

AL OBEIKAN GLASS COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2023

AL OBEIKAN GLASS COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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KPMG Professional Services

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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 consolidated financial statements of Al Obeikan Glass Company ("the Company") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated 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 Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on (ISAs) Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that are endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matter is this matter that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. This matter was 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 this matter.



Independent Auditor's Report

To the Shareholders of Al Obeikan Glass Company (continued)

Expected credit losses for trade receivables

Refer to note 3 for the accounting policy and note 8 of consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2023, the gross trade receivables balance was Saudi Riyals 129.14 million (31 December 2022: Saudi Riyals 116.81 million), against which an allowance for impairment loss of Saudi Riyals 4.24 million (31 December 2022: Saudi Riyals 6.98 million) was maintained.</p> <p>The Group assesses at each reporting date whether the trade receivables (carried at amortized cost) are credit impaired. Consequently, it measures impairment allowances based on the Expected Credit Loss (ECL) model as required in International Financial Reporting Standard 9 ("Financial instruments").</p> <p>The ECL model involves the use of various assumptions and historical trends.</p> <p>We considered this as a key audit matter due to the judgements and estimates involved in the application of the ECL model and the impact on the trade receivables balance.</p>	<p>Our audit procedures related to expected credit losses for trade receivables included:</p> <ul style="list-style-type: none">□ Obtained an understanding of the management's process for determining the Impairment of trade receivables and the ECL allowance.□ Evaluated the Group's accounting policy and methodology for ECL allowance with the requirements of IFRS 9.□ Involved our internal specialists to review the methodology used, including the significant judgements and assumptions used in the ECL model developed by the management.□ Tested the accuracy of trade receivables aging on sample basis, as at 31 December 2023 generated by the accounting system which is used in the preparation of ECL model; and.□ Assessed the adequacy of the disclosures included in the accompanying financial statements in accordance with the relevant accounting standards.

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 consolidated financial statements and our auditors' report thereon.

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

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

When we read the 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.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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, Group's By-laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



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 (continued)

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

Those charged with governance, the Board of Directors of the Head Office is responsible for overseeing the Branch's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the 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 Entity'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 Entity'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity 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 consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



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

KPMG Professional Services

Nasser Ahmed Al Shutairy
License No. 454



Jeddah, 6 March 2024
Corresponding to 25 Shaban 1445H

AL OBEIKAN GLASS COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

(Expressed in Saudi Arabian Riyals unless otherwise stated)

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
<u>Assets</u>			
Property, plant and equipment	4	388,976,435	367,532,557
Rights of use of assets	5	22,150,759	22,408,565
Financial assets at fair value through other comprehensive income	6	1,969,659	3,091,047
Non-current assets		413,096,853	393,032,169
Inventories	7	43,448,929	94,768,801
Trade receivable	8	124,897,742	109,834,387
Prepayments and other receivables	9	23,867,375	10,540,077
Due from related party	10	41,966,705	49,320,802
Cash and cash equivalents	11	82,839,192	26,552,006
Current assets		317,019,943	291,016,073
Total assets		730,116,796	684,048,242
<u>Shareholders' equity and liabilities</u>			
<u>Equity</u>			
Share capital	12	320,000,000	240,000,000
Statutory reserve	13	43,628,927	36,862,472
Fair value reserve	6	(486,185)	635,203
Retained earnings		238,849,523	258,366,991
Equity attributable to Group's shareholders		601,992,265	535,864,666
Non-controlling interests	14	25,567,764	--
Total equity		627,560,029	535,864,666
<u>Liabilities</u>			
Loan and borrowing	15	7,395,468	--
Lease liabilities	5	23,205,241	22,032,970
Employee end of service benefits	16	19,063,981	19,202,822
Non-current liabilities		49,664,690	41,235,792
Loan and borrowing	15	8,480,281	62,311,954
Lease liabilities	5	1,282,012	2,451,430
Trade payables		18,089,490	14,233,303
Due to related parties	10	1,296,018	1,329,001
Accrued and other liabilities	17	18,860,997	21,269,918
Zakat	18	4,883,279	5,352,178
Current liabilities		52,892,077	106,947,784
Total liabilities		102,556,767	148,183,576
Total equity and liabilities		730,116,796	684,048,242

The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements, which have been authorized for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by on 29 February 2024 corresponding to 19 Shaban 1445H:

Chairman of BOD

Chief Executive Officer

Chief Financial Officer

AL OBEIKAN GLASS COMPANY
(A Saudi Joint Stock Company)

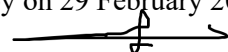
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

(Expressed in Saudi Arabian Riyals unless otherwise stated)

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Revenue	19	393,982,137	502,179,542
Cost of revenue	20	<u>(244,281,211)</u>	<u>(245,984,128)</u>
Gross profit		149,700,926	256,195,414
Other operating income	21	5,321,195	2,248,889
Other operating expenses		--	(868,909)
Selling and distribution expenses	23	(39,652,323)	(40,472,485)
General and administrative expenses	24	(35,824,994)	(22,531,265)
Impairment reversal / (loss) on trade receivables	8	<u>2,586,000</u>	<u>(5,388,166)</u>
Operating profit		82,130,804	189,183,478
Other expenses	22	(7,000,000)	--
Finance charges	25	(5,688,928)	(5,316,611)
Finance income	11	<u>677,240</u>	<u>500,000</u>
Profit before Zakat		70,119,116	184,366,867
Zakat charge	18	(6,086,799)	(6,719,127)
Profit for the year		64,032,317	177,647,740
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Re-measurement of employees' end of service benefits	16	(415,566)	2,012,259
Equity investment at FVOCI – change in fair value	6	(1,121,388)	(13,608,463)
Other comprehensive loss		(1,536,954)	(11,596,204)
Total comprehensive income for the year		62,495,363	166,051,536
Profit for the year attributable to:			
Shareholders of the Company		67,664,553	177,647,740
Non-controlling interests		(3,632,236)	--
		64,032,317	177,647,740
Total comprehensive income for the year attributable to:			
Shareholders of the Company		66,127,599	166,051,536
Non-controlling interests		(3,632,236)	--
		62,495,363	166,051,536
Earnings per share			
Basic and Diluted earnings per share (in SR)	26	2.58	7.40

The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements, which have been authorized for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by on 29 February 2024 corresponding to 19 Shaban 1445H:



Chairman of BOD



Chief Executive Officer



Chief Financial Officer

AL OBEIKAN GLASS COMPANY

(A Saudi Joint Stock Company)

