

**AL OBEIKAN GLASS COMPANY**  
(A Saudi Joint Stock Company)

**FINANCIAL STATEMENTS**  
For the year ended 31 December 2022  
with  
**INDEPENDENT AUDITOR'S REPORT**

**AL OBEIKAN GLASS COMPANY**  
(A Saudi Joint Stock Company)

**FINANCIAL STATEMENTS**

For the year ended 31 December 2022

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## KPMG Professional Services

Zahran Business Center  
Prince Sultan Street  
P.O. Box 55078  
Jeddah 21534  
Kingdom of Saudi Arabia  
Commercial Registration No 4030290792

Headquarters in Riyadh

## كي بي إم جي للاستشارات المهنية

مركز زهران للأعمال  
شارع الأمير سلطان  
ص.ب 55078  
جده 21534  
المملكة العربية السعودية  
سجل تجاري رقم 4030290792  
المركز الرئيسي في الرياض

# Independent Auditor's Report

## To the Shareholders of Al Obeikan Glass Company

### Opinion

We have audited the financial statements of Al Obeikan Glass Company ("the Company"), which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, changes in equity, and of cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) 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).

### 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 Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (25,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس ماله (25,000,000) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". و هي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة

Commercial Registration of the headquarters in Riyadh is 1010425494.

# Independent Auditor's Report

To the Shareholders of Al Obeikan Glass Company

## Revenue Recognition

Refer to note 3.1 for the accounting policy of the revenue recognition and note 18 for the disclosure of contracts with customers.

The key audit matter	How the matter was addressed in our audit
<p>During the year ended 31 December 2022, revenue from sales amounting to SR 502 million (31 December 2021 SR 463 million) was recognized.</p> <p>Revenue from sale is recognized when a customer obtains controls of the goods and it is achieved upon acceptance and delivery of the goods to the customer and issuance of a sales invoice in accordance with the requirements of IFRS 15, Revenue from contracts with customers.</p> <p>Revenue is a key indicator for measuring performance, and this implies the presence of inherent risks to overstate revenue recognition to increase profitability and earnings. Therefore, revenue recognition was considered a key audit matter.</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>Assessed the appropriateness of the Company's accounting policies by considering the relevant requirement of the accounting standards</li> <li>Assessed the design and implementation and tested the operating effectiveness of the Company's controls on a sample basis, including anti-fraud control, over the recognition of revenue as per the Company's policy.</li> <li>Inspected sales transactions, on a sample basis, taking place on either side of the year-end to assess whether revenue was recognized in the correct accounting period</li> <li>Selected, on a sample basis, revenue transactions and checked the related supporting documents to check the accuracy of revenue recognition.</li> <li>Checked the adequacy of disclosures in the financial statements as required by IFRS 15.</li> </ul>

## Other Matter Relating to the Comparative Information

The financial statements of the Company as at and for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 17 April 2022.

## Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

# Independent Auditor's Report

To the Shareholders of Al Obeikan Glass Company (continued)

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

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

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

Those charged with governance, Board of Directors, are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

# Independent Auditor's Report

To the Shareholders of Al Obeikan Glass Company (continued)

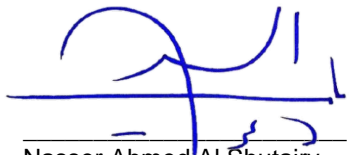
## Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

### KPMG Professional Services



Nasser Ahmed Al Shutairy  
License No. 454

Jeddah, 28 March 2023  
Corresponding to 6 Ramadan 1444H



**AL OBEIKAN GLASS COMANY**  
(A Saudi Joint Stock Company)


**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2022

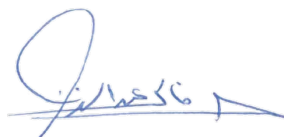
(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	367,532,557	385,884,601
Right of use assets	5	22,408,565	28,039,847
Financial asset at fair value through other comprehensive Income	6	3,091,047	16,699,510
<b>Total non-current assets</b>		<b>393,032,169</b>	<b>430,623,958</b>
<b>Current assets</b>			
Inventories	7	94,768,801	36,712,785
Trade receivables	8	109,834,387	89,640,979
Prepayments and other receivables	9	10,540,077	11,044,795
Due from a related party	10	49,320,802	50,658,766
Cash and cash equivalents	11	26,552,006	112,238,660
<b>Total current assets</b>		<b>291,016,073</b>	<b>300,295,985</b>
<b>TOTAL ASSETS</b>		<b>684,048,242</b>	<b>730,919,943</b>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b><u>EQUITY</u></b>			
Share capital	12	240,000,000	240,000,000
Statutory reserve	13	36,862,472	19,097,698
Fair value reserve	6	635,203	14,243,666
Retained earnings		258,366,991	144,471,766
<b>Total equity</b>		<b>535,864,666</b>	<b>417,813,130</b>
<b>Non-current liabilities</b>			
Loan and borrowings	14	--	108,500,000
Lease liabilities	5	22,032,970	27,784,323
Employee end of service benefits	15	19,202,822	19,180,339
<b>Total non-current liabilities</b>		<b>41,235,792</b>	<b>155,464,662</b>
<b>Current liabilities</b>			
Loans and borrowings	14	62,311,954	95,902,327
Lease liabilities	5	2,451,430	1,955,696
Trade payable		14,233,303	27,451,732
Due to related parties	10	1,329,001	1,366,109
Accrued and other liabilities	16	21,269,918	26,351,042
Zakat	17	5,352,178	4,615,245
<b>Total current liabilities</b>		<b>106,947,784</b>	<b>157,642,151</b>
<b>Total liabilities</b>		<b>148,183,576</b>	<b>313,106,813</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>684,048,242</b>	<b>730,919,943</b>

Signed with Odoo Sign



Chairman



Chief Executive Officer



Chief Financial Officer

The accompanying notes 1 to 35 form an integral part of these financial statements.

**AL OBEIKAN GLASS COMPANY**  
(A Saudi Joint Stock Company)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2022

(Expressed in Saudi Arabian Riyals, otherwise stated)

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Revenue	18	<b>502,179,542</b>	463,236,025
Cost of revenue	19	<b>(245,984,128)</b>	(211,788,045)
<b>Gross profit</b>		<b>256,195,414</b>	251,447,980
Other operating income	20	<b>2,248,889</b>	2,718,189
Other operating expense	21	<b>(868,909)</b>	(3,183,634)
Selling and distribution expenses	22	<b>(40,472,485)</b>	(46,248,803)
General and administrative expenses	23	<b>(22,531,265)</b>	(18,458,877)
Impairment loss on trade receivable	8	<b>(5,388,166)</b>	(508,609)
<b>Operating profit</b>		<b>189,183,478</b>	185,766,246
Finance cost - net	24	<b>(4,816,611)</b>	(6,102,475)
<b>Profit before zakat</b>		<b>184,366,867</b>	179,663,771
Zakat expense	17	<b>(6,719,127)</b>	(5,982,191)
<b>Net profit for the year</b>		<b>177,647,740</b>	173,681,580
<b>Other comprehensive (loss) / income:</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement of employee end of service benefits	15	<b>2,012,259</b>	(3,023)
Equity investments at FVOCI - net change in fair value	6	<b>(13,608,463)</b>	404,596
Other comprehensive (loss) / income for the year		<b>(11,596,204)</b>	<b>401,573</b>
<b>Total comprehensive income for the year</b>		<b>166,051,536</b>	174,083,153
<b>Earnings per share</b>			
Basic and diluted earnings per share (in SR)	25	<b>7.40</b>	7.24

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Chairman

Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 35 form an integral part of these financial statements.

**AL OBEIKAN GLASS COMPANY**

(A Saudi Joint Stock Company)

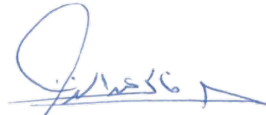
**STATEMENT OF CHANGES IN EQUITY**


For the year ended 31 December 2022

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Fair value reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at 1 January 2021	240,000,000	1,729,540	13,839,070	12,161,367	267,729,977
<i><b>Total comprehensive income for the year</b></i>					
Net profit for the year	--	--	--	173,681,580	173,681,580
Other comprehensive income	--	--	404,596	(3,023)	401,573
Total comprehensive income for the year	--	--	404,596	173,678,557	174,083,153
Transfer to statutory reserve (note 13)	--	17,368,158	--	(17,368,158)	--
<i>Transactions with the owners of the Company:</i>					
Dividend (note 12)	--	--	--	(24,000,000)	(24,000,000)
Balance at 31 December 2021	<u>240,000,000</u>	<u>19,097,698</u>	<u>14,243,666</u>	<u>144,471,766</u>	<u>417,813,130</u>

Signed with Odoo Sign  
  
 33d1a2c91a...  
 Chairman

  
 Chief Executive Officer

  
 Chief Financial Officer

The accompanying notes 1 to 35 form an integral part of these financial statement.

