UNITED WIRE FACTORIES COMPANY
(Joint Stock Company)
Riyadh – Kingdom of Saudi Arabia

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024
AND INDEPENDENT AUDITOR'S REPORT

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مبنى رقم ٣١٩٣ ، الطابق الأول
ص. ب ٨٣٣٥ ، الرياض - ١٢٣٣٣
هـاتف: ٩٣٦١ ٤١٦ ١١ ٩٦٦+
فاكس: ٩٣٤٩ ٤١٦ ١١ ٩٦٦+
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Independent Auditor's Report

To the Shareholders of
United Wire Factories Company
(Joint Stock Company)

Opinion

We have audited the financial statements of **United Wire Factories Company** (Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2024, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2024 and its financial performance and its cash flows for the year then ended inaccordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for opinion

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

Key Audit Matters

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

Key Audit Matter	How our audit addressed the key audit matter
Revenue Recognition	
For the year ended 31 December 2024, the Company recorded a total revenue of SR 707.3 million. Revenue from sales is recognized when control of the goods is transferred to the customer, which occurs upon delivery of the goods, in accordance with IFRS 15 "Revenue from Contracts with Customers". Revenue is considered one of the key performance indicators, leading to inherent risks of revenue overstatement to enhance profitability and earnings. As a result, revenue recognition has been considered as a key audit matter. Please refer to Note (5) for the accounting policy and Note (22) for the related disclosure.	The audit procedures we have performed included, among other audit procedures, the following: - Assessed the appropriateness of the Company's revenue recognition accounting policies in line with the requirements of the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia. - Evaluated key contractual arrangements and sales' returns by examining relevant documents and agreements with customers. - Assessed the design and implementation of the Company's internal controls, including controls to prevent fraud in revenue recognition. - Conducted variance analysis by comparing the current year's revenue with historical trends, verifying its reasonableness, and identifying any significant fluctuations that require further examination in light of our understanding of the current market circumstances. - Performed substantive testing on a sample basis for sold products and verified the proper application of the revenue recognition policy. - Examined a sample of sales transactions that occurred before and after the year-end to assess whether revenue was recognized in the correct accounting period. - Evaluated the adequacy of the related disclosures included in the financial statements in accordance with IFRS 15 "Revenue from Contracts with Customers."

Independent Auditor’s Report (continued)

To the Shareholders of
United Wire Factories Company
(Joint Stock Company)

Other information
Other information consists of information included in the Company’s 2024 annual report, other than the financial statements and our auditor’s report thereon. Management is responsible for the other information in its annual report. The annual report is expected to be available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact.

Responsibilities of management and those charged with governance for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants, the Regulations for Companies and the Company’s Bylaws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor`s responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report (continued)

To the Shareholders of
United Wire Factories Company
(Joint Stock Company)

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, 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.

Other matter

The financial statements of the Company for the year ended 31 December 2023, have been audited by another auditor, who expressed an unmodified opinion on these financial statements on 18 Ramadan 1445H (corresponding to 28 March 2024).

RSM Allied Accountants Professional Services

شركة ار اس ام المحاسبون المتحدون للاستشارات المهنية
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RSM Allied Accountants Professional Services Co.

Mohammed Bin Farhan Bin Nader
License No. 435
Riyadh – Kingdom of Saudi Arabia
13 Ramadan 1446 H (corresponding to 13 March 2025).

United Wire Factories Company
(Joint Stock Company)

Statement of financial position
As at 31 December 2024
(Saudi riyals)