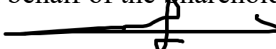
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(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>Equity attributable to Company's shareholders</u>	<u>Non controlling interests</u>	<u>Total</u>
Balance at 1 January 2022	240,000,000	19,097,698	14,243,666	144,471,766	417,813,130	--	417,813,130
<i>Total comprehensive income for the year</i>							
Profit for the year	--	--	--	177,647,740	177,647,740	--	177,647,740
Other comprehensive loss	--	--	(13,608,463)	2,012,259	(11,596,204)	--	(11,596,204)
Total comprehensive income for the year	--	--	(13,608,463)	179,659,999	166,051,536	--	166,051,536
Transfer to statutory reserve (note 13)	--	17,764,774	--	(17,764,774)	--	--	--
<i>Transactions with shareholders of the Group:</i>							
Dividend (note 12)	--	--	--	(48,000,000)	(48,000,000)	--	(48,000,000)
Balance at 31 December 2022	<u>240,000,000</u>	<u>36,862,472</u>	<u>635,203</u>	<u>258,366,991</u>	<u>535,864,666</u>	<u>--</u>	<u>535,864,666</u>

The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements, which have been authorized for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by on 29 February 2024 corresponding to 19 Shaban 1445H:



Chairman of BOD



Chief Executive Officer



Chief Financial Officer

AL OBEIKAN GLASS COMPANY

(A Saudi Joint Stock Company)

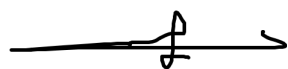
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(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>Equity attributable to Company's shareholders</u>	<u>Non controlling interests</u>	<u>Total</u>
Balance at 1 January 2023	240,000,000	36,862,472	635,203	258,366,991	535,864,666	--	535,864,666
Purchase of shares in Saudi Aluminum Casting Foundry Company (note 1)	--	--	--	--	--	29,200,000	29,200,000
<i>Total comprehensive income for the year</i>							
Profit for the year	--	--	--	67,664,553	67,664,553	(3,632,236)	64,032,317
Other comprehensive loss	--	--	(1,121,388)	(415,566)	(1,536,954)	--	(1,536,954)
Total comprehensive income for the year	--	--	(1,121,388)	67,248,987	66,127,599	(3,632,236)	62,495,363
Transfer to statutory reserve (note 13)	--	6,766,455	--	(6,766,455)	--	--	--
Increase of share capital	80,000,000	--	--	(80,000,000)	--	--	--
Balance at 31 December 2023	<u>320,000,000</u>	<u>43,628,927</u>	<u>(486,185)</u>	<u>238,849,523</u>	<u>601,992,265</u>	<u>25,567,764</u>	<u>627,560,029</u>

The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements, which have been authorized for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by on 29 February 2024 corresponding to 19 Shaban 1445H:



Chairman of BOD



Chief Executive Officer



Chief Financial Officer

AL OBEIKAN GLASS COMPANY
(A Saudi Joint Stock Company)

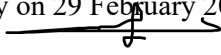
CONSOLIDATED STATEMENT OF CASH FLOWS


For the year ended 31 December 2023


(Expressed in Saudi Arabian Riyals unless otherwise stated)

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Cash flows from operating activities			
Profit before Zakat		70,119,116	184,366,867
Adjustments for:			
Depreciation of property plant and equipment	4	38,636,891	37,710,558
Depreciation on right of use assets	5	1,126,294	1,239,557
Charge for impairment loss	8	(2,586,000)	5,388,166
Provision on slow moving and obsolete inventories	7	(253,269)	(285,005)
Gain on disposal of property, plant and equipment		(150,679)	(17,856)
Other expenses	22	7,000,000	--
Finance charges	25	5,688,928	5,316,611
Finance income	11	(677,240)	(500,000)
Employees' terminal benefits provision	16	1,889,179	2,259,942
		<u>120,793,220</u>	<u>235,478,840</u>
Changes in:			
Inventories		51,573,141	(57,771,011)
Trade receivable		(12,477,355)	(25,581,574)
Prepayments and other receivables		(13,327,298)	504,718
Due from related party		7,354,097	1,337,964
Due to related parties		(32,983)	(37,108)
Trade payables		3,856,187	(13,218,429)
Accrued and other liabilities		(5,420,244)	(5,081,124)
Cash generated from operating activities		<u>152,318,765</u>	<u>135,632,276</u>
Finance cost paid		(2,376,225)	(4,978,428)
Finance income received		677,240	500,000
Zakat paid	18	(6,555,698)	(5,982,194)
Employee end of service benefits paid	16	(3,246,622)	(563,381)
Net cash generated from operating activities		<u>140,817,460</u>	<u>124,608,273</u>
Cash flows from investing activities			
Additions of property, plant and equipment	4	(25,619,474)	(19,373,038)
Proceeds from sale of property, plant and equipment		168,105	32,378
Net cash used in investing activities		<u>(25,451,369)</u>	<u>(19,340,660)</u>
Cash flows from financing activities			
Loans and borrowing proceeds		34,278,465	7,486,028
Repayment of loans and borrowing		(92,602,648)	(149,576,401)
Dividend paid	12	--	(48,000,000)
Capital repayment of lease liabilities	32	(754,722)	(863,894)
Net cash used in financing activities		<u>(59,078,905)</u>	<u>(190,954,267)</u>
Net change in cash and equivalents		<u>56,287,186</u>	<u>(85,686,654)</u>
Cash and cash equivalents as at the beginning of the Year		<u>26,552,006</u>	<u>112,238,660</u>
Cash and cash equivalents at the end of the Year	11	<u>82,839,192</u>	<u>26,552,006</u>
Significant non-cash transactions			
Additions of property, plant and equipment	4	(34,478,722)	--
Loan	15	11,887,978	--

The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements, which have been authorized for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by on 29 February 2024 corresponding to 19 Shaban 1445H:


Chairman of BOD


Chief Executive Officer


Chief Financial Officer

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GROUP 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 14 May 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 15 March 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 19 Shaaban 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 6 July 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 14, 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 has 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.

On 24 October 2023, the Group owns 60% shareholding through establishment of Al Misbak Al Saoudi Lassab Al Alam Company based in Al-Madinah Al-Munawarah, Kingdom of Saudi Arabia. The principal activity of the Company includes the casting of non-ferrous metals, the production of metal shapes directly from powder, the manufacture of metal patterns, the manufacture of fluid bumps, the manufacture of automotive spare parts and the manufacture of military equipment. Al Misbak Al Saoudi Lassab Al Alam Company has not yet started its commercial activity till 31 December 2023.

