**357,549**	298,025
	13,793,019	11,750,292

10.3 Due from related parties comprises of the following:

	2021	2020
Current assets - unsecured (recoverable in cash):		
Astra Farms Company - Saudi Arabia (Affiliate company)	**1,801,155**	1,485,070
Other	**667,094**	820,960
	2,468,249	2,306,030

10.4 Due to related parties comprises of the following:

	2021	2020
Current liabilities – unsecured (payable in cash):		
Nour Communications Company – Saudi Arabia (Affiliate company)	**538,628**	755,699
Tharawat Mining Company – Saudi Arabia (partner in a subsidiary)	**15,946**	6,163
Other	**178,157**	8,612
	732,731	770,474

10.5 Due to a related party – loan

	2021	2020
Current		
Al Maseera International Company (a shareholder in Tanmiya)	**30,052,273**	-
Non-current		
Al Maseera International Company (a shareholder in Tanmiya)	**-**	30,052,273

The loan is denominated in US Dollars, is interest free and is expected to be repayable in 2022.

11 PREPAYMENTS AND OTHER CURRENT ASSETS

	2021	2020
Financial assets		
Refundable deposits	**6,293,202**	5,403,128
Restricted bank balances	**43,480**	3,781,765
	6,336,682	9,184,893
Non-financial assets		
Advances to suppliers	**68,409,485**	52,371,338
Prepaid expenses	**30,260,899**	25,796,060
Employees' receivables (Note 11.1)	**9,719,674**	10,798,750
Value-added tax and other prepaid taxes	**9,031,492**	12,053,943
Other	**2,944,053**	3,123,492
	120,365,603	104,143,583
	126,702,285	113,328,476

11.1 The employees' receivables are secured against employee defined benefit liabilities.

12 CASH AND CASH EQUIVALENTS

	2021	2020
Bank balances	**45,187,536**	53,052,464
Cash in hand	**1,126,464**	1,407,740
	46,314,000	54,460,204

13 LOANS AND LEASE LIABILITIES

2021	Current	Non-current	Total
Short-term loans			
- Murabaha	**337,489,650**	-	**337,489,650**
- Conventional	**142,054,028**	-	**142,054,028**
	479,543,678	-	**479,543,678**
Long-term loans - Conventional	**2,756,990**	**7,542,570**	**10,299,560**
	482,300,668	**7,542,570**	**489,843,238**
Lease liabilities	**5,509,121**	**33,187,893**	**38,697,014**
	487,809,789	**40,730,463**	**528,540,252**

2020	Current	Non-current	Total
Short-term loans			
- Murabaha	546,035,871	-	546,035,871
- Conventional	128,295,737	-	128,295,737
	674,331,608	-	674,331,608
Long-term loans - Conventional	1,787,928	4,530,228	6,318,156
	676,119,536	4,530,228	680,649,764
Lease liabilities	5,569,608	38,038,298	43,607,906
	681,689,144	42,568,526	724,257,670

13 LOANS AND LEASE LIABILITIES (continued)

13.1 Movement of loans were as follows:

2021

	Short-term loans	Long-term loans	Total
Opening balance	**674,331,608**	**6,318,156**	**680,649,764**
Receipts	**1,569,545,511**	**5,999,926**	**1,575,545,437**
Repayments	**(1,764,333,441)**	**(2,018,522)**	**(1,766,351,963)**
Closing balance	**479,543,678**	**10,299,560**	**489,843,238**

2020

	Short-term loans	Long-term loans	Total
Opening balance	738,868,027	108,874,819	847,742,846
Receipts	2,644,963,450	6,318,156	2,651,281,606
Repayments	(2,709,499,869)	(108,874,819)	(2,818,374,688)
Closing balance	674,331,608	6,318,156	680,649,764

13.2 Short-term loans

The Group has bank facilities in the form of Murabaha, short-term tawarruq and other conventional credit facilities to meet the working capital requirements. As at December 31, 2021, facilities amounting to SAR 1.99 billion were undrawn (December 31, 2020: SAR 2.14 billion). The facilities bear special commission at prevailing market rates which are mostly based on Saudi Arabian Interbank Offered Rate (SAIBOR) and denominated in Saudi Riyals. These facilities are secured by corporate guarantees from AIG.

13.3 Long-term loans

During 2019, a subsidiary of the Group obtained a, non-commission bearing, long-term loan from Saudi Industrial Development Fund (SIDF) amounting to SAR 97.3 million, which was payable in full during April 2021. During 2020, the Group settled the loan.

The Group also have long-term loan facilities with banks to finance its capital assets. As at December 31, 2021 an amount of SAR 72.7 million was undrawn (December 31, 2020: SAR 3.9 million). These facilities are secured by corporate guarantees from AIG and bear special commission charges at agreed fixed rates. The facilities are denominated in foreign currencies (mainly Algerian Dinar) and repayable within five years through monthly and quarterly equal installments from the date these facilities were availed.

13.4 Finance costs

Borrowing costs of SAR 52 million were charged to the consolidated statement of income for the year ended December 31, 2021 (2020: SAR 48 million). Also refer to notes 25 and 31.1.2 for additional details about finance costs.