	Note	2024	2023
Assets			
Non-current assets			
Property, plant and equipment	5	**133,113,757**	105,044,649
Right of use assets	6	**2,492,608**	3,497,226
Investment in an associate	7	**4,962,593**	1,654,940
Due from related parties – non-current portion	8	**11,250,000**	-
Total non-current assets		**151,818,958**	110,196,815
Current assets			
Due from related parties – current portion	8	**642,776**	1,273,022
Inventories	9	**141,460,190**	164,942,084
Accounts receivable	10	**88,834,080**	95,544,963
Prepaid expenses and other assets	11	**13,145,329**	45,782,648
Cash and cash equivalents	12	**44,424,344**	37,854,005
Total current assets		**288,506,719**	345,396,722
Total assets		**440,325,677**	455,593,537
Equity and liabilities			
Equity			
Share capital	1	**280,800,000**	280,800,000
Reserves	14	**-**	79,951,194
Retained earnings		**83,511,075**	8,386,954
Re-measurement reserve for employees' defined benefits plan obligations		**3,238,205**	2,821,164
Total equity		**367,549,280**	371,959,312
Liabilities			
Non-current liabilities			
Lease liabilities – non-current portion	6	**2,164,798**	2,620,028
Employees' defined benefit plan obligations	15	**8,211,791**	8,132,219
Total non-current liabilities		**10,376,589**	10,752,247
Current liabilities			
Lease liabilities – current portion	6	**455,230**	891,995
Due to related party	8	**956,566**	1,325,163
Accounts payable		**35,522,044**	43,051,335
Accrued expenses and other liabilities	16	**19,165,269**	20,335,525
Zakat provision	17	**6,300,699**	7,277,960
Total current liabilities		**62,399,808**	72,881,978
Total liabilities		**72,776,397**	83,634,225
Total equity and liabilities		**440,325,677**	455,593,537

Abdulhamied Husni Ibrahim	Nabil Hasan Mohammed AL-Amir	Khaled Saad Al-Kanhal
Financial Director	Chief Executive Officer	Chairman of Board of Directors

The accompanying notes (1) to (28) is an integral part of these financial statements.

United Wire Factories Company
(Joint Stock Company)

Statement of profit or loss and other comprehensive income
For the year ended 31 December 2024
(Saudi riyals)

	Note	2024	2023
Profit or loss			
Sales	4&22	**707,286,079**	792,781,846
Cost of sales	18&22	**(649,369,711)**	(728,070,014)
Gross profit		**57,916,368**	64,711,832
Selling and marketing expenses	19	**(20,458,710)**	(22,048,579)
General and administrative expenses	20	**(16,810,392)**	(16,929,554)
Expected credit losses	10	**(918,765)**	(408,820)
Net profit for the year from operations		**19,728,501**	25,324,879
Share in the results of an associate	7/B	**3,307,653**	1,372,940
Finance costs of lease liabilities	6	**(132,333)**	(190,006)
Interest cost of employees defined benefit plan obligations	15	**(409,051)**	(374,858)
Other income		**11,084**	85,480
Net profit for the year before zakat		**22,505,854**	26,218,435
Zakat	17	**(6,272,927)**	(5,799,015)
Net profit for the year		**16,232,927**	20,419,420
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gains from remeasurement of employees' defined benefit plan obligations	15	**417,041**	278,099
Total comprehensive income for the year		**16,649,968**	20,697,519
Basic and diluted earnings per share	21		
Basic earnings per share of net profit for the year from operations		**0.70**	0.78
Basic earnings per share of net profit for the year		**0.58**	0.63
Weighted average number of shares		**28,080,000**	32,349,699

Abdulhamied Husni Ibrahim Financial Director	Nabil Hasan Mohammed AL-Amir Chief Exceutive Officer	Khaled Saad Al-Kanhal Chairman of Board of Directors

The accompanying notes (1) to (28) is an integral part of these financial statements.

United Wire Factories Company
(Joint Stock Company)

Statement of changes in equity
For the year ended 31 December 2024
(Saudi riyals)

	Note	**Share capital**	**Reserves**	**Retained earnings**	**Re-measurement reserve for employees' defined benefits plan obligations**	**Total**
Balance as at 1 January 2023		351,000,000	79,951,194	16,047,534	2,543,065	449,541,793
Share capital reduction	1	(70,200,000)	-	-	-	(70,200,000)
Net profit for the year		-	-	20,419,420	-	20,419,420
Other comprehensive income		-	-	-	278,099	278,099
Total comprehensive income		-	-	20,419,420	278,099	20,697,519
Dividends distribution	13	-	-	(28,080,000)	-	(28,080,000)
Balance as at 31 December 2023		280,800,000	79,951,194	8,386,954	2,821,164	371,959,312
Transfer from reserves to retained earnings	14	-	**(79,951,194)**	**79,951,194**	-	-
Net profit for the year		-	-	**16,232,927**	-	**16,232,927**
Other comprehensive income		-	-	-	**417,041**	**417,041**
Total comprehensive income		-	-	**16,232,927**	**417,041**	**16,649,968**
Dividends distribution	13	-	-	**(21,060,000)**	-	**(21,060,000)**
Balance as at 31 December 2024		**280,800,000**	-	**83,511,075**	**3,238,205**	**367,549,280**