Consolidated financial statements of the Group, covering the period from the date of ownership 60% of Al Misbak Al Saoudi Lassab Al Alam Company on 24 October 2023 to 31 December 2023. As at 31 December 2023, the Company share capital 60% partially paid as in Kind contribution with total amount SR 11.93 million, and the remaining paid cash in January 2024 with total amount SR 31.87 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GROUP INFORMATION (continued)

Details of subsidiary company are as follows:

<u>Name of Subsidiary</u>	<u>Country of Incorporation</u>	<u>Business Activity</u>	<u>Effective Ownership Interest</u>		<u>Share Capital SAR</u>	<u>Number of shares issued</u>
			<u>2023</u>	<u>2022</u>		
Al Misbak Al Saoudi Lassab Al Alam Company	Saudi Arabia	Manufacturing Company	60%	--	73,000,000	7,300,000

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

The new Companies Law issued by Royal Decree No. M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred to as the "Law") entered into force on 26/6/1444H (corresponding to 19 January 2023). With regard to some of the provisions of the Law, it is expected that full compliance in implementation will be within a period not exceeding two years from 26/6/1444H (corresponding to 19 January 2023). The Management is in the process of assessing the impact of the new Companies Law and will amend its bylaws for any changes to align the bylaws with the provisions of the Companies Law. Accordingly, the Group shall present the amended bylaws to the shareholders in their Extraordinary/Annual General Assembly meeting for their ratification.

2.2 Preparation of Consolidated Financial Statements

These consolidated financial statements have been prepared on the basis of the historical cost basis, except for the following major items included in the consolidated statement of financial position:

- Investments in equity instruments are measured at fair value through other comprehensive income (FVOCI).
- Employees' end-of service benefits obligations are recognized at the present value of the future obligations using the projected unit credit method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. BASIS OF PREPARATION (continued)

2.3 Basis of consolidation

These consolidated financial statements comprising the consolidated statements of financial position, consolidated statement of profit or loss and other comprehensive income, changes in equity, cash flows, and notes to the consolidated financial statements of the Group, which comprise the assets, liabilities, and results of operations of the Company and its subsidiary as set out in Note (1). The Company and its subsidiary are referred to collectively as "the Group". Subsidiaries are companies that the Group controls. Subsidiaries are consolidated from the date control is acquired and until control ceases to be exercised. The Group accounts for business combinations using the acquisition method when control transferred to the Group. The cost of acquisition is measured at the fair value of the identifiable assets acquired and the fair value of the previously existing equity interest in the subsidiary. Any excess of the cost of acquisition over the fair value of non-controlling interests is registered as goodwill in the consolidated statement of financial position. Non-controlling interests are measured at their share of the net assets of the owned Company at the date of establishment. If a business combination is achieved in stages, then the carrying amount at the date of acquisition of previously held interests in the acquired company is remeasured at fair value at the date of acquisition and any resulting profits or losses are recognized in consolidated statement of profit or loss. All transactions and balances, as well as unrealized income and expenses resulting from transactions between Group companies are disposed. The accounting policies of subsidiaries are adjusted when necessary to ensure their compliance with the policies followed by the Group. The company and its subsidiaries have the same reporting periods. The financial statements are prepared under the historical cost convention using the accruals basis of accounting and going concern concept, unless otherwise stated

2.4 Functional and presentation currency

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

2.5 Use of judgements and estimates

The preparation of the consolidated financial statements of the Group 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. BASIS OF PREPARATION (continued)

2.5 Use of accounting judgements and estimates (continued)

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 Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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

2.5.1 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 Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur. Information about the assumptions and estimation uncertainties is included in the following areas:

Useful lives and residual value of Property, plant and equipment

The Group'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 charge would be adjusted where the management believes the useful lives differ from previous estimates.

Allowance for inventory losses

The Group 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. BASIS OF PREPARATION (continued)

2.5 Use of accounting judgements and estimates (continued)

2.5.1 Estimates and assumptions (continued)

Provision for expected credit losses (ECL) of trade receivables

The Group has selected a simplified approach for all trade receivables. The Group also uses a provision matrix to calculate ECL for trade receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historically 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 Group'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 Group's trade receivables is disclosed in note 8.

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 employees' 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 16.

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. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about 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. Refer Note 6 for further details.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. BASIS OF PREPARATION (continued)

2.5 Use of accounting judgements and estimates (continued)

2.5.1 Estimates and assumptions (continued)

Right-of-use assets and lease liabilities

The Group has applied judgment to determine the lease term for lease contract in which it is a lessee that includes renewable options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. Refer Note 5 for further details.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of lands, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any lands are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Extension and termination options are included in a number of leases of the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

3. MATERIAL ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, unless otherwise stated. In addition, the Group adopted the disclosure of accounting policies (amendments to IAS 1 and Statement of Practice on IFRS 2) as at 1 January 2023. The amendments require the disclosure of "material" accounting policies instead of "significant " accounting policies. Although the amendments did not result in any changes to the accounting policy itself, they did affect the accounting policy information that was disclosed in certain cases.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

3.1 New standards, amendments to standards and interpretations

The Group adopted the following new standards and amendments for the first time as at 1 January 2023:

3.1.1 *Amendments to IAS 8*

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

3.1.2 *Amendment to IAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*

These amendments require companies to recognize deferred tax on transactions that, upon initial recognition, result in an equal amount of taxable and deductible temporary differences.

3.2 Standards issued but not yet effective

The following is a statement of the new standards and amendments to the standards applied for years beginning on or after 1 January 2024 with early application permitted, but the Group did not apply them when preparing these consolidated financial statements. It is not expected that these amendments will have a material impact on the Group's consolidated financial statements.

3.2.1 *Amendments to IFRS 16 – Leases in Sale and Leaseback Transactions:*

These amendments include requirements for sale and leaseback transactions in IFRS 16 to clarify how the Group accounts for sale and leaseback transactions after the transaction date. Sale and leaseback transactions in which certain or all of the lease payments are considered variable lease payments that depend on an index or price that is highly likely to be affected.

3.2.2 *Amendments to IAS 1- Non-current liabilities with covenants and classification of liabilities as current/ non-current*

These amendments clarify how compliance with the conditions that the Group must comply with within twelve months after the reporting period affects the classification of liabilities. These amendments also aim to improve the information that the Group provides about liabilities subject to these conditions.

3.2.3 *Amendments to IAS 7 and IFRS 7 -Suppliers Financing Arrangements*

3.2.4 *Amendments to IAS 27- Inability of Transfer*

The following are the new IFRS for sustainability disclosures that will be effective for annual periods beginning on or after 1 January 2024, subject to the approval of Saudi Organization for Chartered and Professional Accountants (SOCPA)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

3.2 Standards issued but not yet effective (continued)

3.2.5 IFRS (S1) “General Requirements for Disclosure of Sustainability-related Financial Information”

This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an s entity’s value chain.

3.2.6 IFRS (S2) “Climate-related Disclosures”

This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

3.3 Revenue recognition

Sale of goods

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

3.4 Employees 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. Re-measurements, 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. Re-measurements 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
- Re-measurements.

The Group 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

3.5 Zakat

The Group is subject to Zakat in accordance with the regulations of Zakat, Tax and Customs Authority (“ZATCA”). Provision for Zakat for the Group 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 Group withholds taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with GAZT regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

3.6 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 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.

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 Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

3.6 Property, plant and equipment (continued)

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 item of furniture 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 life is as follows:

Buildings	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.

3.7 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash-generating unit 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 specified to the asset. In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

3.7 Impairment of non-financial assets (continued)

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's 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 Group 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.