14 EMPLOYEE DEFINED BENEFIT LIABILITIES

14.1 Reconciliation of present value of liability

	2021	2020
Opening balance	**122,798,469**	125,997,480
Amount recognised *in the consolidated statement of income*		
Current service costs	**14,715,306**	15,188,521
Commission expense on liability	**2,660,123**	3,571,690
	17,375,429	18,760,211
Amount recognised *in the consolidated statement of comprehensive income*		
Actuarial loss/ (gain) attributable to:		
Shareholders of the Parent	**5,108,207**	(4,517,378)
Non-controlling interests	**16,954**	(9,786)
	5,125,161	(4,527,164)
Benefits paid	**(11,897,183)**	(17,432,058)
Closing balance	**133,401,876**	122,798,469

14.2 The significant actuarial assumptions used in determining employees' end-of-service benefits liability are shown below:

	2021	2020
Discount rate	**2.40%**	1.85%
Future salary increment rate	**2.40%**	1.85%
Retirement age	**60 years**	60 years

14.3 The maturity profile of the obligation

	2021	2020
Less than 1 year	**13,459,843**	11,090,939
1 year to 5 years	**57,992,400**	52,576,538
More than 5 years	**78,918,843**	65,593,890
	150,371,086	129,261,367

14.4 The weighted average duration of the plan was 8 years as at December 31, 2021 and 2020.

14.5 Sensitivity analysis on significant actuarial assumptions of employees' defined benefits liabilities:

	2021	2020
Discount rate + 0.5%	**(6,328,364)**	(5,617,758)
Discount rate - 0.5%	**4,154,636**	4,373,423
Long-term salary + 0.5%	**4,462,671**	2,978,512
Long-term salary - 0.5%	**(6,662,874)**	(4,371,069)

15 TRADE PAYABLES

	2021	2020
Trade payables	**209,557,850**	223,708,613

Trade payables are non-interest bearing and are normally settled within 90 days terms.

16 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2021	2020
Financial liabilities		
Sales commission and promotional expenses	**110,445,349**	99,270,349
Employees' benefits	**101,245,555**	80,085,041
Accrued expenses	**78,844,303**	71,805,398
Other	**9,718,557**	10,659,806
	300,253,764	261,820,594
Non-financial liabilities		
Contract liabilities (Note 9.3)	**69,057,978**	40,009,804
Contract liabilities - expected sales returns	**41,984,386**	36,484,335
	111,042,364	76,494,139
	411,296,128	338,314,733

17 ZAKAT AND INCOME TAX

17.1 Zakat and current income tax expense for the year

	Note	2021	2020
Zakat charge for the year		**20,996,972**	18,290,240
Current income tax charge for the year	17.5	**6,601,295**	12,411,416
	17.2	**27,598,267**	30,701,656

17.2 Movement of zakat and current income tax was as follows:

	2021	2020
Opening balance	**74,418,980**	76,913,594
Charge for the year	**27,598,267**	30,701,656
Paid during the year	**(23,517,584)**	(26,853,169)
Foreign exchange gain primarily from TPLC Sudan	**(8,187,029)**	(6,343,101)
Closing balance	**70,312,634**	74,418,980

17.3 Status of assessments

The Company and its subsidiaries have filed zakat/income tax returns for the years through December 31, 2020. The consolidated Zakat return for the year ended December 31, 2021 will be filed in due course.

The Group has filed its consolidated Zakat return for 2020 based on consolidated financial statements and obtained final zakat certificates for all the Group local companies from the Zakat, Tax and Customs Authority. The following are the final zakat and income tax assessments of the Company and its local subsidiaries that have been agreed with the Zakat, Tax and Customs Authority as at the financial position date:

17 ZAKAT AND INCOME TAX (continued)

17.3 Status of assessments (continued)

Entity	2021	2020
AIG	**up to 2018**	up to 2018
TPMC	**up to 2015 and 2018**	up to 2014 and 2018
Polymer	**up to 2015 and 2018**	up to 2014 and 2018
IBSF	**up to 2018**	up to 2018
Astra Chem	**up to 2018**	up to 2018
Astra Mining	**up to 2016**	up to 2016

17.4 Other non-current assets include deferred tax asset amounted to SAR 6.2 million (2020: SAR 8.9 million) which include of SAR 4 million (2020: SAR 3.6 million) related to TPMC Algeria, where the entity suffered losses in prior years and those losses would be deductible from future taxable profits.

17.5 Current zakat and income tax charge SAR 2.6 million (2020: SAR 12.3 million) related to TPCL Sudan (Also see note 23.2).

18 ISSUED CAPITAL

The share capital of the Company as at December 31, 2021 comprises of 80,000,000 shares (December 31, 2020: 80,000,000 shares) of SAR 10 each. The share capital is held as follows:

	2021	2020
Saudi founding shareholders*	**60.38%**	60.73%
Public	**39.62%**	39.27%
	100.00%	100.00%

*This include Arab Supply and Trading Company, Saudi Arabia which holds 47.14% (2020: 47.14%, where the major shareholders are Mr. Sabih Tahir Darwesh Masri and Mr. Khaled Sabih Tahir Darwesh Masri (ultimate controlling persons).

19 STATUTORY RESERVE

In accordance with the Regulations for Companies in Saudi Arabia and the Company's By-laws, the Company has established a statutory reserve by the appropriation of 10% of net profit until the reserve equals at least 30% of the share capital. The statutory reserve in the accompanying consolidated financial statements is the statutory reserve of the Company. This reserve is not available for dividend distribution. The reserve includes SAR 332 million of share premium recorded in prior years.