Abdulhamied Husni Ibrahim Financial Director	Nabil Hasan Mohammed AL-Amir Chief Exceutive Officer	Khaled Saad Al-Kanhal Chairman of Board of Directors

The accompanying notes (1) to (28) is an integral part of these financial statements.

United Wire Factories Company
(Joint Stock Company)

Statement of cash flows
For the year ended 31 December 2024
(Saudi riyals)

	2024	2023
Cash flows from operating activities		
Net profit for the year before zakat	**22,505,854**	26,218,435
Adjustments to reconcile net profit before zakat to net cash flows		
Depreciation of property, plant and equipment	**11,022,352**	10,320,504
Depreciation of right of use assets	**1,004,618**	914,701
Losses (gains) on disposals of property, plant and equipment	**22,060**	(21,474)
Share in the results of an associate	**(3,307,653)**	(1,372,940)
Expected credit losses	**918,765**	408,820
Reversal of provision for obsolete and slow-moving inventory	**-**	(134,916)
Employees' defined benefit plan obligations	**1,016,027**	1,133,821
Finance costs of lease liabilities	**132,333**	190,006
Interest cost of employees defined benefit plan obligations	**409,051**	374,858
Change in operating assets and liabilities		
Inventories	**23,481,894**	27,320,591
Net change in related parties	**261,649**	(2,585,247)
Accounts receivable	**5,792,118**	7,170,808
Prepaid expenses and other assets	**32,637,319**	(19,751,478)
Accounts payable	**(7,529,291)**	(31,721,683)
Accrued expenses and other liabilities	**(1,170,256)**	(4,991,409)
Employees' defined benefit plan obligations paid	**(928,465)**	(764,160)
Zakat paid	**(7,250,188)**	(9,026,995)
Net cash from operating activities	**79,018,187**	3,682,242
Cash flows from investing activities		
Additions to property, plant and equipment	**(39,122,737)**	(16,540,587)
Proceeds from disposals of property, plant and equipment	**9,217**	21,474
Paid for investments in an associate	**-**	(282,000)
Net cash used in investing activities	**(39,113,520)**	(16,801,113)
Cash flows from financing activities		
Net change in related parties	**(11,250,000)**	-
Share capital reduction	**-**	(70,200,000)
Dividends distribution	**(21,060,000)**	(28,080,000)
Lease liabilities paid	**(1,024,328)**	(1,032,476)
Net cash used in financing activities	**(33,334,328)**	(99,312,476)
Net change in cash and cash equivalents	**6,570,339**	(112,431,347)
Cash and cash equivalents, beginning of the year	**37,854,005**	150,285,352
Cash and cash equivalents, end of the year	**44,424,344**	37,854,005
Non-cash transactions		
Addition to the right of use assets and the lease liabilities	**-**	(177,630)
Gains from remeasurement of defined employees' benefits plan	**(417,041)**	(278,099)
Transfer from reserves to retained earnings	**79,951,194**	-

Abdulhamied Husni Ibrahim
Financial Director

Nabil Hasan Mohammed AL-Amir
Chief Exceutive Officer

Khaled Saad Al-Kanhal
Chairman of Board of Directors

The accompanying notes (1) to (28) is an integral part of these financial statements.

1 - Organization and activity

A- United Wire Factories Company ("the Company") was registered as a Saudi Joint Stock Company under Commercial Registration No. 1010079195 issued in Riyadh on 20 Rabi' al-Awwal 1411H (corresponding to 9 October 1990).