3.8 Right-of-use assets and lease liability

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

The Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group 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 Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. 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, Leasehold land period is 36 years.

If the ownership of the leased asset transfers to the Group 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

3.8 Right-of-use assets and lease liability (continued)

Lease liabilities

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

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group 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).

Lease liabilities

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of 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 expenses on a straight-line basis over the lease term.

Incremental borrowing rate

The Group 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 Group 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 Group '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 Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity- specific estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

3.9 Inventories

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.

3.10 Financial instruments

The Group 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 Group 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;
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition; and

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 Group 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 Group considers:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

3.10 Financial instruments (continued)

a) Financial assets classified as amortized cost (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 Group considers 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) Investment in equity instruments designated as FVOCI

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation as 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. Profits and losses on such equity instruments are never reclassified to income statement and no impairment is recognized in the statement of comprehensive income. The cumulative gain or loss will not be reclassified to the statement of comprehensive income on disposal of the investments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

3.10 Financial instruments (continued)

b) Investment in equity instruments designated as FVOCI (continued)

Dividends on these investments are recognized in Consolidated statement of profit or loss and other comprehensive income. when the Group'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 Group assesses on a forward-looking basis the Expected Credit Losses ("ECL") associated with its debt instruments as part of its financial assets, carried at amortised cost and FVOCI.

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

The Group recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. For trade receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group 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 Group considers a financial asset in default when is more than 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows

The Group 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

3.10 Financial instruments (continued)

b) Investment in equity instruments designated as FVOCI (continued)

Derecognition of financial assets

The Group 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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. Amounts 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 Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

3.11 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 consolidated statement of profit or loss and other comprehensive income 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.

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4. PROPERTY, PLANT AND EQUIPMENT

	<u>Buildings</u>	<u>Plant and machinery</u>	<u>Equipment</u>	<u>Furniture and fixtures</u>	<u>Computers</u>	<u>Motor vehicles</u>	<u>Capital work in progress ("CWIP")</u>	<u>Total</u>
Cost:								
Balance at 1 January 2022	104,802,768	655,346,772	14,809,792	2,656,459	4,960,970	2,012,503	14,065,111	798,654,375
Addition 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)
Transfers during the year	--	9,749,032	144,342	--	--	--	(9,893,374)	--
31 December 2022	105,202,034	668,104,882	17,335,704	3,003,158	5,610,647	2,133,473	16,552,457	817,942,355
Addition during the year	43,680	1,020,361	1,816,131	75,369	265,374	--	56,877,281	60,098,196
Disposals during the year	--	(23,000)	--	(1,523)	(21,755)	(676,650)	--	(722,928)
Transfers during the year	--	7,801,357	--	--	79,602	--	(7,880,959)	--
31 December 2023	105,245,714	676,903,600	19,151,835	3,077,004	5,933,868	1,456,823	65,548,779	877,317,623
Accumulated depreciation:								
Balance at 1 January 2022	23,147,848	371,843,628	10,346,555	2,368,261	3,789,721	1,273,761	--	412,769,774
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)
31 December 2022	26,362,392	404,015,711	11,891,170	2,506,371	4,269,059	1,365,095	--	450,409,798
Charge for the year	3,216,155	32,761,396	1,757,895	164,173	558,421	178,851	--	38,636,891
Disposals during the year	--	(9,933)	--	(1,523)	(17,399)	(676,646)	--	(705,501)
31 December 2023	29,578,547	436,767,174	13,649,065	2,669,021	4,810,081	867,300	--	488,341,188
Net book value:								
31 December 2023	75,667,167	240,136,426	5,502,770	407,983	1,123,787	589,523	65,548,779	388,976,435
31 December 2022	78,839,642	264,089,171	5,444,534	496,787	1,341,588	768,378	16,552,457	367,532,557

- The above property, plant 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 (2022: SR 19.96 million) in respect of tin ingots. The Group has not depreciated the tin ingots on the basis that these will retain value over the production cycle further the Group is charging the actual retain cost in the cost of revenue.
- All property, plant and equipment are pledged for the benefit of the SIDF (Note 15).
- Capital work in progress represents ongoing construction works of the plant and machinery and it is expected to be completed during 2024.
- The Capital work in progress include a amount of SAR 34,478,722, representing the equity share in the capital of Al Misbak Al Saoudi Lassab Al Alam Company (note1).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation charged for the year is allocated as follows:

	<u>2023</u>	<u>2022</u>
Cost of revenue	37,513,239	36,881,674
General and administrative expenses	1,104,446	812,990
Selling and distribution expenses (note 23)	19,206	15,894
	<u>38,636,891</u>	<u>37,710,558</u>

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITY

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

The Group also has certain leases for apartments and sales offices with lease terms of 12 months or less and with low value. The Group 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>2023</u>	<u>2022</u>
Balance as at 1 January	22,408,565	28,039,847
Reassessment during the year	--	(4,391,725)
Additions	868,488	--
Depreciation charge for the year	(1,126,294)	(1,239,557)
Balance as at 31 December	<u>22,150,759</u>	<u>22,408,565</u>

b) Lease liabilities:

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

	<u>2023</u>	<u>2022</u>
Balance as at 1 January	24,484,400	29,740,019
Reassessment during the year	--	(4,391,725)
Additions	868,488	--
Interest	1,275,979	1,558,870
Payments made during the year	(2,141,614)	(2,422,764)
Balance as at 31 December	<u>24,487,253</u>	<u>24,484,400</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>2023</u>	<u>2022</u>
Non-current portion of lease liabilities	23,205,241	22,032,970
Current portion of lease liabilities	<u>1,282,012</u>	<u>2,451,430</u>
Carrying amount at the end of the year	<u><u>24,487,253</u></u>	<u><u>24,484,400</u></u>

The maturity analysis of lease liabilities is as follows:

	<u>2023</u>	<u>2022</u>
Less than one year	813,822	697,172
More than one year and less than 5 years	5,646,206	4,113,123
beyond 5 years	<u>18,027,225</u>	<u>19,674,105</u>
	<u><u>24,487,253</u></u>	<u><u>24,484,400</u></u>

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

	<u>2023</u>	<u>2022</u>
Depreciation expense of right-of-use asset	1,126,294	1,239,557
Interest expense on lease liabilities	1,275,979	1,558,870
Expense relating to short-term leases (included in selling and distribution expenses)	318,253	208,493
Expense relating to short-term leases (included in general and administrative expenses)	--	253,411

The Group had total cash outflows for leases of SR 2.1 million in 2023 (2022: SR 2.4 million).

6. FINANCIAL ASSETS 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 Group has irrevocably designated the investment at fair value through other comprehensive income on initial recognition as the Group's intention is to hold this investment for the long term for strategic purposes (Refer to note 31).