20 COST OF REVENUES

	Note	2021	2020
Material costs		**922,217,449**	762,987,584
Employees' salaries and benefits		**212,502,333**	212,126,763
Contracting and construction work		**93,492,788**	9,910,248
Depreciation and amortization		**79,054,913**	80,602,361
Provision for near expiry, obsolete and slow-moving inventory	8	**30,251,064**	74,279,961
Other overheads		**99,301,859**	105,347,808
		1,436,820,406	1,245,254,725

21 SELLING AND DISTRIBUTION EXPENSES

	2021	2020
Employees' salaries and benefits	**194,148,677**	196,521,912
Marketing, advertising and promotions	**62,466,516**	84,907,307
Distribution, travel and freight charges	**42,036,212**	28,383,613
Rent and utilities	**8,980,922**	13,339,749
Depreciation	**5,963,120**	5,947,725
Other	**21,224,567**	16,152,468
	334,820,014	345,252,774

22 GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
Employees' benefits	**128,718,127**	107,997,862
Professional fees	**21,001,524**	18,462,496
Rent, Insurance and utilities	**13,047,547**	9,487,419
Depreciation and amortization	**7,415,791**	8,191,864
Travel and transportation	**3,572,934**	2,999,322
Repair and maintenance	**3,020,809**	2,322,844
Board of Directors' remuneration	**2,149,000**	2,136,996
Other	**15,141,146**	16,868,355
	194,066,878	168,467,158

23 OTHER EXPENSES, NET

	2021	2020
Reclassification of exchange loss from OCI to statement of income - Note 23.1	**(18,976,028)**	-
Foreign exchange loss – Note 23.1	**(56,351,376)**	(21,904,744)
	(75,327,404)	(21,904,744)
Net monetary gain - Note 23.2	**36,602,073**	125,553,618
Impairment loss on property, plant and equipment - Note 23.2	**(31,391,745)**	(134,270,823)
	5,210,328	(8,717,205)
Other	**8,685,660**	10,111,902
	(61,431,416)	(20,510,047)

23.1 Foreign exchange loss include SAR 44.7 million (2020: SAR 15.7 million) related to TPCL Sudan. During 2021, TPCL Sudan settled part of its intercompany balance. Therefore, the related foreign exchange loss was reclassified from OCI to the consolidated statement of income and was recognised as part of "Other expenses, net" amounting to SAR 18.9 million. As at December 31, 2021, the intercompany balance amounting to SAR 16.4 million (2020: SAR 48.2 million) were payable by TPCL Sudan to the Group.

23 OTHER EXPENSES, NET (continued)

23.2 One of the subsidiaries of the Group, namely TPCL Sudan, operates in Sudan, which continues to be a hyperinflationary economy. Based on the management assessment, the official exchange rate of Sudanese Pounds (SDG) 116.7 equal to SAR 1 (2020: SDG 14.7 equal to SAR 1) was considered as the closing foreign exchange rate and the related foreign operations translated at that rate. The financial statements of TPCL Sudan have been restated for the changes in the general purchasing power of the functional currency and, as a result, are stated in terms of the measuring unit current (i.e. consumer price index) at the end of the reporting period. Based on the management judgement, estimates and assessment of available information, the consumer price index used by TPCL Sudan at December 31, 2021 was 29,153 (2020: consumer price index of 11,657).

Property, plant and equipment of TPCL Sudan position as at December 31, in the Group financial statement was as follows:

Property, plant and equipment	**2021**	**2020**
Adjusted cost after hyperinflation	**84,394,055**	268,461,286
Accumulated depreciation and impairment	**(81,793,644)**	(252,761,340)
Net book value	**2,600,411**	15,699,946

During 2021, the Group recognised gain on the monetary position arising from hyperinflation in Sudan amounting to SAR 36.6 million (2020: SAR 164 million) [SAR 31.4 million (2020: SAR 134 million) related to property, plant, and equipment and SAR 5.2 million (2020: SAR 30 million) related to inventory].

During 2021, the property, plant and equipment of TPCL Sudan was impaired by SAR 31.4 million. The recoverable amount of property, plant and equipment is determined based on value-in-use calculations. These calculations use cash flow projections which are based on financial forecasts covering a five year period as well as the factors used in computing terminal value. Terminal value was calculated using earnings multiple for the final year of the forecast period. The key assumptions used for value-in-use calculations were revenue growth rate (average), pre-tax and pre-zakat discount rate and terminal growth rate. The change in key assumptions will not adversely affect the Group's financial statements considering the related assets net book value was immaterial.

24 EARNINGS PER SHARE

Basic and diluted, earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit / loss for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting interest on convertible shares) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares, if any.

The following table reflects the income and weighted average number of ordinary shares used in the computations:

	2021	**2020**
Income attributable to shareholders of the Parent	**202,368,832**	115,444,034
Weighted average number of ordinary shares	**80,000,000**	80,000,000
Basic and diluted, loss per share	**2.53**	1.44

25 SEGMENT REPORTING

25.1 A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

For management purposes, the Group was organised into business units based on their products and services and has the following reportable segments:

Pharmaceuticals
Pharmaceuticals' segment, which develops, manufactures, markets and distributes branded generic pharmaceuticals and under-licensed products globally.