**AL OBEIKAN GLASS COMPANY**

(A Saudi Joint Stock Company)

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2022

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Fair value reserve</u>	<u>Retained earnings</u>	<u>Total</u>
<b>Balance at 1 January 2022</b>	<b>240,000,000</b>	<b>19,097,698</b>	<b>14,243,666</b>	<b>144,471,766</b>	<b>417,813,130</b>
<i><b>Total comprehensive income for the year</b></i>					
Net profit for the year	--	--	--	177,647,740	177,647,740
Other comprehensive income	--	--	(13,608,463)	2,012,259	(11,596,204)
Total comprehensive income for the year	--	--	(13,608,463)	179,659,999	166,051,536
Transfer to statutory reserve (note 13)	--	17,764,774	--	(17,764,774)	--
<i>Transaction with the owners of the Company:</i>					
Dividend (note 12)	--	--	--	(48,000,000)	(48,000,000)
<b>Balances at 31 December 2022</b>	<b>240,000,000</b>	<b>36,862,472</b>	<b>635,203</b>	<b>258,366,991</b>	<b>535,864,666</b>

Signed with Odoo Sign  
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Chairman

Chief Executive Officer

Chief Financial Officer


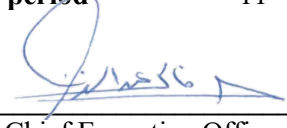
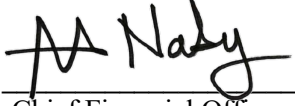
The accompanying notes 1 to 35 form an integral part of these financial statement.

**AL OBEIKAN GLASS COMPANY**  
(A Saudi Joint Stock Company)

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2022

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	Notes	2022	2021
<b>Cash flow from operating activities</b>			
Profit before Zakat		184,366,867	179,663,771
Adjustments for:			
Depreciation on property, plant and equipment	4	37,710,558	36,112,802
Depreciation on right-of-use assets	5	1,239,557	1,274,539
Charge for impairment loss	8	5,388,166	508,609
Provision for slow moving and obsolete inventory	7	(285,005)	(291,923)
Gain on disposal of property, plant and equipment		(17,856)	(58)
Adjustment related to right of use asset		--	2,388,090
Finance cost - net	24	4,816,611	6,102,475
Provision for employee end of service benefits	15	2,259,942	2,118,051
		<u>235,478,840</u>	<u>227,876,356</u>
Changes in:			
Inventories		(57,771,011)	4,448,321
Trade receivables		(25,581,574)	(41,828,688)
Prepayments and other receivables		504,718	(4,949,846)
Due from related party		1,337,964	(3,408,009)
Due to related parties		(37,108)	(5,658,022)
Trade payables		(13,218,429)	(3,235,237)
Accruals and other liabilities		(5,081,124)	7,819,165
<b>Cash generated from operating activities</b>		<u>135,632,276</u>	<u>181,064,040</u>
Finance cost paid		(4,978,428)	(5,804,991)
Finance cost received		500,000	--
Zakat paid	17	(5,982,194)	(2,938,952)
Employee end of service benefits paid	15	(563,381)	(749,376)
<b>Net cash generated from operating activities</b>		<u>124,608,273</u>	<u>171,570,721</u>
<b>Cash flow from investing activities</b>			
Additions of property, plant and equipment	4	(19,373,038)	(14,191,751)
Proceeds from sale of property, plant and equipment		32,378	6,332
<b>Net cash used in investing activities</b>		<u>(19,340,660)</u>	<u>(14,185,419)</u>
<b>Cash flow from financing activities</b>			
Proceeds from loans and borrowings	14	7,486,028	25,902,327
Repayment for loans and borrowings	14	(149,576,401)	(52,505,000)
Dividend paid	12	(48,000,000)	(24,000,000)
Capital repayment of lease liabilities	32	(863,894)	(746,031)
<b>Net cash used in financing activities</b>		<u>(190,954,267)</u>	<u>(51,348,704)</u>
<b>Net change in cash and cash equivalents</b>		<u>(85,686,654)</u>	<u>106,036,598</u>
Cash and cash equivalents at beginning of the period		112,238,660	6,202,062
<b>Cash and cash equivalents at end of the period</b>	11	<u>26,552,006</u>	<u>112,238,660</u>
<div style="display: flex; justify-content: space-between; align-items: flex-end;"> <div style="text-align: center;">   Chairman </div> <div style="text-align: center;">   Chief Executive Officer </div> <div style="text-align: center;">   Chief Financial Officer </div> </div>			

The accompanying notes 1 to 35 form an integral part of these financial statements.

**AL OBEIKAN GLASS COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

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**1. CORPORATE INFORMATION**

Al Obeikan Glass Company (the “Company”) is a Saudi joint stock company formed pursuant to the Ministerial Resolution No. 224/Q dated 27 Shaban 1428H (corresponding to 9 September 2007) and registered in Riyadh under Commercial Registration No. 1010241520 dated 30 Dhul-Qadah 1428H (corresponding to 10 December 2007). The company started its commercial activity on 1 July 2011.

The registered address of the Company is P.O. Box 62807, Riyadh 11595, Kingdom of Saudi Arabia. The Company's branch is located in Industrial Yanbu at Light Industrial Area.

The Company is engaged in the wholesale of chemicals and the wholesale and retail sale of glass panels. The Company also carries out its activities through the branch registered with Commercial Register No. 4700010945 dated 9 Jumada Al-Ula 1429H (corresponding to May 14, 2008) issued in Yanbu city. The branch's activity is represented in the operation of quarries, sand or gravel mines, including crushers, and the manufacturing of insulating glass used in construction.

On 2 Shaban 1442H (corresponding to March 15, 2021), the Board of Directors of Obeikan Glass company decided to recommend to the General Assembly of the Company's shareholders the registration and direct listing of the Company's shares in the Parallel Market “Nomu”, after obtaining the necessary approvals from the Saudi Capital Market Authority and the Saudi Exchange Company “Tadawul”. Based on the Extraordinary General Assembly meeting held on Shaaban 19, 1442H (corresponding to April 1, 2021), the General Assembly voted unanimously and with 100% attendance on the registration and direct listing of the Company's shares in Nomu. The Company obtained the approval of the Saudi Capital Market Authority on request of direct listing of the Company's shares in the Nomu on 26 Dhu al-Qa'dah 1442H (corresponding to July 6, 2021), and obtained the Authority's approval of the request to register the Company's shares in Nomu on 26 Rabi' al-Akhir 1443H (corresponding to 1 December 2021).

On Jumada Al-Akhir 1443H (corresponding to January 17, 2022), the Registration Document was published and announced by the financial advisor on the Tadawul to make it available to qualified investors during the specified period in accordance with The Rules on the Offer of Securities and Continuing Obligations. Tadawul announced that the shares of the Company have been listed ready for trading in the Nomu starting on Rajab 6, 1443H (corresponding to February 7, 2022) as a direct listing with Tadawul ISIN 9531.

**2. BASIS OF PREPARATION**

**2.1 Statement of Compliance**

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

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**2. BASIS OF PREPARATION (continued)**

**2.2 Basis of measurement**

The financial statements are prepared under the historical cost convention using the accruals basis of accounting and going concern concept, unless otherwise stated

**2.3 Functional and presentation currency**

The financial statements are presented in Saudi Arabian Riyals (SR), which is the Company's functional currency and presentation currency. All financial information presented in SR, unless otherwise stated.

**2.4 Significant accounting judgements, estimates and assumptions**

The preparation of the Company's financial statements requires management to make judgements, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the 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 Company. Such changes are reflected in the assumptions when they occur.

The key judgements, estimates, and assumptions that have a significant impact on the financial statements of the Company are discussed below:

**2.4.1 Judgements**

***Going concern***

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

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**2. BASIS OF PREPARATION (continued)**

**2.4 Significant accounting judgements, estimates and assumptions (continued)**

**2.4.2 Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur. Information about the assumptions and estimation uncertainties is included in the following areas:

***Useful lives and residual value of property and equipment***

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. The management believes that residual value may not result in significant change to depreciation charge and carrying amount of the assets. Accordingly, the residual value is assumed to be zero. Management reviews the residual value and useful lives annually, and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

***Allowance for inventory losses***

The Company recognizes an allowance for inventory losses due to factors such as obsolescence, technical faults, physical damage etc. The estimation of such losses includes the consideration of factors including but not limited to introduction of new models or technology by the specific manufacturer and both existing and emerging market conditions.

***Provision for expected credit losses (ECL) of trade receivables***

The Company has selected a simplified approach for all trade receivables. The Company uses a provision matrix to calculate ECL for trade receivables. The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated, and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historically observed default rates, forecasted economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECL on the Company's trade receivables is disclosed in note 8.

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**2. BASIS OF PREPARATION (continued)**

**2.4 Significant accounting judgements, estimates and assumptions (continued)**

**2.4.2 Estimates and assumptions (continued)**

*Employee end of service benefits*

The cost of the employee end of service benefits plan and the present value of the obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates, and employee turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on high-quality Corporate/Government bonds. The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country. Further details about employees end of service benefits are provided in note 15.

*Fair value measurement of financial instruments*

When the fair values of financial assets and financial liabilities recorded in statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

**3.1 Revenue recognition**

The Company recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15.

*Step 1:* The Company accounts for a contract with a customer when:

- The contract has been approved and the parties are committed;
- Each party's rights are identified;
- Payment terms are defined;
- The contract has commercial substance; and
- Collection is probable.