	<u>2023</u>	<u>2022</u>
Following is the change in FV of the investment at FVOCI:		
Balance at 1 January	3,091,047	16,699,510
Change in FV during the year	<u>(1,121,388)</u>	<u>(13,608,463)</u>
Balance at 31 December	<u><u>1,969,659</u></u>	<u><u>3,091,047</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
(continued)

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>2023</u>	<u>2022</u>
Following is the change in fair value reserve:		
Balance at 1 January	635,203	14,243,666
Change in FV during the year	<u>(1,121,388)</u>	<u>(13,608,463)</u>
Balance at 31 December	<u>(486,185)</u>	<u>635,203</u>

7. INVENTORIES

	<u>2023</u>	<u>2022</u>
Raw materials	11,596,107	34,072,980
Finished goods	9,438,462	15,820,219
Spare parts and consumables	14,407,093	10,988,029
Work in progress	7,644,302	6,623,514
Packing materials	256,609	447,439
Goods in transit	403,251	27,366,784
Provision for slow moving of inventory	<u>(296,895)</u>	<u>(550,164)</u>
	<u>43,448,929</u>	<u>94,768,801</u>

7.1 Inventories recognized as expense during the year ended 31 December 2023 amounted to SR 143.14 million (31 December 2022: SR 139.64) and included as cost of revenue.

7.2 Inventory reversal amounting to SR 0.25 million (2022: SR 0.28 million) recognized within cost of revenue.

Following is the movement in provision for slow-moving inventories:

	<u>2023</u>	<u>2022</u>
Balance at beginning of the year	550,164	835,169
Reversal during the year	<u>(253,269)</u>	<u>(285,005)</u>
Balance at the end of year	<u>296,895</u>	<u>550,164</u>

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8. TRADE RECEIVABLES

Trade receivables comprise of the following:

	<u>2023</u>	<u>2022</u>
Receivables from a related party	91,685,726	77,157,944
Other trade receivables	37,449,412	39,654,453
	<u>129,135,138</u>	<u>116,812,397</u>
Allowance for impairment loss	(4,237,396)	(6,978,010)
	<u>124,897,742</u>	<u>109,834,387</u>

The movement in the allowance for impairment loss of trade receivables is as follows:

	<u>2023</u>	<u>2022</u>
Balance at beginning of the year	6,978,010	1,589,844
Charge for the year	--	5,388,166
Written off during the year	(154,614)	--
Reversal during the year	(2,586,000)	--
Balance at the end of year	<u>4,237,396</u>	<u>6,978,010</u>

9. PREPAYMENT AND OTHER RECEIVABLES

Prepayments and other receivables are comprised of the following:

	<u>2023</u>	<u>2022</u>
Advance to supplier	18,140,526	9,780,273
Prepaid rent and other assets	5,445,826	759,804
Value Added Tax ("VAT")	281,023	--
	<u>23,867,375</u>	<u>10,540,077</u>

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10. RELATED PARTY TRANSACTIONS AND BALANCES

- a) Related parties include the Group's shareholders, associates and affiliates companies (entities controlled and jointly controlled, or significantly influenced by shareholders) and management personnel of the Group. Terms and conditions of these transactions are approved by the Group's Board of Directors. All outstanding balances with these related parties are priced on mutually agreed terms. Significant related party transactions for the 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 Esra Aluminium Manufacturing and Casting Factory	Shareholder in subsidiary
Al Obeikan AGC Glass	Investee company by the Group
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>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Key management personnel	Key management personnel	Short-term benefits	5,811,090	4,710,771	935,540	1,392,251
		Long term benefits	230,039	590,926	1,391,803	3,350,286
Board of Directors'	Board of Directors'	Board of Directors' remuneration – (short term benefits)	1,615,919	1,620,919	1,642,000	1,620,919

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For the year ended 31 December 2023

10. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

c) The significant related party transactions and balances arising there from are as follows:

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>		<u>Closing balance</u>	
			<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<u>Due from a related party- trade receivables</u>						
Al Obeikan AGC Glass	Associate of the Parent company	Sales	70,983,113	77,914,799	91,685,726	77,157,944
<u>Due from related party</u>						
Al Obeikan AGC Glass	Associate of the Parent company	Support services	9,056,870	10,921,491	41,648,616	49,320,802
Al Esra Aluminium Manufacturing and Casting Factory	Shareholder of subsidiary	The remaining due portion of the subsidiary's capital	318,089	--	318,089	--
<u>Prepayment and other receivables</u>						
Saned Al Marafiq Company	Affiliate	Consulting and other services	--	91,822	--	91,822

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10. RELATED PARTY TRANSACTIONS AND BALANCES (continued)*Due to related parties*

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>		<u>Closing balance</u>	
			<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Al Obeikan Group for Investment Company	Parent Company	Consulting and other services	419,878	1,233,055	139,598	85,475
Al Obeikan Digital Solutions Company	Affiliate	Consulting and other services	1,897,688	448,019	776,972	313,454
Al Obeikan for Education	Affiliate	Consulting and other services	352,888	311,348	133,238	11,251
Al Obeikan Flexible Plastic Factory	Affiliate	Purchase of Packaging material	166,750	71,875	166,750	--
Al Obeikan AGC Glass	Affiliate	Support charges	473,361	139,285	--	84,468
Madar Digital Logistics Solution	Affiliate	Consulting and other services	10,075,227	4,513,784	--	834,353
Saned Al Marafiq Company	Affiliate	Shared Services	241,631	--	79,460	--
					<u>1,296,018</u>	<u>1,329,001</u>

The balances due to and due from the related parties are interest free, unsecured and payable on demand. ECL amounting to SR 3.29 million (31 December 2022: SR 3.44 million) relates to the related party.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises of following:

	<u>2023</u>	<u>2022</u>
Cash at banks – current accounts	52,834,400	26,552,006
Cash at banks - short-term deposits*	30,000,000	--
Cash in hand	4,792	--
	<u>82,839,192</u>	<u>26,552,006</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 Group's bank balances. Therefore, the probability of default based on forward-looking factors and any loss given defaults are considered to be negligible.

*On 30 November 2023, the Group signed an agreement with Bank Albilad for a three-month short-term deposit due on 29 February 2024, at Murabaha rate of 5.9% for a total profit of SR 447,617.

On 3 May 2023, the Group signed an agreement with Bank Albilad for a three-month short-term deposit due on 3 August 2023, at Murabaha rate of 5.3% for a total profit of SR 677,240.

12. SHARE CAPITAL

At 31 December 2023, the Group's authorized, issued, and paid-up share capital is SR 320 million (31 December 2022: SR 240 million) consisting of 32 million shares (31 December 2022: 24 million shares) fully paid and issued shares of SR 10 each.

On 8 January 023, the Board of Directors decided to increase the Company's capital by capitalizing part of the retained earnings, by granting one share for every three shares. In addition, the Company announced on 5 February 2023 that it had obtained 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.