Specialty chemical
Specialty chemical segment, which produces Masterbatch, dust-free additives and custom-made thermoplastic compounds plus liquid and paste colorants for polymer manufacturing, polymer converting and plastics processing industries in addition with manufacturing, importing and distributing a range of agrochemicals, fertilizers, public health and veterinary pesticides, seeds and other agricultural inputs.

Power and steel
Power and steel segment, which produces steel billets, pre-engineered steel buildings and steel structures and rebar.

Other
Other segment is the residual segment and comprises of Astra Industrial Group Holding Company and Astra Mining. Astra Mining Operating plant for processing of industrial minerals.

No operating segments have been aggregated to form the above reportable operating segments.

25.2 The Group's Executive Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

25 SEGMENT REPORTING (continued)

The Group's consolidated financial information by business segments, were as follows:

	Pharmaceuticals	Specialty chemical	Power and steel industries	Other	Total
December 31, 2021					
Revenue from sale of goods	921,420,025	774,904,739	223,388,828	37,094,490	1,956,808,082
Revenue from rendering of services	68,346,577	201,257,594	121,136,847	-	390,741,018
Total revenue	989,766,602	976,162,333	344,525,675	37,094,490	2,347,549,100
Gross profit	584,621,792	304,317,019	15,034,542	6,755,341	910,728,694
Depreciation and amortization	(43,527,984)	(20,011,681)	(22,607,899)	(7,824,364)	(93,971,928)
Research expenses	(24,116,170)	(1,853,026)	-	-	(25,969,196)
Finance costs	(13,556,927)	(31,169,405)	(5,247,763)	(2,333,221)	(52,307,316)
Income / (loss) before zakat and tax	165,431,978	104,634,971	(16,191,140)	(34,204,754)	219,671,055
Property, plant and equipment other than ROU assets	420,169,796	151,345,767	421,733,808	117,365,835	1,110,615,206
Right of use assets	18,142,218	14,032,358	3,844,822	1,422,929	37,442,327
Trade receivables	417,136,100	294,846,224	191,435,221	3,895,469	907,313,014
Provision for impairment of trade receivables	(39,641,070)	(70,695,559)	(29,259,618)	(355,011)	(139,951,258)
Trade receivables – net	377,495,030	224,150,665	162,175,603	3,540,458	767,361,756
Total assets	1,157,761,861	787,309,181	805,067,537	137,847,012	2,887,985,591
Total liabilities	529,082,898	345,640,939	329,581,676	179,588,231	1,383,893,744

25 SEGMENT REPORTING (continued)

	Pharmaceuticals	Specialty chemical	Power and steel industries	Other	Total
December 31, 2020					
Revenue from sale of goods	1,023,310,189	652,321,968	97,624,315	31,632,741	1,804,889,213
Revenue from rendering of services	40,399,004	149,226,659	53,361,228	-	242,986,891
Total revenue	1,063,709,193	801,548,627	150,985,543	31,632,741	2,047,876,104
Gross profit / (loss)	558,525,598	263,995,555	(25,073,410)	5,173,636	802,621,379
Depreciation and amortization	(42,943,922)	(19,707,195)	(20,054,658)	(6,976,357)	(89,682,132)
Research expenses	(18,306,470)	(2,688,056)	-	-	(20,994,526)
Finance costs	(14,713,669)	(22,313,468)	(6,880,104)	(3,963,777)	(47,871,018)
Income / (loss) before zakat and tax	117,030,199	97,040,306	(47,222,226)	(22,789,693)	144,058,586
Property, plant and equipment other than ROU assets	429,483,389	159,703,884	440,751,583	115,737,424	1,145,676,280
Right of use assets	21,994,515	15,731,265	3,946,272	1,581,032	43,253,084
Trade receivables	432,530,738	332,058,538	136,653,440	2,664,047	903,906,763
Provision for impairment of trade receivables	(44,659,994)	(72,463,863)	(29,522,790)	-	(146,646,647)
Trade receivables – net	387,870,744	259,594,675	107,130,650	2,664,047	757,260,116
Total assets	1,208,653,669	785,633,759	771,658,487	135,236,991	2,901,182,906
Total liabilities	640,143,518	372,233,906	343,560,240	158,383,548	1,514,321,212

25.3 The Group's operations are conducted principally in Saudi Arabia, in addition to Iraq, Africa and other areas. Selected financial information as at and for the year ended December 31 by geographic area were as follows:

25 SEGMENT REPORTING (continued)

	Kingdom of Saudi Arabia	Republic of Iraq	Africa	Turkey	Sudan (Note 23.2)	Other areas	Total
2021							
Revenues	**1,520,778,466**	**64,236,489**	**178,833,728**	**270,809,730**	**45,342,600**	**267,548,087**	**2,347,549,100**
Non-current assets	**702,736,730**	**351,829,409**	**72,539,546**	**19,373,290**	**2,600,411**	**41,313,417**	**1,190,392,803**
2020							
Revenue	1,183,076,649	43,490,055	140,752,074	223,813,818	214,786,493	241,957,015	2,047,876,104
Non-current assets	717,117,966	363,411,100	71,640,439	16,760,454	15,699,946	45,668,841	1,230,298,746

25.4 The Group's majority of the revenue was recognised at point in time. For limited number of contracts in IBSF, one of the subsidiaries operating in power and steel industries, service revenue amounting to SAR 121.14 million for the year ended December 31, 2021 (2020: SAR 53.36 million) was recognised over the period of time based on work certified. In general, the agreed performance period for such contracts were up to one year. IBSF provides assurance type warranty, where the company provide assurance that the product will function as expected. There was no history of warranty claims and there were no expectations that such claims will arise therefore, no provision was recognised (also see Note 2.5 of these consolidated financial statements).