The main activity of the Company and its branches within the Kingdom of Saudi Arabia are wholesale of strips, extrusions and blocks of metal and iron, retail trade of construction, building and civil engineering machinery and equipment, petroleum and heavy equipment and their maintenance, manufacture of sheets, plates, strip coils, bars, rods, angles, wires and sections of all forms, land transportation of goods, retail sale of gifts, and the manufacture of clothes hangers and clips, manufacture of items made of wire, including (barbed wire, fence, expanded mesh, etc.) manufacture of insulated wires and cables made of steel.

B- The attached financial statements represent the assets, liabilities and business results of the main commercial register and the following sub-registers:

CR Number	Place of issue	Date of Issue	Trade Name
1131014760	Buraydah	15/10/1420H	United Wire Factories Company - Buraydah Branch
5855025824	Khamis Mushait	27/12/1425H	United Wire Factories Company - Khamis Mushait Branch
1010043209	Riyadh	13/4/1402H	United Wire Factories Company - Riyadh Second Branch
1010179732	Riyadh	8/6/1423H	United Wire Factories Company - Riyadh Third Branch
1010385519	Riyadh	11/10/1434H	Mass Steel
4030130240	Jeddah	10/2/1421H	United Wire Factories Company - Jeddah Branch
3550141102	Tabuk	3/4/1443H	Mass Steel
1010167642	Riyadh	16/4/1422H	United Wire Factories Company - Riyadh First Branch
2062617294	Saihat	14/5/1440H	Mass Steel
1011024353	Al-Kharj	29/5/1438H	Mass Steel
2050155579	Dammam	4/8/1443H	Mass Steel
3555102116	Duba	29/7/1443H	Mass Steel

C- The Company's share capital is set at SR 280,800,000 divided into 28,080,000 shares of equal value, for a nominal value of SR 10 each, and all are cash ordinary shares.

On 15 Muharram 1445H (corresponding to 2 August 2023), the Extraordinary General Assembly approved the share capital reduction by an amount of SR 70,200,000 from SR 351,000,000 to SR 280,800,000 based on the recommendation of the Company's Board of Directors, due to the excess of the share capital compared to the need. The method of reducing the share capital will be by canceling 7,020,000 shares, representing 20% of the number of shares, and compensating the shareholders for this at the nominal value, for an amount of SR 70,200,000, at a rate of 20% of the existing share capital, so that the new share capital becomes SR 280,800,000.

On 23 Muharram 1445H (corresponding to 10 August 2023), the reduction consideration was deposited in the shareholders' accounts. The fractional shares were also sold, the Capital Market Authority (Tadawul) was informed, and deposited in the shareholders' accounts on 28 Muharram 1445H (corresponding to 15 August 2023).

1 - Organization and activity (continued)

D- Significant events

The Company announced on 30 Jumada al-Akhirah 1446 H (corresponding to 31 December 2024), that it had signed a non-binding agreement to acquire forty percent (40%) of the shares of Al-Ra'idah Industrial Investment Company through issuing new shares to the shareholders of Al-Ra'idah Industrial Investment Company in the United Wire Factories Company ("the potential deal"). On this basis, both the United Wire Factories Company and Al-Raeda Industrial Investment Company agreed to move forward with the completion of the potential deal and conduct due diligence in relation to the proposed deal.

According to the final evaluation of Al-Raeda and the results of the due diligence examination, the two parties will agree on the exchange factor that determines the new shares of United Wire Factories Company to be issued to the benefit of the shareholders of Al-Raeda Industrial Investment Company for each share they own in Al-Raeda Industrial Investment Company. It was also agreed to set the share price of the United Wire Factories Company for the purpose of the proposed transaction at (29.7) Saudi riyals per share, which was calculated on the basis of the daily volume-weighted average price (VWAP) for the last sixty (60) trading days (the last sixty trading days) from the date of signing the non-binding agreement.

E- The Company's head office registered address is as follows:
United Wire Factories Company
P.O. Box 355208, Postal Code 11383
Riyadh – Saudi Arabia.

2 - Basis of preparation of the financial statements

Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis of measurement

The financial statements have been prepared according to historical cost convention and the going concern assumption and the accrual basis of accounting. Other basis will be used if International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants, require that, as stated in the applied accounting policies (Note 4).