Dividends

The Board of Directors in its meeting held on 27 December 2023, approved the cash dividend for the second half of the year ended 31 December 2023 of SR 64 million, under Assembly General Meeting approval (representing SR 2 per share) for the year ending 31 December 2023 (31 December 2022: SR 48 million), to be distributed during March 2024.

13. STATUTORY RESERVE

In accordance with Group's by-laws, the Group is required to recognise a reserve comprising of 10% of its profit for the year until such reserve equals 30% of its share capital.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

14. NON-CONTROLLING INTERESTS

The condensed financial information of the Group's subsidiary with non-controlling interests is set out below: The financial information summarized below represents the amounts before disposals between Group's companies.

	<u>2023</u>	<u>2022</u>
Non- current assets	35,328,372	--
Current assets	39,183,419	--
Non-current liabilities	8,075,208	--
current liabilities	2,517,173	--
Shareholders' equity	63,919,410	--
Revenue	--	--
Expenses	(9,080,590)	--
Loss for the period	(9,080,590)	--
Loss attributable to:		
Owners of the Company	(5,448,354)	--
Non-Controlling Interests	(3,632,236)	--

15. LOANS AND BORROWINGS

Loans and borrowings comprise of the following:

	<u>2023</u>	<u>2022</u>
Term loan – SIDF loan	9,716,374	58,500,000
Short term borrowings	6,159,375	3,811,954
	<u>15,875,749</u>	<u>62,311,954</u>
	<u>2023</u>	<u>2022</u>
SIDF loans – long term loans	9,716,374	58,500,000
Less: Current portion of long-term loans	(2,320,906)	(58,500,000)
Loans and borrowings – non current	<u>7,395,468</u>	<u>--</u>
	<u>2023</u>	<u>2022</u>
Current portion of long-term loans	2,320,906	58,500,000
Short term borrowings	6,159,375	3,811,954
Loans and borrowings – current	<u>8,480,281</u>	<u>62,311,954</u>

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For the year ended 31 December 2023

15. LOANS AND BORROWINGS (continued)

	<u>2023</u>	<u>2022</u>
Opening balance	62,311,954	204,402,327
Drawdown during the year	46,166,443	7,486,028
Payments made during the year	<u>(92,602,648)</u>	<u>(149,576,401)</u>
Closing balance	<u>15,875,749</u>	<u>62,311,954</u>

The agreement with SIDF is guaranteed by the shareholders of the Group. The loan is secured by a mortgage over the property, plant and equipment of the Group. (note 4)

The Group's interest-bearing loans and borrowings amounting SR 15,875,749 which are measured at amortized cost.

SIDF loan – term loan

On January 4, 2009, the Group 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 8 October 2020, the loan was restructured so that the last instalment to be repaid on 2 August 2023. An 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. The loan was fully repaid in August 2023.

As at 31 December 2023, The loan balance SR 9.7 million related to subsidiary Company (Al Misbak Al Saoudi Lassab Al Alam Company) from the principle amount SR 11,89 million obtained from the Saudi Industrial Development Fund (the "SIDF") for the purpose of financing of subsidiary's projects. The loan is secured by a mortgage over the property, plant and equipment of the Group. (note 4)

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 Group obtained from Saudi EXIM 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 3 August 2024. These facilities are secured by a joint pledge with the same term loan mortgage given by the Saudi Industrial Development Fund.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

16. EMPLOYEES END OF SERVICE BENEFITS

	<u>2023</u>	<u>2022</u>
Balance at beginning of the year	19,202,822	19,180,339
<i>Included in statement of profit or loss</i>		
Current service cost	1,889,179	2,259,942
Interest cost	880,921	382,894
	2,770,100	2,642,836
Transfer out	(77,885)	(44,713)
Paid during the year	(3,246,622)	(563,381)
<i>Included in other comprehensive income</i>		
Actuarial gains / (losses).		
Change in demographic assumptions	--	(12,819)
Change in financial assumptions	165,052	(3,244,129)
Experience loss	250,514	1,244,689
	415,566	(2,012,259)
Balance at the end of year	19,063,981	19,202,822

Allocation of EOSB charge are as follows:

	<u>2023</u>	<u>2022</u>
Cost of revenue	1,105,325	1,024,383
Selling and distribution expenses	580,531	215,678
General and administration expenses	203,323	1,019,881
	1,889,179	2,259,942

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>2023</u> %	<u>2022</u> %
Rate of salary increases	4.00%	4.00%
Discount rate	4.45%	4.60%
Mortality rate	75% of WHO SA16	75% of WHO SA16
Retirement age	60 Years	60 Years
Employee turnover / withdrawal rates	20%	20%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

16. EMPLOYEES END OF SERVICE BENEFITS (continued)

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 at the end of the reporting period, while holding all other assumptions constant.

31 December 2023

	<u>Change in assumption by</u>	<u>Increase in assumption by</u>	<u>Decrease in assumption by</u>
Discount rate	0.5%	18,524,044	19,634,127
Salary growth rate	0.5%	19,633,846	18,519,221
Mortality rates	20%	18,949,219	19,192,246
Employee turnover / withdrawal rates	20%	19,056,524	19,071,546

31 December 2022

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

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>2023</u>	<u>2022</u>
Within the next 12 months (next annual reporting period)	4,127,707	6,085,823
Between 2 and 5 years	7,187,186	6,389,933
Between 6 and 10 years	7,560,624	6,621,407
More than 10 Years	6,558,668	6,092,346
	<u>25,434,185</u>	<u>25,189,509</u>

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17. ACRRUED AND OTHER LIABILITIES

	<u>2023</u>	<u>2022</u>
Advances from customers (refer to note 17.1)	9,813,005	6,115,639
Accrued bonus	3,035,502	3,759,672
Accrued annual vacation	1,325,281	993,342
Accrued electricity expenses (refer note 17.2)	846,508	5,925,550
Accrued financial charges	191,931	606,707
VAT payable	--	1,164,102
Other accruals (refer note 17.3)	3,648,770	2,704,906
	<u>18,860,997</u>	<u>21,269,918</u>

17.1 The advances from customer primarily relate to the advance received from customers for goods, for which revenue is recognized point in time. The amount of revenue recognized during the year form the advances amounts to SR 9.81 million (2022: SR 6.15 million).

17.2 The accrued electricity charge represents the claimed amounting to 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.