*Step 2:* The Company identify all promised goods or services in a contract and determines whether to account for each promised good or service as a separate performance obligation. A good or service is distinct and is separated from other obligations in the contract if both:

- the customer can benefit from the good or service separately or together with other resources that are readily available to the customer; and
- the good or service is separately identifiable from the other goods or services in the contract.

*Step 3:* The Company determine the transaction price, which is the amount of consideration it expects to be entitled to in exchange for transferring promised goods or services to a customer.

*Step 4:* The transaction price in an arrangement is allocated to each separate performance obligation based on the relative standalone selling price of the good or service being provided to the customer.

*Step 5:* Revenue is recognized when control of the goods or services is transferred to the customer. The Company transfers a good or service when the customer obtains control of that good or service. A customer obtains control of a good or service if it has the ability to direct the use of and receive the benefit from the good or service.

***Sale of goods***

Revenue from the sale of goods is recognised at the point in time when control of the goods is transferred to the customers, generally on delivery of the goods. The Company's revenue from sale of glass includes only one performance obligation, and there is no variable consideration and financing component involved.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.2 Foreign currencies**

The Company's financial statements are presented in Saudi Riyals, which is also the Company's functional currency. Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Saudi Riyals at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in statement of profit or loss and other comprehensive income. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

**3.3 Employee end of service benefits**

The Employee end of service benefits provision is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurements, comprising actuarial gains and losses, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to profit or loss in subsequent periods. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- interest expense; and
- remeasurements

The Company presents the first two components of defined benefit costs in profit or loss in relevant line items. Remeasurements are presented as part of other comprehensive income.

**Short-term employee benefits**

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave, air tickets and sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service. The liability is recorded at the undiscounted amount of the benefits expected to be paid in exchange for those services.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4 Zakat**

The Company is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("Authority" or "ZATCA"). Provision for zakat for the Company is charged to the statement of profit or loss and other comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for in the period in which these are determined.

The Company withhold taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZATCA regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

***Value added tax***

The Company is subject to Value Added Tax ("VAT") in accordance with the VAT regulations prevailing in the Kingdom of Saudi Arabia. The amount of VAT liability is determined by applying the applicable tax rate to the value of supply ("Output VAT") less VAT paid on purchases ("Input VAT"). The Company reports revenue and purchases net of VAT for all the periods presented in the statement of profit or loss and other comprehensive income.

**3.5 Property, plant and equipment**

***Recognition and measurement***

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. When spare parts are expected to be used during more than one period, then they are accounted for as property, plant and equipment.

Cost includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets.

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within other operating income in the statement of profit or loss and other comprehensive income.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.5 Property, plant and equipment (continued)**

*Subsequent costs*

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

*Capital work in progress*

Capital work-in-progress represents all costs relating directly and indirectly to the construction in progress and is capitalized as property and equipment when ready for the intended use

*Depreciation*

Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized in the statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives.

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively, if required.

The estimated useful lives are as follows:

Building	33 years
Plant and machinery	15 to 20 years
Equipment	5 years
Furniture and fixtures	5 years
Computers	4 years
Motor vehicles	5 years

Land and capital work in progress are not depreciated.

*Spare parts*

Items such as spare parts, stand-by equipment and servicing equipment are recognised in accordance with IAS – 16 when they meet the definition of property, plant and equipment, including the requirement to be used over more than one period. Otherwise, such items are classified as inventory, as per IAS – 2.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.6 Impairment of non-financial assets**

The Company 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 Company 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 cash generating unit (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 pre-tax 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.

The Company bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Company CGU to which the individual assets are allocated. These budgets and forecast calculations 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.

Impairment losses of continuing operations are recognized in the statement of profit or loss in those expense categories consistent with the function of the impaired asset. In this case, the impairment is also recognized in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized 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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.7 Right-of-Use Assets and Lease Liabilities**

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

***Company as a lessee***

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

***Right-of-use assets***

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold land (36 years)

If the ownership of the leased asset transfers to the Company at the end of the lease term or the lessee is reasonably certain to exercise a purchase option, depreciation is calculated using the estimated useful life of the asset.

***Lease liabilities***

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.7 Right-of-Use Assets and Lease Liabilities (continued)**

*Lease liabilities*

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

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

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

*Incremental borrowing rate*

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

**3.8 Inventory**

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity

**3.9 Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks, all of which are available for use by the Company unless otherwise stated and have maturities of 3 months or less, which are subject to insignificant risk of changes in values.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.10 Financial instruments**

The Company recognizes a financial asset or a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

At initial recognition, the Company recognizes a financial instrument at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

*Financial assets*

IFRS 9 requires all financial assets to be classified and subsequently measured at either amortized cost or fair value. The classification depends on the business model for managing the financial asset and the contractual cash flow characteristics of financial asset, determined at the time of initial recognition.

Financial assets are classified into the following specified categories under IFRS 9:

- Debt instruments at amortized cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition; and
- Financial assets at fair value through profit and loss (FVPL).

***(a) Financial assets classified as amortized cost***

Debt instruments that meet the following conditions are subsequently measured at amortized cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

1. The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
2. The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of these conditions, it is measured at fair value.

The Company makes an assessment of a business model at portfolio level as this best reflects the way the business is managed, and information is provided to management. In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Company considers:

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.10 Financial instruments (continued)**

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How management evaluates the performance of the portfolio;
- Whether the management's strategy focus on earning contractual commission income;
- The degree of frequency of any expected asset sales;
- The reason for any asset sales; and
- Whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Income is recognized on an effective interest basis for debt instruments measured subsequently at amortized cost. Interest is recognized in the income statement.

Debt instruments that are subsequently measured at amortized cost are subject to impairment.

***(b) Financial assets designated as FVOCI with recycling***

Debt instruments that meet the following conditions are subsequently measured at FVOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial instruments measured at FVOCI, commission income and impairment losses or reversals are recognized in statement of other comprehensive income and computed in the same manner as for financial assets measured at amortized cost. All other changes in the carrying amount of these instruments are recognized in other comprehensive income and accumulated under the investment revaluation reserve. When these instruments are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to the statement of profit or loss.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.10 Financial instruments (continued)**

***(c) Financial assets classified as FVPL***

Investments in equity instruments are classified as at FVPL, unless the Company designates an investment that is not held for trading as at FVOCI on initial recognition.

Debt instruments that do not meet the amortized cost of FVOCI criteria are measured at FVPL. In addition, debt instruments that meet the amortized cost criteria but are designated as at FVPL to avoid accounting mismatch are measured at fair value through income statement. A debt instrument may be designated as at FVPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Debt instruments are reclassified from amortized cost to FVPL when the business model is changed such that the amortized cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVPL on initial recognition is not allowed.

Financial assets at FVPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized in income statement.

Commission income on debt instruments at FVPL is included in the statement of profit or loss.

Dividend income on investments in equity instruments at FVPL is recognized in statement of profit or loss when the Company's right to receive the dividends is established.

***(d) Investment in equity instruments designated as FVOCI***

On initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading.

A financial asset or financial liability is held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other reserves. Gain and losses on such equity instruments are never reclassified to income statement and no impairment is recognized in income statement. The cumulative gain or loss will not be reclassified to income statement on disposal of the investments.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.10 Financial instruments (continued)**

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

Investment revaluation reserve includes the cumulative net change in fair value of equity investment measured at FVOCI. When such equity instruments are derecognized, the related cumulative amount in the fair value reserve is transferred to retained earnings.

**Impairment of financial assets**

The Company recognizes an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. For trade receivables and contract assets, the Company applies a simplified approach in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when is more than 360 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Company recognizes an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

**Derecognition of financial assets**

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset or substantially all the risk and rewards of ownership to another entity. If the Company neither transfer nor retains substantially all the risks and reward of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.10 Financial instruments (continued)**

*Financial liabilities*

Financial liabilities carried at amortized cost have been classified and measured at amortized cost using the effective yield method.

For financial liabilities that are designated as at FVPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in income statement. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to income statement.

The liability credit reserve includes the cumulative changes in the fair value of the financial liabilities designated as at fair value through profit or loss that are attributable to changes in the credit risk of these liabilities and which would not create or enlarge accounting mismatch in income statement. Amount presented in liability credit reserve are not subsequently transferred to income statement. When such investments are derecognized, the related cumulative amount in the liability credit reserve is transferred to retained earnings.

*Derecognition of financial liabilities*

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

**3.11 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.12 Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

**3.13 Cost of revenue**

Cost of Revenue is the accumulated total of all costs used to create a product or service, which has been sold. These costs fall into the general sub-categories of materials, direct labor and overheads.

In the statement of profit or loss presentation, the cost of revenue is subtracted from revenues to arrive at the gross profit of a business. Cost of revenue comprise all costs directly related to the sale of goods and rendering of services. It comprises the purchase and conversion of inventories and all other directly attributable costs, which are necessary to bring the products and/or services sold into the agreed condition.

**3.14 Selling, distribution, general and administration expenses**

Selling, distribution, general and administration expenses include direct and indirect costs not specifically part of 'Cost of revenue'. Allocations between 'Cost of revenue' and 'Selling, distribution, general and administration expenses', when required, are made on a consistent basis.