25.5 In the pharmaceutical and specialty chemical segments, there are few contracts where the Group provides toll manufacturing services to the customers i.e the Group receives the goods from Principal and after processing either returns the goods to the Principal or sell to the customers as per the Principal instructions. For such services, the Group acts as an Agent and accordingly recognised the net amount as service revenue.

26 CONTINGENCIES

As at December 31, 2021, the Group had contingent liabilities arising in the normal course of business. The Group's bankers have issued letters of credit amounting to SAR 151.9 million (December 31, 2020: SAR 115.9 million) and letters of guarantee amounting to SAR 168.9 million (December 31, 2020: SAR 212.7 million).

27 COMMITMENTS

The Group in the normal course of business has entered into arrangements with suppliers for the purchase of machines and equipment and other services. The capital commitments at December 31, 2021 amounted to SAR 9.3 million (December 31, 2020: SAR 29.9 million).

28 NON-CONTROLLING INTERESTS

Accumulated non-controlling interests as at the financial position date were as follows:

Entity	Note	2021	2020
Tanmiya	(a), (b)	**51,694,464**	59,706,485
Astra Mining	(c), (d)	**629,959**	1,306,108
Other		**126,422**	2,538
		52,450,845	61,015,131

(a) During 2020, the shareholders' loan in Tanmiya's books amounting to SAR 305 million was utilized, in the same proportion of shareholding, to absorb the losses and to increase the share capital amounting to SAR 277 million and SAR 28 million, respectively. This transaction resulted to an increase in the non-controlling interest and decrease in "due to a related party - loan".

(b) Tanmiya functional and presentation currency is US Dollar. Financial information extracted from Tanmiya draft financial statements (converted to Saudi Riyals) was as follows:

	2021	2020
Statement of financial position		
Cash and cash equivalents	**1,236,933**	2,976,071
Total current assets	**132,964,373**	135,590,321
Total non-current assets	**351,829,409**	363,411,100
Current liabilities	**21,902,396**	18,145,221
Non-current liabilities	**453,682,226**	448,755,569
Total liabilities	**475,584,622**	466,900,790
Equity	**9,209,148**	32,100,633
Statement of income		
Revenue	**17,344,972**	68,299
Depreciation	**(11,744,190)**	(11,381,785)
Loss from operations	**(24,273,061)**	(24,595,161)
Finance costs	**(429,210)**	(384,536)
Total comprehensive loss*	**(22,891,487)**	(24,149,367)
Statement of cash flows		
Net cash (used in) operating activities	**(6,296,467)**	(11,115,749)
Net cash (used in) investing activities	**-**	(187,983)
Net cash generated from financing activities	**4,557,308**	13,563,857

28 NON-CONTROLLING INTERESTS (continued)

*During the year, the total comprehensive loss amounting to SAR 8 million (2020: 8.5 million) was allocated to NCI.

(c) As at December 31, 2021, the total assets of Astra Mining amounted to SAR 130.2 million (2020: SAR127.3 million), total liabilities amounted to SAR 127.4 million (2020: SAR 121.5 million) and accumulated losses were SAR 43.1 million (2020: SAR 40.1 million). Astra Mining revenue and loss for the year was SAR 37.1 million (2020: SAR 31.6 million) and SAR 2.9 million (2020: SAR 4.9 million), respectively. Based on the management impairment assessment, no impairment loss is required to be recognised.

(d) During 2020, Astra Mining share capital was increased from SAR 5 million to SAR 45.9 million through conversion of shareholders' loans to equity. Accordingly, the Group's shareholding in Astra Mining has increased from 60% to 77.3% and the loan balance due to the shareholder in the subsidiary has decreased.

29 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital. For capital management purposes, capital was considered as equal to the total equity of the Group.

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2021 and 2020. At the statement of financial position date, gearing ratio analysis by the management was as follows:

	2021	**2020**
Equity	**1,504,091,847**	1,386,861,694
Liabilities	**1,383,893,744**	1,514,321,212
Total capital structure	**2,887,985,591**	2,901,182,906
Gearing ratio	**47.92%**	52.20%

30 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

30 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Valuation techniques

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included 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 asset or liability that are not based on observable market data (unobservable inputs)

Based on the contractual cash flows criteria and business model, the Group's all financial assets, excluding cash and bank balances, and financial liabilities are classified at amortized cost. The breakdown of financial assets and liabilities as at the financial position date was as follows:

	2021	**2020**
Financial assets - current		
Cash and cash equivalents	**46,314,000**	54,460,204
Trade receivables	**767,361,756**	757,260,116
Due from related parties	**2,468,249**	2,306,030
Other current assets	**6,336,682**	8,078,106
Financial liabilities		
Non- current liabilities		
Loans and lease liabilities	**40,730,463**	42,568,526
Due to a related party – loan	**-**	30,052,273
Current liabilities		
Trade payables	**209,557,850**	223,708,613
Accrued expenses and other current liabilities	**300,253,764**	261,820,594
Due to related parties	**732,731**	770,474
Due to a related party – loan	**30,052,273**	-
Loans and lease liabilities	**487,809,789**	681,689,144

Management assessed that the fair values of current financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Therefore, the related fair value hierarchy disclosure was not applicable. The non-current financial liabilities carried at amortized cost and the related carrying amounts approximate to fair value which falls under level 3. There have been no changes compared to prior year.