18. ZAKAT

a) Charge for the period

Zakat for the year ended comprise the following:

	<u>2023</u>	<u>2022</u>
Charge for the year	<u>6,086,799</u>	<u>6,719,127</u>

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18. ZAKAT (continued)

The provision for Zakat charge is based on the following:

	<u>2023</u>	<u>2022</u>
Shareholders' equity	569,745,913	355,569,464
Provisions and other adjustments	67,085,772	108,581,271
Book value of long-term assets (net of related financing)	<u>(465,855,592)</u>	<u>(389,941,122)</u>
Zakat base	170,976,093	74,209,613
Zakat on Zakat base @ 2.5%	<u>4,355,076</u>	<u>1,912,889</u>
Adjusted Profit for the year	<u>67,409,766</u>	<u>192,249,515</u>
Zakat on adjusted profit @ 2.5%	<u>1,858,493</u>	<u>4,806,238</u>
Zakat charge for the year	<u>6,086,799</u>	<u>6,719,127</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 2.5% 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>2023</u>	<u>2022</u>
Net profit for the year	64,892,762	184,366,867
Other deductions	--	(148,354)
Provision for the year	<u>2,517,004</u>	<u>8,031,002</u>
Adjusted net Profit for the year	<u>67,409,766</u>	<u>192,249,515</u>

b) Zakat

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

	<u>2023</u>	<u>2022</u>
Balance at beginning of the year	5,352,178	4,615,245
Charge for the year	6,086,799	6,719,127
Payments made during the year	<u>(6,555,698)</u>	<u>(5,982,194)</u>
Balance at the end of year	<u>4,883,279</u>	<u>5,352,178</u>

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18. ZAKAT (continued)

c) Zakat status

The Group has filed Zakat declaration up to the financial year ended 31 December 2023 with the Zakat tax and customs Authority (“ZATCA”). The Group has also obtained Zakat certificate valid until 30 April 2024

19. REVENUES

Detailed information about revenue:

Details about the Group’s revenues from contracts with customers are as follows:

	<u>2023</u>	<u>2022</u>
Glass sales	<u>393,982,137</u>	<u>502,179,542</u>

Timing of revenue recognition

	<u>2023</u>	<u>2022</u>
At point in time	<u>393,982,137</u>	<u>502,179,542</u>

	<u>2023</u>	<u>2022</u>
Sales to related parties	60,794,979	77,914,799
Sales for other customers	<u>333,187,158</u>	<u>424,264,743</u>
Total revenue	<u>393,982,137</u>	<u>502,179,542</u>

20. COST OF REVENUE

	<u>2023</u>	<u>2022</u>
Cost of material	143,135,547	139,643,252
Depreciation (note 4 and 5)	38,620,695	38,121,231
Gas and electricity expenses	23,904,055	28,300,396
Salaries and other employee related benefits	29,151,927	27,086,417
Consumables and direct costs	<u>9,468,987</u>	<u>12,832,832</u>
	<u>244,281,211</u>	<u>245,984,128</u>

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21. OTHER OPERATING INCOME

	<u>2023</u>	<u>2022</u>
Support revenue	563,815	458,102
Rental income (note 21.1)	1,896,270	1,510,709
Scrap sales	1,060,139	262,222
Gain on sale of property, plant and equipment	150,679	17,856
HRDF revenue	394,468	--
Waivered accrual	700,000	--
Other	555,824	--
	<u>5,321,195</u>	<u>2,248,889</u>

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

22. OTHER EXPENSE

	<u>2023</u>	<u>2022</u>
Non-operating expenses (Note 22.1)	<u>7,000,000</u>	--
	<u>7,000,000</u>	--

22.1 On 13 August 2023, the Group agreed with Al Esra Aluminum Manufacturing and Casting Factory (shareholder in the subsidiary) that Al Obeikan Glass Company has paid unrecoverable amount SR 7 million in January 2024 to complete Al Esra Aluminum Manufacturing and Casting Factory share on Al Misbak Al Saoudi Lassab Al Alam Company. Further the Group's management did not expect any future benefits coming from this amount.

23. SELLING AND DISTRIBUTION EXPENSES

	<u>2023</u>	<u>2022</u>
Freight expenses goods to customers	30,890,797	32,651,054
Salaries and other employee related benefits	5,014,082	4,741,454
Warehousing expenses	1,963,414	1,337,338
Export Cost	185,553	214,612
Commission on sales	438,766	28,442
Business Travel expenses	316,647	262,659
Depreciation on property, plant and equipment (note 4)	19,206	15,894
Insurance	181,619	431,229
Others	642,239	789,803
	<u>39,652,323</u>	<u>40,472,485</u>

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24. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2023</u>	<u>2022</u>
Salaries and other employee related benefits	18,081,038	15,244,276
Management expenses	2,732,000	--
Rent	1,757,013	--
Telephone, internet and postage expenses	765,897	988,413
Depreciation on property, plant and equipment (note 4&5)	1,123,284	812,990
Shared service expenses	453,778	927,038
Professional and consultancy fees	3,062,582	1,029,377
Office supplies and cleaning	728,857	1,222,250
Medical expenses	533,058	507,935
Exhibition	547,005	--
Insurance	213,546	579,683
Building expense	253,000	8,798
Bank charges	541,332	458,763
Government fees	1,038,823	1,050
Travel expenses	1,354,663	516,166
Utilities	192,798	194,102
Stationary expenses	11,699	13,008
Other	2,434,621	27,416
	<u>35,824,994</u>	<u>22,531,265</u>

25. FINANCIAL CHARGES

	<u>2023</u>	<u>2022</u>
Financing costs on Saudi Industrial Development Fund loan	1,384,450	2,880,000
Financing costs on lease liabilities	1,275,979	1,558,870
Finance cost on short term loans	747,000	277,295
Foreign exchange currency charge	1,400,578	217,552
Interest cost on employees end of service benefits (note 16)	880,921	382,894
	<u>5,688,928</u>	<u>5,316,611</u>

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26. EARNINGS PER SHARE

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

	<u>2023</u>	<u>2022</u>
Net income attributable to the Group's shareholders	<u>64,032,317</u>	<u>177,647,740</u>
Weighted average number of shares for basic and diluted EPS	<u>24,854,795</u>	<u>24,000,000</u>
Earnings per share – Basic and diluted (in Saudi Riyals)	<u>2.58</u>	<u>7.40</u>

27. CONTINGENCIES AND COMMITMENT

The Group has outstanding letters of credit amounting to Nil (31 December 2022: SR 27.6 million) issued by the local banks on behalf of Group in the ordinary course of business.

28. SEGMENT INFORMATION

The Group has one reportable segment, as described below, which is the Group's strategic business unit. The strategic business unit offers one product i.e Glass. The Group's Board of Directors and Chief Executive Officer monitors the results of the Group'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 Group. Revenue is recognized point in time.

The operating segment described below have been prepared in accordance with IFRS 8. The Group operates in one main business segments, which is the manufacturing and sale of glass panels, other information was mentioned on the notes above.

Geographical distribution of sales:

Revenue	<u>2023</u>	<u>2022</u>
Kingdom of Saudi Arabia	258,401,346	344,156,572
Other countries	135,580,791	158,022,970
Total revenue	<u>393,982,137</u>	<u>502,179,542</u>

Revenues from two major customers represent approximately 35% (31 December 2022: 38%) of the Group's total revenue.

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29. CAPITAL RISK MANAGEMENT

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

The Group 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 Group may adjust the amount of dividend paid to shareholders or issue new shares. The Group also monitors capital using a gearing ratio, which is net debt, interest bearing loans including finance cost thereon, account and other payables, less cash and bank balances.