**3.15 Cash dividend and non-cash distribution to equity holders of the parent**

The Company recognizes a liability to pay a dividend when the distribution is authorized, and the distribution is no longer at the discretion of the Company. As per the bye laws of the Company, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly within equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the statement of profit or loss

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.16 Current versus non-current classification**

The Company presents assets and liabilities in the statement of financial position based on current / non-current classification.

***Assets***

An asset is current when:

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

All other assets are classified as non-current.

***Liabilities***

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 terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Company classifies all other liabilities as non-current.

**3.17 Operating profit**

Operating profit is the result generated from the continuing principal revenue-producing activities of the Company as well as other income and expenses related to operating activities. Operating profit excludes finance costs - net and zakat.

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**4. PROPERTY, PLANT, AND EQUIPMENT**

	<u><i>Buildings</i></u>	<u><i>Plant and Machinery</i></u>	<u><i>Equipment</i></u>	<u><i>Furniture and fixtures</i></u>	<u><i>Computers</i></u>	<u><i>Motor vehicles</i></u>	<u><i>Capital Work in progress</i></u>	<u><i>Total</i></u>
<b>Cost:</b>								
Balance at 1 January 2021	102,428,993	645,441,852	12,779,782	2,337,828	3,955,054	1,672,272	15,868,585	784,484,366
Additions during the year	1,287,878	5,027,242	1,950,234	328,731	633,527	340,231	4,623,908	14,191,751
Disposals during the year	(1500)	--	--	(10,100)	(10142)	--	--	(21,742)
Transfer during the year	1,087,397	4,877,678	79,776	-	382,531	--	(6,427,382)	--
<b>31 December 2021</b>	<b>104,802,768</b>	<b>655,346,772</b>	<b>14,809,792</b>	<b>2,656,459</b>	<b>4,960,970</b>	<b>2,012,503</b>	<b>14,065,111</b>	<b>798,654,375</b>
Additions during the year	399,266	3,022,878	2,386,798	346,699	649,677	187,000	12,380,720	19,373,038
Disposals during the year	--	(13,800)	(5,228)	--	--	(66,030)	--	(85,058)
Transfer during the year	--	3,683,228	144,342	--	--	--	(3,827,570)	--
<b>31 December 2022</b>	<b>105,202,034</b>	<b>662,039,078</b>	<b>17,335,704</b>	<b>3,003,158</b>	<b>5,610,647</b>	<b>2,133,473</b>	<b>22,618,261</b>	<b>817,942,355</b>
<b>Accumulated Depreciation:</b>								
Balance at 1 January 2021	19,987,499	340,557,506	9,184,129	2,270,797	3,491,575	1,180,934	--	376,672,440
Charge for the year	3,160,681	31,286,122	1,162,426	107,564	303,182	92,827	--	36,112,802
Disposals during the year	(332)	--	--	(10,100)	(5,036)	--	--	(15,468)
<b>31 December 2021</b>	<b>23,147,848</b>	<b>371,843,628</b>	<b>10,346,555</b>	<b>2,368,261</b>	<b>3,789,721</b>	<b>1,273,761</b>	<b>--</b>	<b>412,769,774</b>
Charge for the year	3,214,544	32,177,528	1,548,968	138,110	479,338	152,070	--	37,710,558
Disposals during the year	--	(5,445)	(4,353)	--	--	(60,736)	--	(70,534)
<b>31 December 2022</b>	<b>26,362,392</b>	<b>404,015,711</b>	<b>11,891,170</b>	<b>2,506,371</b>	<b>4,269,059</b>	<b>1,365,095</b>	<b>--</b>	<b>450,409,798</b>
<b>Net book value:</b>								
<b>31 December 2022</b>	<b>78,839,642</b>	<b>258,023,367</b>	<b>5,444,534</b>	<b>496,787</b>	<b>1,341,588</b>	<b>768,378</b>	<b>22,618,261</b>	<b>367,532,557</b>
31 December 2021	81,654,920	283,503,144	4,463,237	288,298	1,171,249	738,742	14,065,111	385,884,601

- The above property, machinery and equipment are built on land leased from the Royal Commission for Jubail and Yanbu under a contract with the Royal Commission from August 30, 2008 until August 30, 2042, and the contract can be renewed for an additional period or periods of years under the terms and conditions that may be agreed upon between the two parties.
- Included within plant and machinery is an amount of SR 19.96 million (2021: SR 19.96 million) in respect of tin ingots. The Company has not depreciated the tin ingots on the basis that these will retain value over the production cycle.
- All property, plant and equipment are pledged for the benefit of the SIDF (Note 14).
- Capital work in progress represents ongoing construction works of the plant and machinery and it is expected to be completed during 2023.

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**4. PROPERTY, PLANT, AND EQUIPMENT (continue)**

Depreciation charged for the year is allocated as follows:

	<u>2022</u>	<u>2021</u>
Cost of Revenue	<b>36,881,674</b>	35,642,102
General and administration expenses	<b>812,990</b>	441,296
Selling and distribution expenses	<b>15,894</b>	29,404
	<u><b>37,710,558</b></u>	<u>36,112,802</u>

**5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

The Company has lease contracts (lease as a lessee) for leasehold land. Leasehold land has lease term of 36 years.

The Company also has certain leases of apartments and sales offices with lease terms of 12 months or less and with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

**a) Right-of-use assets:**

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

	<u>2022</u>	<u>2021</u>
Balance as at 1 January	<b>28,039,847</b>	26,729,554
Reassessment during the year	<b>(4,391,725)</b>	2,584,832
Depreciation charge for the year	<b>(1,239,557)</b>	(1,274,539)
Balance as at 31 December	<u><b>22,408,565</b></u>	<u>28,039,847</u>

**b) Lease liabilities:**

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

	<u>2022</u>	<u>2021</u>
Balance as at 1 January	<b>29,740,019</b>	25,513,128
Reassessment during the year	<b>(4,391,725)</b>	4,972,922
Accretion of interest	<b>1,558,870</b>	1,676,733
Payments during the year	<b>(2,422,764)</b>	(2,422,764)
Balance as at 31 December	<u><b>24,484,400</b></u>	<u>29,740,019</u>

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**5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)**

Lease liabilities are presented in the statement of financial position as follows:

	<u>2022</u>	<u>2021</u>
Non-current portion of lease liabilities	22,032,970	27,784,323
Current portion of lease liabilities	2,451,430	1,955,696
Carrying amount at the end of the year	<u>24,484,400</u>	<u>29,740,019</u>

The maturity analysis of lease liabilities is as follows.

	<u>2022</u>	<u>2021</u>
Less than one year	2,023,182	2,422,764
More than one year and less than 5 years	8,092,728	9,428,029
More than 5 years	30,347,952	35,355,363
	<u>40,463,862</u>	<u>47,206,156</u>

The following are the amounts recognized in the statement of profit or loss:

	<u>2022</u>	<u>2021</u>
Depreciation expense of right-of-use assets	1,239,557	1,274,539
Interest expense on lease liabilities	1,558,870	1,676,733
Expense relating to short-term leases (included in selling and distribution expenses)	208,493	62,227
Expense relating to short-term leases (included in general and administrative expenses)	253,411	260,000

The Company has one lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. The Company had total cash outflows for leases of SR 2.7 million in 2022 (2021: SR 5.9 million)

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**6. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

This investment in equity shares by 19% of Al Obeikan AGC Glass Company, a mixed Saudi limited liability company whose main activity is the manufacture of primary glass products and the manufacture of insulating glass items used in construction. The Company has irrevocably designated the investment at fair value through other comprehensive income on initial recognition as the Company's intention is to hold this investment for the long term for strategic purposes (refer note 30).

	<u>2022</u>	<u>2021</u>
<b>Following is the change in FV of the investment at FVOCI:</b>		
Balance at 1 January	<b>16,699,510</b>	16,294,914
Change in FV during the year	<b>(13,608,463)</b>	404,596
Balance at 31 December	<b>3,091,047</b>	16,699,510

During the current year and prior year, there are no dividends or disposals or any transfers of any cumulative gain or loss within shareholders' equity relating to the investment.

	<u>2022</u>	<u>2021</u>
<b>Following is the change in fair value reserve:</b>		
Balance at 1 January	<b>14,243,666</b>	13,839,070
Change in FV during the year	<b>(13,608,463)</b>	404,596
Balance at 31 December	<b>635,203</b>	14,243,666

**7. INVENTORIES**

	<u>2022</u>	<u>2021</u>
Raw materials	<b>34,072,980</b>	12,783,078
Finished goods	<b>15,820,219</b>	10,147,065
Spare parts and consumables	<b>10,988,029</b>	8,832,646
Work-in-progress	<b>6,623,514</b>	5,439,451
Packing materials	<b>447,439</b>	345,714
Goods-in-transit	<b>27,366,784</b>	--
Provision for slow-moving inventory	<b>(550,164)</b>	(835,169)
	<b>94,768,801</b>	36,712,785

7.1 Inventories recognized as expense during the year ended 31 December 2022 amounted to SR 139.64 million (31 December 2021: SR 96.46) and included as cost of revenue.