Presentation currency

The financial statements are presented in Saudi riyals which is the functional currency of the Company and it's rounded to the nearest Saudi riyal.

Use of judgements, estimates and assumptions

The preparation of the Company's financial statements in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants requires the management to use judgments, estimates and assumptions that affect the recorded amounts of revenues, costs, assets, liabilities and disclosures of potential liabilities at the date of the fiscal year, but failure to confirm these assumptions and estimates may lead to results that may require significant adjustments to the book value of the assets and liabilities that are affected in the future.

Estimates and assumptions are continuously reviewed, and adjustments to estimates are recognized with future impact.

2 - Basis of preparation of financial statement (continued)

Use of judgements, estimates and assumptions (continued)

Uncertain assumptions and estimates

Going concern basis
The Company's management has made an assessment for its ability to continue as a going concern and concluded that it has the resources to continue its activity in the foreseeable future, in addition, the management is not aware of any substantial certainty that may cast doubt on the Company's ability to continue according to the going concern basis. Accordingly, the financial statements have been prepared on the going concern basis.

Useful life, residual values or method of depreciation of Property, Plant and equipment, and right of use assets
The Company's management estimates the estimated useful life and residual values of property, plant and equipment, and right of use assets. This estimate is determined after taking into account the expected use of property, plant and equipment or the damaging and naural obsolescence. Management reviews the useful life, residual value, depreciation method of property, plant and equipment, and right of use assets annually. Depreciation is adjusted when Management believes that the useful life or residual value differ from those used in previous periods.

Provision for expected credit losses
The provision for expected credit losses for receivables is determined based on a set of factors to ensure that receivables are not overstated due to their uncollectibility. The provision for expected credit losses for all clients is based on a variety of factors, including overall quality, ages of receivables and ongoing credit valuation of clients' financial conditions. Management believes that amounts related to receivables are usually recoverable.

Discounting of lease payments
The Company cannot easily determine the implicit interest rate in a lease contract, and therefore, it uses a incremental borrowing rate to measure its lease contract liabilities. The incremental borrowing rate is the interest rate that a company would have to pay in order to borrow the necessary financing over a similar term and with the same collateral to obtain an asset with the same value as a “right-of-use” asset in a similar economic environment. The incremental borrowing rate therefore reflects what the company "has to pay" which requires estimation when observable rates are not available or need to be amended to reflect the terms and conditions of the lease contract. The Company estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available, which requires making some of its own estimates.

Employees’ Benefits
The costs of employees' end-of-service plans and the present value of end-of-service benefits liabilities are determined using actuarial valuations, actuarial valuations involve making assumptions that may differ from actual developments in the future. It includes determining the discount rate and future salaries’ increase, mortality rate and future increases in pensions. Given the complexities and long-term nature of the evaluation, the specific benefit commitment is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Zakat
In calculating Zakat for the current year, the company adjusted its net profit and applied a certain discount to its Zakat base to calculate Zakat expenses.

The company made the best estimates of these assumptions.

3 - New standards, amendments to standards, interpretations and issued standards that have not yet been applied

<u>New standards, amendments to standards and interpretations</u>

The Company has applied the following standards and amendments, where applicable, for the first time for its annual reporting period commencing on 1 January 2024.

- **Amendments to IFRS 16 - Leases on sale and leaseback**
  These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

- **Amendments to IAS 1 - Non-current liabilities with covenants and Classification of Liabilities as Current or Non-current**
  Amendments These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

- **Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements**

<u>Standards and amendments issued but not yet effective</u>

The following are new and amended standards and interpretations issued and not effective as of the reporting date of the Company's financial statements. The Company intends to apply these new and amended standards and interpretations, if applicable, when they take effect.

- **Amendments to IAS 21 – The Effects of Changes in Foreign Exchange Rates**
  An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose.

- **Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments**
  These amendments:
  - clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system.
  - clarify and add further guidance for assessing whether a financial asset meets the payments of principal and interest (SPPI) criteria.
  - add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
  - make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

- **IFRS 18, Presentation and Disclosure in Financial Statements'**
  This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:
  - the structure of the statement of profit or loss.
  - required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
  - enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

The Company evaluates the effects of the above standards, amendments and interpretations on the Company's financial statements.