31 FINANCIAL RISK MANAGEMENT

The Group's activities are subject to financial risks such as market risk, credit risk and liquidity risk.

31.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk relevant to the Group are:

- foreign currency exchange risk, and
- commission (interest) rate risk

Financial instruments affected by market risk includes financial assets and liabilities.

31 FINANCIAL RISK MANAGEMENT (continued)

31.1 Market risk (continued)

31.1.1 Foreign currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's functional and reporting currency is the Saudi Riyal. The Group's transactions are principally in Saudi Riyals and US Dollars, which are currently pegged. Management monitors the fluctuations in currency exchange rates and believes that the currency risk is not significant.

The net of financial assets and liabilities in multiple foreign currencies other than USD were less than SAR 50 million which considered as insignificant. Therefore, the related sensitivities for each currency was not disclosed.

Foreign currency translation reserve as at financial position date was as follows:

Country of operations	Note	2021	2020
Sudan	23	**22,677,749**	30,996,898
Egypt	(a)	**28,325,086**	28,342,303
Other	(b)	**25,648,583**	5,846,031
		76,651,418	65,185,232

(a) As at December 31, 2021, the Group's net liabilities before intercompany elimination in Egypt were of SAR 4.4 million (2020: SAR 5.4 million), therefore the remaining exposure of Group's foreign operation in Egypt was considered to be insignificant.

(b) Other includes mainly Turkey and Algeria.

31.1.2 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations at floating interest rates and as at the financial position date the related exposure was not significant. The Group manages its exposure to interest rate risk by maintaining a balanced portfolio of long-term and short-term loans and continuously monitoring movements in interest rates.

The details of Group's borrowing in different currencies are as follows:

Borrowing currency	Note	2021	2020
Saudi Riyals and United States Dollar	(a)	**311,593,324**	528,359,637
Turkish Lira	(b)	**81,884,711**	85,958,199
Others		**96,365,203**	66,331,928
		489,843,238	680,649,764

(a) The major borrowings of Group are short term which are priced based on SAIBOR plus with an agreed fixed rate. The monthly average of three months SAIBOR during the year was 0.86% (2020: 0.83%). As at December 31, 2021, the SAIBOR was 0.90% (2020: 0.83%). The increase or decrease in by 0.1% will have less than SAR 1 million effect on the profitability of the Group.

31 FINANCIAL RISK MANAGEMENT (continued)

31.1 Market risk (continued)

31.1.2 Interest rate risk (continued)

(b) During the year, the interest expenses related to Turkey based subsidiaries was SAR 23.9 million (2020: SAR 14.47 million). During 2021, Turkish LIBOR was moved up to 20.5% which resulted the increase in finance costs. As at December 31, 2021, the Turkish LIBOR (Lira Interbank Offered Rate) was 15.63% (2020: 17.95%). The increase or decrease in Turkish LIBOR by 100 basis points, will have effect of SAR 1 million on the profitability of the Group.

The Group's receivables carried at amortised cost are not subject to interest rate risk, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

31.2 Credit risk (Also see note 2.4, 3.3, and 9)

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables and ensuring close follow-ups.

31.2.1 Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and controls relating to customer credit risk management. In general, the Group's credit terms range between 30 days to 180 days. Outstanding customer receivables are regularly monitored. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due or it becomes probable a customer will enter into a bankruptcy or will not be able to pay the Group's due amounts.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively.

The expected credit loss is calculated based on a loss rate methodology. Loss rates are calculated using a 'roll rate' method (provision matrix approach) based on the probability of a receivable progressing through successive stages of delinquency to write-off. Loss rates are based on the default probability calculated on average flow rates of past 12 quarters. The loss rates are adjusted based on factor considering the future economic outlook. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, and type of customer i.e. government or private. This assessment is performed at each subsidiary level and consistent with last year. In segment reporting disclosure, trade receivables and related provision were specified which mainly represent the common risk characteristics.

31.2.1.1 Amounts written off still subject to enforcement activity

The receivables written-off during the year 2021 still subject to enforcement activity amounted to SAR 7.5 million. (2020 SAR 5.1 million).

31 FINANCIAL RISK MANAGEMENT (continued)

31.2 Credit risk (Also see note 2.4, 3.3, and 9) (continued)

31.2.1 Trade receivables (continued)

31.2.1.2 Changes in assumptions including incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group has used gross domestic product (GDP) growth rate and inflation as their key macroeconomic factors giving equal weightages to each. The macro-economic factors have been updated based on the latest available information (such as for Saudi-based entities the latest information as issued by Ministry of Finance budget statement for fiscal year 2021 where the average GDP and inflation for the next three years expected to be 3.37% and 2.30% respectively). Further, the Group has incorporated additional risk factor to address the risk arise from COVID-19 and that resulted in additional provision SAR 10 million during the year 2021.