7.2 Inventory reversal amounting to SR 0.55 million (2021: SR 0.84 million) is recognized within cost of revenue.

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**7. INVENTORIES (continued)**

Movement in provision for slow-moving is as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of the year	835,169	1,127,092
Reversal during the year	(285,005)	(291,923)
Balance at end of the year	<u>550,164</u>	<u>835,169</u>

**8. TRADE RECEIVABLES**

Trade receivables comprise of the following:

	<u>2022</u>	<u>2021</u>
Trade receivable due from related party	77,157,944	39,791,855
Other trade receivables	39,654,453	51,438,968
	<u>116,812,397</u>	<u>91,230,823</u>
Allowance for impairment loss (see below)	(6,978,010)	(1,589,844)
	<u>109,834,387</u>	<u>89,640,979</u>

Movement in the allowance for impairment loss is as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of the year	1,589,844	1,081,235
Charge for the year	5,388,166	668,515
Reversal during the year	--	(159,906)
Balance at end of the year	<u>6,978,010</u>	<u>1,589,844</u>

**9. PREPAYMENTS AND OTHER RECEIVABLES**

Prepayments and other receivables comprise of the following:

	<u>2022</u>	<u>2021</u>
Advance to supplier	9,780,273	7,359,477
Prepaid rent and other assets	759,804	3,685,318
	<u>10,540,077</u>	<u>11,044,795</u>

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**10. RELATED PARTIES TRANSACTIONS AND BALANCES**

- a) Related parties include the Company's shareholders, associates and affiliates companies (entities controlled and jointly controlled, or significantly influenced by shareholders) and management personnel of the company. Terms and conditions of these transactions are approved by the company's Board of Directors. All outstanding balances with these related parties are priced on mutually agreed terms. Significant related party transactions for the period / year and balance arising there from are described as under:

<u>Name of party</u>	<u>Relationship</u>
Al Obeikan Group for Investment Company	Parent company
Saudi Company for Advanced Industries	Major shareholder
Al Obeikan AGC Glass	Associate of the Parent company
Al Obeikan Flexible Plastic Factory	Affiliate
Al Obeikan Digital Solutions Company	Affiliate
Al Obeikan Technical Fabrics Company	Affiliate
Al Obeikan for Education	Affiliate
Madar Digital Logistics Solution Company	Affiliate
Saned Al Marafiq Company	Affiliate

- b) Significant key management personnel transactions are as follows:

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>		<u>Closing balance</u>	
			<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Key management personnel	Employees	Short term benefits	<b>4,710,771</b>	4,038,679	<b>1,392,251</b>	1,301,665
		Long term benefits	<b>590,926</b>	261,992	<b>3,350,286</b>	2,759,360
Board of Directors	Board of Directors	Board of Directors' remuneration – (short term benefits)	<b>1,620,919</b>	1,366,750	<b>1,620,919</b>	1,366,750

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**10. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)**

c) Significant related party transactions and balances arising are as follows:

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>		<u>Closing balance</u>	
			<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<u><b>Due from related party – Trade receivables</b></u>						
Al Obeikan AGC Glass	Associate of the Parent Company	Sales	<b>77,914,799</b>	49,217,772	<b>77,157,944</b>	39,791,855
<u><b>Due from related party</b></u>						
Al Obeikan AGC Glass	Associate of the Parent company	Support Services	<b>10,921,491</b>	9,534,913	<b>49,320,802</b>	50,658,766
<u><b>Prepayment and other receivables</b></u>						
Saned Al-Marafiq Information Technologies	Affiliate	Consulting and other services	<b>91,822</b>	--	<b>91,822</b>	--
<u><b>Due to related parties</b></u>						
<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>		<u>Closing balance</u>	
			<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Al Obeikan Group for Investment Company	Parent	Consulting and other services	<b>1,233,055</b>	8,230,689	<b>85,475</b>	1,126,080
Al Obeikan Digital Solutions Company	Affiliate	Consulting and other services	<b>448,019</b>	943,285	<b>313,454</b>	100,085
Al Obeikan for Education	Affiliate	Consulting and other services	<b>311,348</b>	234,309	<b>11,251</b>	--
Al Obeikan Flexible Plastic Factory	Affiliate	Purchase of packaging material	<b>71,875</b>	631,900	--	94,530
Al Obeikan AGC Glass	Affiliate	Purchase of glass	<b>139,285</b>	136,937	<b>84,468</b>	--
Madar Digital Logistics Solution	Affiliate	Consulting and other services	<b>4,513,784</b>	--	<b>834,353</b>	--
Al Obeikan Technical Fabrics Company	Affiliate	Shared services	--	--	--	45,414
					<b>1,329,001</b>	<b>1,366,109</b>

The balances due to and due from the related parties are interest free, unsecured and payable on demand. ECL amounting to SR 3.44 million relates to the related party.

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**11. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise of the following:

	<u>2022</u>	<u>2021</u>
Cash at bank	<u>26,552,006</u>	<u>112,238,660</u>

At each reporting date, all bank balances are assessed to have low credit risk as they are held with reputable and high credit rating domestic banking institutions (A3 to BAA1) and there has been no history of default with any of the Company's bank balances. Therefore, the probability of default based on forward-looking factors and any loss given defaults are considered to be negligible.

**12. SHARE CAPITAL**

At 31 December 2022, the Company's authorized, issued, and paid-up share capital is SR 240 million (31 December 2021: SR 240 million) consisting of 24 million (31 December 2021: 24 million shares) fully paid and issued shares of SR 10 each.

*Dividends*

The Board of Directors in its meeting held on 19 September 2021, approved a distribution of an interim cash dividend of SR 24 million (representing SR 1 per share) for the year ended 31 December 2021.

The Board of Directors in its meeting held on 5 September 2022, approved a distribution of an interim cash dividend of SR 48 million (representing SR 2 per share) for the year ending 31 December 2022.

**13. STATUTORY RESERVE**

In accordance with the by-laws of the Company and Companies Law, the Company has transferred 10% of its net income for the year to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The minimum required statutory reserve is not available for distribution to the shareholders.

**14. LOANS AND BORROWINGS**

Loans and borrowings comprise of the following:

	<u>2022</u>	<u>2021</u>
Term loan – SIDF loan	<u>58,500,000</u>	178,500,000
Short term borrowings	<u>3,811,954</u>	25,902,327
Loan and borrowings as at 31 December	<u>62,311,954</u>	<u>204,402,327</u>

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**14. LOANS AND BORROWINGS (continued)**

	<u>2022</u>	<u>2021</u>
SIDF loans – long-term loan	<b>58,500,000</b>	178,500,000
Less: Current portion of long-term borrowings	<b>(58,500,000)</b>	(70,000,000)
Long term borrowings	<u>–</u>	<u>108,500,000</u>
	<u>2022</u>	<u>2021</u>
Opening balance	<b>204,402,327</b>	231,005,000
Drawdown during the year	<b>7,486,028</b>	25,902,327
Repayment during the year	<b>(149,576,401)</b>	(52,505,000)
<b>Closing balance</b>	<b><u>62,311,954</u></b>	<b><u>204,402,327</u></b>
Non-current portion of long-term borrowings	–	108,500,000
Current portion of long-term borrowings	<b>58,500,000</b>	70,000,000
Short term borrowings	<b><u>3,811,954</u></b>	<u>25,902,327</u>
Total borrowings	<b><u>62,311,954</u></b>	<b><u>204,402,327</u></b>

The agreement with SIDF is guaranteed by the shareholders of the Company. The loan is secured by a mortgage over the property, plant and equipment of the Company.

The Company's interest-bearing loans and borrowings, which are measured at amortized cost are as follows:

	<u>2022</u>	<u>2021</u>
Long-term bank loans	<b>58,500,000</b>	204,402,327
Current portion of long-term bank loans	<b>(58,500,000)</b>	(95,902,327)
Non-current portion of long-term bank loans	<u>–</u>	<u>108,500,000</u>

*SIDF loan – term loan*

On January 4, 2009, the Company obtained a loan from the Saudi Industrial Development Fund (the "SIDF") for the purpose of financing the construction of Al Obeikan Glass Company factory. The ceiling of this loan amounted to a total of SR 229 million. On June 3, 2012, the loan ceiling was raised to cover the additional costs of the factory, so that the total loan value became SR 309.5 million. On October 8, 2020, the loan was restructured so that the last instalment to be repaid on August 2, 2023. A total amount of SR 161 million was repaid as of the statement of financial position date. This loan is secured by pledging the entire factory, its buildings, machinery, equipment and all of its accessories, which is located on the plot of land leased from the Royal Commission for Jubail and Yanbu for the benefit of the SIDF. All the covenant has been complied with except for the CAPEX. However, the SIDF has not demanded the payment as at reporting period.

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**14. LOANS AND BORROWINGS (continued)**

*Short term borrowings*

The short-term loans represent Murabaha facilities for the purpose of purchasing raw materials used in the production of float glass that the Company obtained from the International Islamic Trade Finance Corporation (a member of the Islamic Development Bank) with total revolving facilities of SR 34 million, i.e. that the amount of the facilities becomes available again after payment, and with a repayment period of 12 months from the date of withdrawal. These facilities are available until June 3, 2023. These facilities are secured by a joint pledge with the same term loan mortgage given by the Saudi Industrial Development Fund.