4 - Material accounting policies

The following are the material accounting policies followed by the Company:

Classification of assets and liabilities as current or non-current

The Company shows assets and liabilities in the statement of financial position on a current/non-current basis. Assets are considered current as follows:

- when they are expected to materialize, intend to be sold or exhausted during the normal cycle of operations.
- If acquired primarily for trading purposes,
- When it is expected to be realized within twelve months after the financial period, or
- When it is cash or cash equivalents unless there are restrictions on its replacement or use to pay any liabilities for a period of not less than twelve months after the financial period.

All other assets are classified as non-current assets.

All liabilities are considered as follows:

- When reimbursement is expected during the normal cycle of operations,
- If acquired primarily for trading purposes,
- when payment is due within twelve months after the financial period, or
- In the absence of an unconditional right to postpone the payment of liabilities for a period of not less than twelve months after the financial period.

All other liabilities are classified as non-current liabilities.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses. Property, plant and equipment costs less their residual values are depreciated over their estimated useful lifes, using the straight-line method.

The estimated useful lifes of the main items of property, plant and equipment are as follows:

Description	Useful life
Buildings and constructions	33.33
Machinery and equipment	2 to 16.7
Tools & Equipment	6.66
Office equipment and furniture	6.66
Vehicles	4

If there is an indication of a significant change in the depreciation rate, useful life or residual value of Property, Plant and equipment, the future depreciation of these Property, Plant and equipment is adjusted to reflect the new expectations. Upon sale, the difference between the net proceeds of the sale and the book value of the item sold in the statement of profit or loss, included in other income or operating expenses, is recognized.

Annual review of residual values and useful lives

Asset's residual value is the current estimated amount that a Company could get on disposal of the asset after deducting the estimated costs of disposal if the asset had already reached the expected age and condition at the end of its useful life.

The assets' residual values and useful lives are reviewed, and adjusted if necessary, at the end of each reporting period. If expectations differ from previous estimates, the change is accounted for as a change in accounting estimates.

4 - Summary of significant accounting policies (continued)

Impairment of non-current assets

At each reporting date, the Company makes an assessment to determine whether there is any indication that an asset may be impaired. If such evidence exists, or when annual impairment testing is necessary, the Company estimates the asset's recoverable amount, which is the higher of the asset's or cash-generating unit's fair value less costs to sell and the value in use, and is determined the assets are held individually unless the assets generate cash inflows that are largely independent of other assets or Companys of assets. If the carrying amount of the asset, or the cash-generating unit, exceeds its recoverable amount, the asset or the cash-generating unit is considered impaired and reduced to its recoverable amount.

In assessing the 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 inherent in the assets.

Impairment losses from continuing operations, including a decrease in the value of working capital, if applicable, are recognized in the statement of profit or loss within expenses and in line with the function of the impaired assets.

For assets other than goodwill, an assessment is made at each reporting date to ensure that there is evidence that previously recognized impairment losses no longer exist or have decreased. If such evidence exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the recoverable amount since the date the last impairment loss was recognized. This reversal is recognized in the statement of profit or loss.

If the impairment loss on a non-financial asset other than goodwill is reversed, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not more than the amount that would have been determined had no impairment loss been recognized for the asset (or a group of related assets) in prior years. The reversal of an impairment loss is recognized immediately in the statement of profit or loss.

Right of use assets and Lease liabilities

The Company has recognized the assets and liabilities of its operating leases. Each lease payment is distributed between liabilities and the cost of financing. The cost of financing is charged to the profit or loss statement over the lease period so that a fixed periodic interest rate is achieved on the remaining balance of the obligation for each period. The right of use the asset is amortized over the useful life of the asset or the lease period, whichever is shorter, on a straight-line basis.

Right of use assets, is initially recognized::

- the amount of the initial measurement of the lease obligation which is the present value of future rental payments;
- any lease payments made on or before the lease commencement date less any rental incentives received;
- any initial direct costs incurred by the Company as a lessee
- An estimate of the costs that the Company will incur as a lessee to dismantle and remove the underlying asset and restore the location where the asset is located to its original condition.