The gearing ratio as at 31 December is as follows:

	<u>2023</u>	<u>2022</u>
Total liabilities	102,556,767	148,183,576
Cash and cash equivalents	(82,839,192)	(26,552,006)
Net debt	19,717,575	121,631,570
Share capital	320,000,000	240,000,000
Statutory reserve	43,628,927	36,862,472
Retained earnings	238,849,523	258,366,991
Equity	602,478,450	535,229,463
Net debt to equity ratio	3.27%	22.73%

30. FINANCIAL RISK MANAGEMENT

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

The Group's activities expose it to a variety of financial risks: Market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Group'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 Group's financial performance.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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30. FINANCIAL RISK MANAGEMENT (continued)

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 Group's operating units. The most important types of risk are credit risk, currency risk and fair value risk.

The Board of Directors have an overall responsibility for the establishment and oversight of the Group's risk management framework. The executive management team is responsible for developing and monitoring the Group'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.

Risk management systems are regularly reviewed by the executive management team to reflect changes in market conditions and the Group's activities. The Group, 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 Group's risk management policies and procedures and reviews the adequacy of the risk management framework about the risks faced by the Group.

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 Group 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 Group's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Group'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 Group's financial positions and cash flow. The Group's interest rate risks arise mainly from Term loan which is at 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.

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30. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk (continued)

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

	<u>2023</u>	<u>2022</u>
Variable rate instruments		
<u>Financial liabilities</u>		
Loan and borrowings	<u>15,875,749</u>	<u>62,311,954</u>

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 0.16 million (31 December 2022: SR 0.62 million).

Currency risk

Currency risk is the risk that the value of a financial asset or a financial liability will fluctuate due to a change in foreign exchange rates. The Group's functional and reporting currency are Saudi Riyal. The Group'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 Group is not exposed to any Significant foreign currency risk from Saudi Arabian Riyals and US Dollars denominated financial instruments. The Group'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 Group is not affected by price risk as there are no investment of the Group 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 Group 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 Group 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.

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30. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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

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

	<u>2023</u>	<u>2022</u>
Financial assets		
Trade receivable	124,897,742	109,834,387
Due from related parties	41,966,705	49,320,802
Cash and cash equivalents	82,839,192	26,552,006
Total	<u>249,703,639</u>	<u>185,707,195</u>

With respect to credit risk arising from the financial assets of the Group, including bank balances and cash, the Group'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 Group's established policy, procedures, and controls 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 79% of outstanding trade receivables as at 31 December 2023 (31 December 2022: 77%).

The receivables are shown net of allowance for impairment of trade receivables. The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. To measure expected credit losses, trade receivables are grouped into low risk, moderate risk, doubtful and loss based on common characteristics of credit risk and number of 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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30. 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>
<u>31 December 2023</u>			
Not due balances	0.90%	52,151,245	471,490
0-180 days	2.87%	52,160,852	1,408,363
181-360 days	10.33%	24,419,951	1,954,453
>360 days	100%	403,090	403,090
		<u>129,135,138</u>	<u>4,237,396</u>
	<u>loss rate</u>	<u>Gross carrying amount</u>	<u>Impairment loss allowance</u>
<u>31 December 2022</u>			
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>

Liquidity risk

Liquidity risk is the risk that the Group 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 Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group 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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30. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

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

<u>31 December 2023</u>	<u>Carrying value</u>	<u>Less than one year</u>	<u>Over 2 years but less than 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Trade payables	18,089,490	18,089,490	--	--	18,089,490
Accrued and other liabilities	18,860,997	18,860,997	--	--	18,860,997
Due to related parties	1,296,018	1,296,018	--	--	1,296,018
Lease liabilities	24,487,253	2,101,018	11,420,007	25,619,680	39,140,705
Loan and borrowing	15,875,749	8,851,306	7,216,374	--	16,067,680
	<u>78,609,507</u>	<u>49,198,829</u>	<u>18,636,381</u>	<u>25,619,680</u>	<u>93,454,890</u>
<u>31 December 2022</u>	<u>Carrying value</u>	<u>Less than one 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
Loan and borrowing	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>

31. 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 Group.

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

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31. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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 Group 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>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>31 December 2023</u>				
Investments at fair value through other comprehensive income				
- Investment	--	--	1,969,659	1,969,659
 <u>31 December 2022</u>				
Investments at fair value through other comprehensive income				
- Investment	--	--	3,091,047	3,091,047

There were no transfers between levels of the fair value hierarchy during the year ended 31 December 2023 and the year ended 31 December 2022. 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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31. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

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 2023:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant inputs Unobservable</u>	<u>Inputs used</u>	<u>Sensitivity of the inputs to fair value</u>
Investment at FVOCI	Discounted cash flow 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 2022:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant inputs Unobservable</u>	<u>Inputs used</u>	<u>Sensitivity of the input to fair value</u>
Investment at FVOCI	Discounted cash flow 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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

32. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in liabilities arising from financing activities:

	<u>Liabilities</u>		<u>Equity</u>	
	<u>Lease liabilities</u>	<u>Loans and borrowings</u>	<u>Retained earnings</u>	<u>Total</u>
Balances as at 1 January 2023	24,484,400	62,311,954	258,366,991	345,163,345
<i>Changes from financing cash flows</i>				
Proceeds from bank borrowings	--	46,166,443	--	46,166,443
Repayment of bank borrowing	--	(92,602,648)	--	(92,602,648)
Capital repayment of lease liabilities	(865,635)	--	--	(865,635)
Finance cost paid of lease liabilities	(1,275,979)	--	--	(1,275,979)
Dividend paid				
Total changes from financing cash flows	(2,141,614)	(46,436,205)	--	(48,577,819)
Other Changes				
Liability related				
New lease	868,488	--	--	868,488
Accretion of interest	1,275,979	--	--	1,275,979
Total liability-related other changes	2,144,467	--	--	2,144,467
Total equity-related other changes	--	--	(19,517,468)	(19,517,468)
Balance at 31 December 2023	24,487,253	15,875,749	238,849,523	279,212,525

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

33. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (continued)

	<u>Liabilities</u>		<u>Equity</u>	<u>Total</u>
	<u>Commitments</u> <u>Leases</u>	<u>Loans and</u> <u>borrowings</u>	<u>Retained</u> <u>earnings</u>	
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 borrowings	--	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)
Other changes				
Liability related				
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	<u>24,484,400</u>	<u>62,311,954</u>	<u>258,366,991</u>	<u>345,163,345</u>

33. CHANGE IN COMPARATIVE FIGURES

Certain prior year's comparative figures have been reclassified to ensure the better classification and presentation as per IFRS standard.

34. SUBSEQUENT EVENTS

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

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the board of directors on 29 February 2024, corresponding to 19 Shaban 1445H.