**15. EMPLOYEES' END OF SERVICE BENEFITS**

	<u>2022</u>	<u>2021</u>
Balance at beginning of the year	19,180,339	17,511,157
<i>Included in statement of profit or loss</i>		
Current service cost	2,259,942	2,118,051
Interest cost	382,894	297,484
	2,642,836	2,415,535
Transfer out	(44,713)	--
Paid during the year	(563,381)	(749,376)
<i>Included in statement of other comprehensive income</i>		
Actuarial (gains) / losses:		
Change in demographic assumptions	(12,819)	--
Change in financial assumptions	(3,244,129)	(581,499)
Experience loss	1,244,689	584,522
	(2,012,259)	3,023
Balance at the end of the year	19,202,822	19,180,339

Allocation of EOSB charge between the cost of revenue, selling and distribution expenses, and general and administrative expenses are as follows:

	<u>2022</u>	<u>2021</u>
Cost of revenue	1,024,383	960,066
Selling and distribution expenses	215,678	202,137
General and administrative expenses	1,019,881	955,848
	2,259,942	2,118,051

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**15. EMPLOYEES' END OF SERVICE BENEFITS (continued)**

The most recent actuarial valuation was performed by a qualified actuary and was performed using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	<u><b>2022</b></u> %	<u><b>2021</b></u> %
Rate of salary increases	<b>4.00%</b>	4.00%
Discount rate	<b>4.60%</b>	2.00%
Mortality rate	<b>75% of WHO SA16</b>	75% of WHO SA16
Retirement age	<b>60 years</b>	60 years

All movements in employees end of service benefits are recognized in profit or loss, except for the results of re-measurement of employees end of service benefits that are recognized in the statement of other comprehensive income.

**Sensitivity analyses:**

The sensitivity analyses presented below have been determined based on reasonably possible changes of the respective assumptions occurring for the liability at the end of the reporting period, while holding all other assumptions constant.

**31 December 2022**

	<u><b>Change in assumption by</b></u>	<u><b>Increase in assumption by</b></u>	<u><b>Decrease in assumption by</b></u>
Discount rate	<b>0.5%</b>	<b>18,707,851</b>	<b>19,725,297</b>
Salary growth rate	<b>0.5%</b>	<b>19,725,811</b>	<b>18,702,731</b>
Mortality rates	<b>20%</b>	<b>19,197,733</b>	<b>19,207,935</b>
Employee turnover / withdrawal rates	<b>20%</b>	<b>19,096,921</b>	<b>19,317,016</b>

**31 December 2021**

	<u><b>Change in assumption by</b></u>	<u><b>Increase in assumption by</b></u>	<u><b>Decrease in assumption by</b></u>
Discount rate	0.5%	18,567,057	19,833,825
Salary growth rate	0.5%	19,817,695	18,575,673
Mortality rates	20%	19,145,010	19,216,407
Employee turnover / withdrawal rates	20%	19,145,010	19,216,407

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**15. EMPLOYEES' END OF SERVICE BENEFITS (continued)**

The weighted average duration of the defined benefit obligation is 5 years.

The following payments are expected for the defined benefit plan in future years:

	<u>2022</u>	<u>2021</u>
Within the next 12 months (next annual reporting period)	6,085,823	5,091,413
Between 2 and 5 years	6,389,933	5,109,204
Between 6 and 10 years	6,621,407	6,167,821
Beyond 10 years	6,092,346	5,657,029
	<u>25,189,509</u>	<u>22,025,467</u>

**16. ACCRUED AND OTHER LIABILITIES**

	<u>2022</u>	<u>2021</u>
Advances from customers (refer note 16.1)	6,115,639	9,296,709
Accrued electricity (refer note 16.2)	5,925,550	5,600,000
Accrued finance charges	606,707	1,228,208
Accrued VAT	1,164,102	884,217
Other accruals (refer note 16.3)	7,457,920	9,341,908
	<u>21,269,918</u>	<u>26,351,042</u>

**16.1** The advances from customer primarily relate to the advance received from customers for goods, for which revenue is recognised point in time. The amount of revenue recognized during the year form the advances amounts to SR 9.53 million (2021: SR 6.37)

**16.2** The accrued electricity charge represents claimed amounts of SR 10.16 million from the Power, Water, and Utility Company for Jubail and Yanbu “Marafiq Company” for electricity and water supply services. An amount of SR 5.6 million of the claim value was recognized during the year ended on 31 December 2021, and the remaining amount of the claim amounting to SR 4.56 million was recognized during the year ended on 31 December 2022 after reaching an agreement with Marafiq on 8 March 2022 to pay the full amount of the claim through equal monthly instalments, the value of each instalment is SR 0.42 million, starting from the month of March 2022.

**16.3** Other accruals majorly includes the employee bonus, freight cost and other accruals.

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**17. ZAKAT**

**a) Charge for the period**

Zakat for the year ended comprise the following:

	<u>2022</u>	<u>2021</u>
Charge for the year	<u>6,719,127</u>	<u>5,982,191</u>

The provision for Zakat charge is based on the following:

	<u>2022</u>	<u>2021</u>
Equity	355,569,464	241,729,540
Provisions and other adjustments	108,581,271	198,345,543
Book value of long-term assets (net of related financing)	<u>(389,941,122)</u>	<u>(385,884,601)</u>
Zakat base	74,209,613	54,190,482
Zakat on Zakat base @ 2.5776%	<u>1,912,889</u>	<u>1,396,157</u>
Adjust profit for the year	<u>192,249,515</u>	<u>183,441,339</u>
Zakat on adjusted profit @ 2.5%	<u>4,806,238</u>	<u>4,586,033</u>
Zakat charge for the year	<u>6,719,127</u>	<u>5,982,191</u>

- Zakat is calculated based on the adjusted net profit and the zakat base.
- Zakat is calculated from the adjusted net profit at 2.5%, while the zakat base is calculated from the zakat base less the adjusted net profit at 2.5776% and 2.5% from the adjusted net profit.

***Adjusted net profit for the year***

The adjusted net profit or the year reconciliation is as follows:

	<u>2022</u>	<u>2021</u>
Net profit for the year	184,366,867	180,332,286
Other deductions	(148,354)	203,700
Provision for the year	<u>8,031,002</u>	<u>2,877,353</u>
Adjusted net profit for the year	<u>192,249,515</u>	<u>183,413,339</u>

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**17. ACCRUED ZAKAT (continued)**

**b) Zakat**

The movement in the Zakat during the year is analyzed as under:

	<u>2022</u>	<u>2021</u>
Balance at the beginning of the year	4,615,245	1,572,006
Charge for the year	6,719,127	5,982,191
Payments during the year	(5,982,194)	(2,938,952)
Balance at the end of the year	<u>5,352,178</u>	<u>4,615,245</u>

**c) Status of Zakat**

The Company has filed Zakat declaration up to the financial year ended 31 December 2021 with the Zakat, Tax and Customs Authority (ZATCA). The Company has also obtained Zakat certificate valid until April 2023.

**18. REVENUE**

***Disaggregated revenue information***

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	<u>2022</u>	<u>2021</u>
Sales of glass	<u>502,179,542</u>	<u>463,236,025</u>

***Timing of revenue recognition***

	<u>2022</u>	<u>2021</u>
Goods transferred at point in time	<u>502,179,542</u>	<u>463,236,025</u>

	<u>2022</u>	<u>2021</u>
Sales to related party	77,914,799	49,217,772
Sales other than related party	<u>424,264,743</u>	<u>387,018,253</u>
<b>Total revenue</b>	<u><u>502,179,542</u></u>	<u><u>436,236,025</u></u>

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**19. COST OF REVENUE**

	<u>2022</u>	<u>2021</u>
Cost of material	139,643,252	96,461,506
Depreciation (note 4,5)	38,121,231	36,916,641
Gas and electricity expenses	28,300,396	29,734,158
Employees' salaries and benefits	27,086,417	24,525,373
Consumables and direct costs	12,832,832	24,150,367
	<u>245,984,128</u>	<u>211,788,045</u>

**20. OTHER OPERATING INCOME**

	<u>2022</u>	<u>2021</u>
Support charges	458,102	--
Rent income (refer note 20.1)	1,510,709	1,510,708
Scrap sales	262,222	1,207,423
Gain on sale of property, plant and equipment	17,856	58
	<u>2,248,889</u>	<u>2,718,189</u>

20.1 The rent income has the maturity period of less than one year.

**21. OTHER OPERATING EXPENSE**

	<u>2022</u>	<u>2021</u>
Support charges	--	2,977,457
Other expenses	868,909	206,177
	<u>868,909</u>	<u>3,183,634</u>

**22. SELLING AND DISTRIBUTION EXPENSES**

	<u>2022</u>	<u>2021</u>
Freight expenses goods to customers	32,651,054	39,209,747
Employees' salaries and benefits	4,741,454	4,681,393
Warehousing expenses	1,337,338	1,413,555
Export cost	214,612	518,948
Sales commission	28,442	100,777
Business Travel expenses	262,659	81,025
Depreciation of property, plant and equipment (note 4)	15,894	29,404
Insurance	431,229	11,159
Other	789,803	202,795
	<u>40,472,485</u>	<u>46,248,803</u>