The right of use asset is subsequently measured at cost less any accumulated depreciation and any impairment losses adjusted by any remeasurement of the lease obligation.

The Company depreciates the right of use over the estimated duration of the lease contract by straight-line method.
The Lease liability is initially recognized by the present value of the unpaid lease payments on the start date of the contract, and the Company's incremental borrowing rate is used.

4 - Summary of significant accounting policies (continued)

Right of use assets and Lease liabilities (continued)

Right of use assets, is initially recognized: (continued)

Recovered security deposits are not included in the initial measurement of right-of-use assets. However, the difference between the nominal value of the refunded security deposits and their fair value at the beginning of the lease represents an additional lease payment in advance and is therefore added to the initial book value of the right-of-use assets and is added to the statement of profit or loss and other comprehensive income over the lease term as part of the depreciation of that asset.

The lease liability is subsequently measured as follows:
- Increase the book amount to reflect interest on the lease obligation;
- Reduce the book amount to reflect rental payments;
- Re-measure the book amount to reflect any revaluation or lease contract’s amendments.

The Company separates the amounts paid into the original portion (displayed under financing activities) and interest (displayed under operating activities) in the statement of cash flows.

Under IFRS 16, the "Right of use assets" is tested to verify impairment in accordance with IAS 36 "Impairment of assets".

Duration of leases
The Company defines the duration of the Lease as the irrevocable period in the Lease along with:
- Periods covered by the lease extension option if the Company is reasonably certain of exercising that option;
- Periods covered by the option to terminate the lease if the Company is reasonably certain that this option will not been exercised.

For short-term leases (lease term of 12 months or less) and low-value contracts, the Company recognized rental expenses on a straight-line basis as permitted in IFRS 16 which is the same method as accounting in accordance with IAS 17 "Leases".

Investment in an associate

An associate is an entity on which the company exerts significant influence. Significant influence is the ability to participate in the investee's financial decisions and operational policies, but it does not reach control, or joint control over those policies. The company's investment in associates is calculated using the equity method.

According to the equity method, investments in associates are included in the statement of financial position at cost plus post-acquisition changes in the company's share of the associate's net assets. Goodwill associated with associates is included in the book value of the investment and is not amortized or independently tested for impairment.

The share of the results of the operations of associates is included in the statement of profit or loss and other comprehensive income of the company. In the event of any direct changes in the equity of associates, the Company shall recognize its share of such changes and disclose them, if appropriate, in the statement of changes in equity. Unrealized gains or losses resulting from operations between the Company and associates are excluded within the limits of the Company's share in the associates. The company's share in the results of associates is displayed in the statement of profit or loss and other comprehensive income after operating profits.

The financial statements of associates are prepared for the same financial period of the company. Adjustments are made if necessary to align the accounting policies of associates with the accounting policies of the company.

4 - Summary of significant accounting policies (continued)

Investment in an associate (continued)

After applying the equity method, the Company shall determine, at the date of preparation of the financial statements, the extent to which there is objective evidence of impairment in the value of the investment in the associates and if such evidence exists, the Company shall estimate the amount recoverable from the value of the investment. The recoverable amount of the investment value is the fair value of the investment or unit producing cash less the costs of selling the investment or its value in use – whichever is lower.

When significant impact is lost on the associate, the company measures the recognition of any investments held at fair value, and any difference between the book value of the associates is recognized when impact is lost. Clear and fair value of retained investments and disposal proceeds in the separate statement of profit or loss and other comprehensive income.

Financial instruments

<u>Financial assets</u>

IFRS 9 includes three main classification categories for financial assets: measured at amortized cost, fair value by other comprehensive income, and fair value by profit or loss. This classification is generally based on the business model through which the financial asset and associated contractual cash flows are managed. The standard excludes the classification categories contained in IAS 39 for assets held to maturity, loans and financial assets available for sale.

Upon initial recognition, financial assets are classified at amortized cost, fair value through other comprehensive income, or fair value through profit or loss.

Financial assets at amortized cost

Financial assets are measured at amortized cost if they meet the following conditions (which is not determined by fair value through profit or loss):

- are held within a business model intended to hold financial assets to collect contractual cash flows, and
- The contractual terms of the financial asset result in cash flows on specific dates which are only payments for principal and interest due on principal of outstanding amount.