The average credit losses of trade receivables of wide range of customers with shared risk characteristics at the Group level is a reasonable estimate of the probability weighted amount.

Further, the Group has also considered different scenarios with the different weightage and concluded that the current level of provision is sufficient to cover the related credit risk in compliance with the requirements of IFRS 9.

31.2.1.3 Sensitivity analysis

The increase or decrease of 10% change in macro-economic factors will result to a SAR 3 million increase or SAR 3 million decrease in the ECL provision.

The increase or decrease of 10% change in loss rates assuming macro-economic factor remains the same will result SAR 9 million increase or SAR 9 million decrease in the ECL provision.

In pharmaceutical segment, the customers were grouped as government and private, and the related

details were as follows:

	2021	**2020**
Gross receivables:		
Government customers	**132,082,544**	123,934,474
Non-government customers	**285,053,556**	308,596,264
	417,136,100	432,530,738
Provision	**(39,641,070)**	(44,659,994)
Net receivables	**377,495,030**	387,870,744

31 FINANCIAL RISK MANAGEMENT (continued)

31.2 Credit risk (Also see note 2.4, 3.3, and 9) (continued)

31.2.1 Trade receivables (continued)

31.2.1.3 Sensitivity analysis (continued)

The Group evaluates the concentration of risk with respect to trade receivables as low, considering the companies' operations relates to diversified segments (also see Note 25). As at December 31, 2021, from geographical concentrations perspective, the Group's major concentration of net receivables was in Saudi Arabia and Turkey, because the balances in any other country was not more than 5%, as reflected below:

2021	**Gross receivables**	**Provision**	**Net receivables**
Saudi Arabia	**694,441,277**	**(109,460,905)**	**584,980,372**
Turkey	**82,308,277**	**(5,772,842)**	**76,535,435**
Other countries	**130,563,460**	**(24,717,511)**	**105,845,949**
	907,313,014	**(139,951,258)**	**767,361,756**

2020	**Gross receivables**	**Provision**	**Net receivables**
Saudi Arabia	704,351,387	(100,815,734)	603,535,653
Turkey	86,473,517	(7,128,766)	79,344,751
Other countries	113,081,859	(38,702,147)	74,379,712
	903,906,763	(146,646,647)	757,260,116

31 FINANCIAL RISK MANAGEMENT (continued)

31.2 Credit risk (Also see note 2.4, 3.3, and 9) (continued)

31.2.1 Trade receivables (continued)

31.2.1.3 Sensitivity analysis (continued)

Expected credit loss analysis as at December 31 was as follows:

2021

Buckets	Gross receivables	Provision	Net receivables	Average loss rates range
Current **(not yet past due)**	**572,780,978**	**(2,085,424)**	**570,695,554**	**0.36% to 0.76%**
1 to 180 days	**175,600,845**	**(26,347,636)**	**149,253,209**	**2% to 24%**
181 to 360 days	**55,655,815**	**(22,466,072)**	**33,189,743**	**6% to 25%**
	231,256,660	**(48,813,708)**	**182,442,952**	
361 to 540 days	**16,132,033**	**(9,814,575)**	**6,317,458**	**22% to 56%**
541 to 720 days	**12,642,181**	**(7,306,878)**	**5,335,303**	**47% to 74%**
	28,774,214	**(17,121,453)**	**11,652,761**	
721 to 900 days	**11,166,800**	**(8,677,737)**	**2,489,063**	**63% to 87%**
901 to 1080 days	**6,092,458**	**(6,011,032)**	**81,426**	**94% to 100%**
	17,259,258	**(14,688,769)**	**2,570,489**	
More than 1080 days	**57,241,904**	**(57,241,904)**	**-**	**100%**
Past due	**334,532,036**	**(137,865,834)**	**196,666,202**	
	907,313,014	**(139,951,258)**	**767,361,756**	

2020

Buckets	Gross receivables	Provision	Net receivables	Average loss rates range
Current **(not yet past due)**	529,877,387	(2,520,948)	527,356,439	0.07% to 1%
1 to 180 days	169,915,863	(18,744,286)	151,171,577	0.46% to 29%
181 to 360 days	53,987,339	(11,247,854)	42,739,485	9% to 24%
	223,903,202	(29,992,140)	193,911,062	
361 to 540 days	34,887,118	(9,875,650)	25,011,468	16% to 50%
541 to 720 days	16,422,955	(10,017,272)	6,405,683	47% to 71%
	51,310,073	(19,892,922)	31,417,151	
721 to 900 days	12,723,974	(10,715,516)	2,008,458	75% to 100%
901 to 1080 days	17,615,425	(15,048,419)	2,567,006	75% to 100%
	30,339,399	(25,763,935)	4,575,464	
More than 1080 days	68,476,702	(68,476,702)	-	100%
Past due	374,029,376	(144,125,699)	229,903,677	
	903,906,763	(146,646,647)	757,260,116	

31 FINANCIAL RISK MANAGEMENT (continued)

31.2 Credit risk (Also see note 2.4, 3.3, and 9) (continued)

31.2.1 Trade receivables (continued)

31.2.1.3 Sensitivity analysis (continued)

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The credit risk on bank balances is low considering the Group has outstanding loans balances and credit facilities with the various banks, in Saudi Arabia, with good credit ratings (in the range of A+ to BBB+) as aligned from external credit rating companies such as Moody's and Fitch, so concentration risk is also low. As at December 31, 2021, bank balances of SAR 5.3 million (2020: SAR 14 million), were held with banks having ratings A-. As at December 31, 2021, the bank balances of SAR 4.6 million (2020: SAR 6 million) were held in Algeria and Sudan.