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**23. GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>2022</u>	<u>2021</u>
Employees' salaries and benefits	15,244,276	13,362,460
Telephone, internet and postage expenses	1,520,428	645,093
Depreciation of property, plant and equipment (note 4)	812,990	441,296
Shared service expense	927,038	691,562
Professional and consulting fees (refer 23.1)	670,710	1,281,875
Medical expenses	507,935	349,889
Travel expenses	516,166	210,370
Utilities	194,102	157,307
Stationery expense	13,008	44,345
Other expenses	2,124,612	1,274,680
	<u>22,531,265</u>	<u>18,458,877</u>

23.1 This includes the fee in relation to the IPO amounting to 31 December 2022 SR Nil (2021: SR 1 million).

**24. FINANCE COST -NET**

	<u>2022</u>	<u>2021</u>
Financing costs on Saudi Industrial Development Fund loan	2,880,000	3,084,000
Financing costs on lease liabilities	1,558,870	1,676,733
Finance income	(500,000)	--
Financing costs on short term loans	277,295	583,207
Foreign Exchange currency change	217,047	461,051
Interest cost on employees end of service benefits (note 15)	383,399	297,484
	<u>4,816,611</u>	<u>6,102,475</u>

**25. EARNINGS PER SHARE**

Basic EPS is calculated by dividing the profit for the period attributable to equity holders of the Company by the weighted average number of shares outstanding during the period. The calculation of diluted earnings per share ('EPS') is not applicable to the Company.

	<u>2022</u>	<u>2021</u>
Net profit attributable to equity holders of the Company	<u>177,647,740</u>	<u>173,681,580</u>
Weighted average number of shares for basic and diluted EPS	<u>24,000,000</u>	<u>24,000,000</u>
Earnings per share – Basic and diluted (in Saudi Riyals)	<u>7.40</u>	<u>7.24</u>

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**26. CONTINGENCIES AND COMMITMENTS**

The company has outstanding letters of credit amounting to SR 27.6 million (31 December 2021: nil) issued by the local banks on behalf of the company in the ordinary course of business.

**27. SEGMENTAL INFORMATION**

The Company has one reportable segment, as described below, which is the Company's strategic business unit. The strategic business unit offers one product i.e Glass. The Company's Board of Directors and CEO monitor the results of the Company's operations for the purpose of making decisions about resource allocation and performance assessment. They are collectively the Chief Operating Decision Makers (CODM) for the Company.

The operating segment described below have been prepared in accordance with IFRS 8. The Company operates in one main business segments, which is the manufacturing and sale of glass panels.

Geographical distribution of sales:

<b>Revenue</b>	<b><u>2022</u></b>	<b><u>2021</u></b>
Kingdom of Saudi Arabia	<b>344,156,572</b>	224,920,925
Other countries	<b>158,022,970</b>	238,315,100
<b>Total revenue</b>	<b><u>502,179,542</u></b>	<b><u>463,236,025</u></b>

Revenue from two major customers represented approximately 38% (31 December 2021: 28%) of the Company's total revenue.

**28. CAPITAL RISK MANAGEMENT**

For the purpose of the Company's capital management, capital includes issued capital, statutory reserve, and retained earnings attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximize the shareholder value.

The Company manages its capital structure by monitoring return on net assets and makes required adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares. The Company also monitors capital using gearing ratio, which is net debt, interest bearing loans including finance cost thereon, trade and other payable less cash and bank balances.

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**28. CAPITAL RISK MANAGEMENT (continued)**

The gearing ratio as at 31 December 2022 and 31 December 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Total liabilities	<b>148,183,576</b>	313,106,813
Cash and cash equivalents	<b>(26,552,006)</b>	(112,238,660)
<b>Net debt</b>	<b>121,631,570</b>	200,868,153
Share capital	<b>240,000,000</b>	240,000,000
Statutory reserve	<b>36,862,472</b>	19,097,698
Retained earnings	<b>258,366,991</b>	144,471,766
<b>Equity</b>	<b>535,229,463</b>	403,569,464
<b>Net debt to equity ratio</b>	<b>22.73%</b>	49.8%

**29. FINANCIAL RISK MANAGEMENT**

The Company's principal financial liabilities comprise due to related parties, trade and other payables and bank borrowings. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include due from related party, short term investment, trade and other receivables and cash and cash equivalents.

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risks, currency risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimize potential adverse effects on the Company's financial performance.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, evaluates, and hedges financial risks in close co-operation with the Company's operating units. The most important types of risk are credit risk, currency risk and fair value risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets, and any changes and compliance issues are reported to the Board of Directors through the audit committee.

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#### 29. **FINANCIAL RISK MANAGEMENT (continued)**

Risk management systems are regularly reviewed by the executive management team to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit committee oversees compliance by management with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework about the risks faced by the Company.

Financial instruments carried on the statement of financial position include cash and cash equivalents, account receivables, other receivables, accrued and other current liabilities, lease liabilities, trade payables and bank borrowings.

Financial asset, and liability is offset, and net amount reported in the condensed interim financial statements, when the Company has a legally enforceable right to set off the recognized amounts and intend either to settle on a net basis, or to realize the asset and liability simultaneously.

#### **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 comprises of two types of risk:

- Foreign currency exchange risk,
- Commission (interest) rate risk
- Other price risk

The Company's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Company's financial performance.

#### **Interest rate risk**

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial positions and cash flows. The Company's interest rate risks arise mainly from Term loan which is at a floating rate of interest and is subject to re-pricing on a regular basis and for which the management closely monitors the changes in interest rates.

The interest rate profile of the Company's interest-bearing financial instruments as reported to the management of the Company is as follows:

	<b><u>2022</u></b>	2021
<b>Variable rate instruments</b>		
<u>Financial liabilities</u>		
Loan and borrowings	<b><u>62,311,954</u></b>	<u>204,402,327</u>

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**29. FINANCIAL RISK MANAGEMENT (continued)**

**Interest rate risk (continued)**

Sensitivity analysis for variable rate instruments

Change in 100 basis points in interest rates, with all other variables held constant, would have increased or decreased the equity and profit before Zakat for the period by SR 0.62 million (31 December 2021: SR 2.04 million).

**Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional and reporting currency is in Saudi Arabian Riyals. The Company's transactions are principally in Saudi Arabian Riyals. Management monitors the fluctuations in currency exchange rates and believes that the currency risk is not significant. The bulk of the exposure is in USD and the Saudi Arabian Riyal is pegged at SAR 3.75: USD 1, therefore, the Company is not exposed to any significant foreign currency risk from Saudi Arabian Riyals and US Dollars denominated financial instruments. The Company's management monitors such fluctuations and manages its effect on the financial statements accordingly.

**Other price risk**

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company is not affected by price risk as there are no investment of the Company in equity shares or commodities.

**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company is exposed to risk on its trade and other receivables and cash at banks.

Concentration risk

Concentration risk arises when a number of counterparties engaged in similar business activities or activities in the same geographical region or have economic features that would cause them to fail their contractual obligations. To reduce exposure to credit risk, the Company has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery.

To mitigate the risk, the Company has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history.

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**29. FINANCIAL RISK MANAGEMENT (continued)**

**Credit risk (continued)**

The creditworthiness of counterparties is assessed based on an analysis of quantitative and qualitative data regarding financial standing and business risks, together with the review of any relevant third party and market information.

The Company's gross maximum exposure to credit risk at the reporting date is as follows:

	<u>2022</u>	<u>2021</u>
<b>Financial assets</b>		
Trade receivables	<b>109,834,387</b>	89,640,979
Due from related parties	<b>49,320,802</b>	50,658,766
Cash and cash equivalents	<b>26,552,006</b>	112,238,660
Total	<b><u>185,707,195</u></b>	<u>252,538,405</u>

With respect to credit risk arising from the financial assets of the Company, including bank balances and cash, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts as disclosed in the statement of financial position. The credit risk in respect of bank balances is considered by management to be insignificant, as the balances are mainly held with reputable banks in the Kingdom of Saudi Arabia.

**Trade receivables**

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. The five largest customers account for 77% of outstanding accounts receivable at 31 December 2022 (31 December 2021: 58%).

The receivables are shown net of allowance for impairment of trade receivables. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped into low risk, fair risk, doubtful and loss based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors (such as GDP forecast and industry outlook) affecting the ability of the customers to settle the receivables. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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**29. FINANCIAL RISK MANAGEMENT (continued)**

**Credit risk (continued)**

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables.

	<u>Loss rate</u>	<u>Gross carrying amount</u>	<u>Impairment loss allowance</u>
<b><u>31 December 2022</u></b>			
Not due balances	2%	54,349,505	853,851
0 -180 days	7%	38,381,826	2,589,964
181 – 360 days	14%	23,299,254	3,178,591
Over 360 days	45%	781,812	355,604
		<u>116,812,397</u>	<u>6,978,010</u>
	<u>Loss rate</u>	<u>Gross carrying amount</u>	<u>Impairment loss allowance</u>
<b><u>31 December 2021</u></b>			
Not due balances	0%	52,469,589	--
0 -180 days	0%	12,931,748	--
181 – 360 days	2%	18,623,196	455,160
Over 360 days	16%	7,206,290	1,134,684
		<u>91,230,823</u>	<u>1,589,844</u>

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company also monitors the levels of expected cash inflows on trade and other receivables together with the expected cash outflows on trade and other payables.

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**29. FINANCIAL RISK MANAGEMENT (continued)**

**Liquidity risk (continued)**

The table below summaries the maturity profile of the Company's financial liabilities based on contractual payments:

<u>31 December 2022</u>	<u>Carrying amount</u>	<u>Less than 1 year</u>	<u>2 years but less than 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Trade payables	14,233,303	14,233,303	--	--	14,233,303
Accrued and other liabilities	21,269,918	21,269,918	--	--	21,269,918
Due to related parties	1,329,001	1,329,001	--	--	1,329,001
Lease liabilities	24,484,400	2,023,182	8,092,728	30,347,952	40,463,862
Loans and borrowings	62,311,954	62,918,660	--	--	62,918,660
	<u>123,628,576</u>	<u>101,774,064</u>	<u>8,092,728</u>	<u>30,347,952</u>	<u>140,214,744</u>

<u>31 December 2021</u>	<u>Carrying amount</u>	<u>Less than 1 year</u>	<u>2 years but less than 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Trade payables	27,451,732	27,451,732	--	--	27,451,732
Accrued and other liabilities	26,351,042	26,351,042	--	--	26,351,042
Due to related parties	1,366,109	1,366,109	--	--	1,366,109
Lease liabilities	29,740,019	2,422,764	9,428,029	35,355,364	47,206,156
Loans and borrowings	204,402,327	96,547,327	109,082,208	--	205,629,535
	<u>289,311,229</u>	<u>154,138,974</u>	<u>118,510,237</u>	<u>35,355,364</u>	<u>308,004,574</u>

**30. FAIR VALUE OF ASSETS AND 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 by the Company.

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

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**30. FAIR VALUE OF ASSETS AND LIABILITIES (continued)**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The fair value of the equity instrument at the end of the current year is not materially different from the fair value measurement determined in the previous reporting period.

	<u><b>Level 1</b></u>	<u><b>Level 2</b></u>	<u><b>Level 3</b></u>	<u><b>Total</b></u>
<u><b>31 December 2022</b></u>				
Investments at FVOCI				
- Investment	--	--	<b>3,091,047</b>	<b>3,091,047</b>
<u><b>31 December 2021</b></u>				
Investments at FVOCI				
- Investment	--	--	16,699,510	16,699,510

There were no transfers between levels of the fair value hierarchy during the year end 31 December 2022 and for the year ended 31 December 2021. Additionally, there were no changes in the valuation techniques.

The following methods and assumptions were used to estimate the fair values:

The fair value of the 'Investment at fair value through other comprehensive income has been estimated using a Discounted Cash Flow model (DCF). The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for this investment.

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**30. FAIR VALUE OF ASSETS AND LIABILITIES (continued)**

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis are shown below:

**31 DECEMBER 2022:**

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Input used</u>	<u>Sensitivity of the input to fair value</u>
Investment at fair value through other comprehensive income	CF Method	Terminal growth rate	2%	1% increase in the growth rate would result in an increase in fair value by SR 1.6 million.
				1% decrease in the growth rate would result in a decrease in fair value by SR 1.3 million.
		Weighted average cost of capital	11.16%	1% increase in WACC would result in a decrease in fair value by SR 1.2 million.
				1% decrease in WACC would result in an increase in fair value by SR 1.5 million.

**31 DECEMBER 2021:**

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Input used</u>	<u>Sensitivity of the input to fair value</u>
Investment at fair value through other comprehensive income	CF Method	Terminal growth rate	3%	1% increase in the growth rate would result in an increase in fair value by SR 1.7 million.
				1% decrease in the growth rate would result in a decrease in fair value by SR 1.4 million.
		Weighted average cost of capital	14.75%	1% increase in WACC would result in a decrease in fair value by SR 2 million.
				1% decrease in WACC would result in an increase in fair value by SR 2.9 million.

**NOTES TO THE FINANCIAL STATEMENTS**

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**31. NEW STANDARDS, AMENDMENT TO STANDARDS AND INTERPETATIONS**

*Standards, interpretations, and amendments issued*

This table lists the recent changes to the Standards that are required to be applied for an annual period beginning after 1 January 2022 and that are available for early adoption in annual periods beginning on 1 January 2022.

<u>Standard / Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements	Annual Improvements to IFRS Standards 2018–2020	1 January 2022
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
IFRS 3	Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022

*Standards, interpretations and amendments issued but not yet effective*

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the financial statements are disclosed below. The Company intends to adopt these standards, where applicable, when they become effective.

<u>Standard / Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IFRS 17	Insurance contracts	1 January 2023
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	1 January 2023
IAS 8	Definition to accounting estimates	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction`	1 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

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**31. NEW STANDARDS, AMENDMENT TO STANDARDS AND INTERPETATIONS**  
**(continued)**

The standards, interpretations, and amendments with an effective date of 1 January 2022 did not have any material impact on the Company's financial statements, whereas, for other above-mentioned standards, interpretations, and amendments, the Company is currently assessing the implications on the financial statements on adoption.

**32. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES**

Changes in liabilities arising from financing activities:

	<b>Lease liabilities</b>	<b>Liabilities Loans and borrowings</b>	<b>Equity Retained earnings</b>	<b>Total</b>
Balances as at 1 January 2022	29,740,019	204,402,327	144,471,766	378,614,112
<i>Changes from financing cash flows</i>				
Proceeds from bank borrowing	--	7,486,028	--	7,486,028
Repayment of bank borrowing	--	(149,576,401)	--	(149,576,401)
Capital repayment of lease liabilities	(863,894)	--	--	(863,894)
Finance cost paid of lease liabilities	(1,558,870)	--	--	(1,558,870)
Dividend paid	--	--	(48,000,000)	(48,000,000)
Total changes from financing cash flows	(2,422,764)	(142,090,373)	(48,000,000)	(192,513,137)
<i>Other Changes</i>				
<i>Liability related</i>				
Reassessment during the year	(4,391,725)	--	--	(4,391,725)
Accretion of interest	1,558,870	--	--	1,558,870
Total liability-related other changes	(2,832,855)	--	--	(2,832,855)
Total equity-related other changes	--	--	161,895,225	161,895,225
Balance at 31 December 2022	24,484,400	62,311,954	258,366,991	345,163,345

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**32. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (continued)**

	Liabilities <u>Lease liabilities</u>	Loans and <u>borrowings</u>	Equity <u>Retained earnings</u>	<u>Total</u>
Balances as at 1 January 2021	25,513,128	231,005,000	12,161,367	268,679,495
<i>Changes from financing cash flows</i>				
Proceeds from bank borrowing	--	25,902,327	--	25,902,327
Repayment of bank borrowing	--	(52,505,000)	--	(52,505,000)
Capital repayment of lease liabilities	(746,031)	--	--	(746,031)
Finance cost paid of lease liabilities	(1,676,733)	--	--	(1,676,733)
Dividend paid	--	--	(24,000,000)	(24,000,000)
Total changes from financing cash flows	(2,422,764)	(26,602,673)	(24,000,000)	(53,025,437)
<i>Other Changes Liability related</i>				
Reassessment during the year	4,972,922	--	--	4,972,922
Accretion of interest	1,676,733	--	--	1,676,733
Total liability-related other changes	6,649,655	--	--	6,649,655
Total equity-related other changes	--	--	156,310,399	156,310,399
Balance at 31 December 2022	29,740,019	204,402,327	144,471,766	378,614,112

**33. CHANGE IN COMPARATIVE FIGURES**

Certain prior year's comparative figures have been reclassified to ensure the correct classification and presentation as per IFRS standard. As a result, cash flow movement from loan and borrowing has been represented to present gross cash flow movement.

**NOTES TO THE FINANCIAL STATEMENTS**

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**34. SUBSEQUENT EVENTS**

There have been no significant events since the year end, that would require disclosures or adjustments in these financial statements except:

- for the new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred to as "the Law") that came into force on 26/6/1444 H (corresponding to 19 January 2023). The management is in the process of assessing the impact of the New Companies Law and will amend its By-Laws for any changes to align them to the provisions of the Law. Consequently, the Company shall present the amended By-Laws to the shareholders in their Extraordinary/Annual General Assembly meeting for their ratification.
- On 8 January 2023, the Company announced the Board of Directors' decision to submit a recommendation to the Company's extraordinary general assembly to increase the share capital by capitalizing part of retained earnings by granting one share for each of the three shares. Further, on 5 February 2023, the Company announced that it had received the approval of the Capital Market Authority on 2 February 2023 to increase its capital from SR 240 million to SR 320 million by granting one free share for every three existing shares following the date of the general assembly meeting, which will be determined later.

**35. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements have been approved by the board of directors on 22 March 2023, corresponding to 30 Shaban 1444H.