31.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value.

The calculation of net debt and current ratio was as follows:

	2020	Net cash flows	Non-cash changes	2021
Cash and cash equivalents	54,460,204	(10,005,408)	1,859,204	**46,314,000**
Short-term loans	(674,331,608)	194,787,930	-	**(479,543,678)**
Long-term loans	(6,318,156)	(3,981,404)	-	**(10,299,560)**
Lease liabilities	(43,607,906)	6,878,817	(1,967,925)	**(38,697,014)**
Due to a related party – loan	(30,052,273)	-	-	**(30,052,273)**
Net debt	**(699,849,739)**	**187,679,935**	**(108,721)**	**(512,278,525)**
Current ratio	1.27			**1.45**
Unused credit facilities (in SAR billions)	2.14			**2.06**

The Group's net debt position, current ratio, and gearing ratio (see Note 29) were improved as compared to last year. Further, the Group manages its liquidity risk by ensuring that bank borrowing facilities from multiple banks are available thorough out the year (see Note 13). Therefore, the management believes that there is no risk of Group not meeting its obligations.

31 FINANCIAL RISK MANAGEMENT (continued)

31.4 Maturity profile of the Group's financial liabilities (undiscounted basis)

	Less than 3 months	3 to 12 Months	1 to 5 Years	Total
2021				
Lease liabilities	-	**7,386,630**	**42,756,033**	**50,142,663**
Short-term loans	**479,543,678**	-	-	**479,543,678**
Long-term loans	-	**2,756,990**	**7,542,570**	**10,299,560**
Due to a related party – loan	-	**30,052,273**	-	**30,052,273**
Trade payables	**209,557,850**	-	-	**209,557,850**
Accrued expenses and other liabilities	**300,253,764**	-	-	**300,253,764**
Due to related parties	**732,731**	-	-	**732,731**
	990,088,023	**40,195,893**	**50,298,603**	**1,080,582,519**

	Less than 3 months	3 to 12 Months	1 to 5 Years	Total
2020				
Lease liabilities	-	17,594,902	35,013,004	52,607,906
Short-term loans	674,331,608	-	-	674,331,608
Long-term loans	-	1,787,928	4,530,228	6,318,156
Due to a related party - loan	-	-	30,052,273	30,052,273
Trade payables	223,708,613	-	-	223,708,613
Accrued expenses and other liabilities	261,820,594	-	-	261,820,594
Due to related parties	770,474	-	-	770,474
	1,160,631,289	19,382,830	69,595,505	1,249,609,624

32 DIVIDENDS

During the year, the General Assembly has approved dividends of SR 0.75 per share amounting to SR 60 million which has been fully paid during the year.

33 SUPPLEMENT SCHEDULE OF SIGNIFICANT NON-CASH INFORMATION

	Note	2021	2020
Right-of-use assets	6	**1,967,925**	3,253,761
Lease liabilities	13	**1,967,925**	3,253,761
Increase of shareholding in a subsidiary	28	-	8,419,000
Reduction in due to a related party - loan	10.5, 28	-	67,895,558

34 IMPACT OF COVID-19

In response to the spread of the Covid-19 in GCC and other territories where the Group operates and its resulting disruptions to the social and economic activities in those markets over the last two years, management continues to proactively assess its impacts on its operations. In particular the Group is closely monitoring the current surge in cases due to the outbreak of a new variant - Omicron. The preventive measures taken by the Group in April 2020 are still in effect including the creation of ongoing crisis management teams and processes, to ensure the health and safety of its employees, customers, consumers and the wider community as well as to ensure the continuity of supply of its products throughout its markets. Access of fully vaccinated individuals to facilities has been allowed. Employee health continues to be a key area of focus with programs being implemented to assist with increasing awareness, identification, support and monitoring of employee health. Most of the employees of the Group have been fully vaccinated for at least two doses of vaccines and the management is working on a plan to encourage booster shots and has already arranged booster clinics at head office and other sites.

The management of the Group believes that any lockdown measures being reintroduced will not materially affect the underlying demand from retail and wholesale customers for the Group's products and forecast.

Based on these factors, management believes that the Covid-19 pandemic has had no material adverse effect on the Group's reported financial results for the year ended December 31, 2021 including the significant accounting judgements and estimates.

The Group continues to monitor the surge of the new variant closely although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the Group's operations during 2022 or beyond.

35 SUBSEQUENT EVENT

At December 31, 2021, Al Tanmiya For Steel Industries (Al Tanmiya), being owned 65% by the Group has a 100% equity investment in Alanmaa for Construction Materials Production Ltd. (Alanmaa) which owns steel and power plants in Iraq. On February 7, 2022, Al Tanmiah signed an agreement with an Iraq based entity for exiting its entire investment in Alanmaa for transaction price of SAR 731.2 million. The legal process for completion of the transaction is currently in process.

36 BOARD OF DIRECTORS' APPROVAL

These consolidated financial statements were approved by the Group's Board of Directors on March 1, 2022.