Financial assets at fair value through other comprehensive income

Debt instruments:

A debt instrument is measured at fair value through other comprehensive income only if it meets the following two conditions (and is not defined at fair value through profit or loss):

- are held within a business model that fulfills its purpose by collecting both contractual cash flows and selling financial assets, and
- The contractual terms of the financial asset result in cash flows on specific dates which are only payments for principal and interest due on principal of the outstanding amount.

Financial assets measured at fair value by other comprehensive income are classified as non-current assets in the statement of financial position.

Equity instruments:

Upon initial recognition of an equity investment not held for trading, the Company may irrevocably choose to present subsequent changes in fair value in other comprehensive income. This selection is made on an investment-by-investment basis.

Financial assets at fair value through profit or loss

All other financial assets are classified as measured at fair value through profit or loss.

In addition, upon initial recognition, the Company may irrevocably identify a financial asset that meets the requirements to be measured at amortized cost or fair value through other comprehensive income as well as fair value through profit or loss if doing so eliminates or materially reduces the accounting incompatibilities that may arise.

Financial assets are not reclassified after initial recognition, except in the period following a change in the Company's business model for managing financial assets.

4 - Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities

IFRS 9 has significantly retained the current requirements of IAS 39 for the classification of financial liabilities. However, although all changes in fair value liabilities under IAS 39 determined under the fair value option are included in the statement of profit or loss, changes in fair values under IAS 9 are generally presented as follows:

- View the amount of change in fair value attributable to changes in liability credit risk in other comprehensive income, and
- View the remaining amount of the change in fair values in the profit or loss statement.

Upon initial recognition, the Company classifies its financial liabilities as measured at amortized cost. Subsequently, financial liabilities are measured at amortized cost, unless required to be measured at fair value through profit or loss or the entity has chosen to measure the liability through profit or loss in accordance with the requirements of IFRS (9).

Inventory

Inventory is measured at cost or net realizable value, whichever is lower. Costs are the expenses incurred in order to bring the product to the current location in its current state and are determined on the basis of the weighted average. Net realizable value is based on the estimated selling price during the normal course of business less any additional costs expected to be incurred upon completion or sale. A custom is configured for provision for obsolete and slow-moving inventory if the need arises.

Related parties

A related party is a person or entity related to the Company, and a related person is if he has control or significant influence over the Company or is a member of the main management, and the entity is related if the entity is a member of the same Company as a parent Company, subsidiary, associate or related Company joint venture, or both entities are joint ventures of a third party.

Transaction with related parties transfer of resources, services, or obligations between the Company and the related party, regardless of whether the price is charged. Key management personnel are the authorized and responsible persons for planning and management, and they have direct or indirect control over the operations of the Company, including the manager.

Account receivables

Accounts receivable are stated at the original amount of the bill less the allowance for any uncollectible amounts. An expected credit loss provision is charged when there is objective evidence indicating that the Company is unable to collect the amounts due according to the original terms of the receivables, and bad debts are written off when identified against the related allocations are charged to the statement of profit or loss, and any subsequent recoveries of receivables that were previously written off are added to other revenue.

Decrease in the value of financial assets

The new impairment requirements of IFRS 9 use more forward-looking information to recognize expected credit losses – the expected credit loss model.

The recognition of credit losses is no longer dependent on the Company initially identifying a credit loss event. Instead, the Company takes into account a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions and reasonable and supportable forecasts that affect the expected recoverability of future cash flows of the instrument.

When applying this forward-looking approach, a distinction is made between:

- Financial instruments whose credit quality has not declined significantly since initial recognition or that contain low credit risk (first stage) and,
- Financial instruments whose credit quality has declined significantly since initial recognition and whose credit risk is not low (stage two),
- "The stage three" covers financial assets that have objective evidence of impairment at the reporting date. However, none of the Company's assets fall into this category.

4 - Summary of significant accounting policies (continued)

Decrease in the value of financial assets (continued)

The 12-month expected credit losses are recognized for the first category while "lifetime expected credit losses" are recognized for the second category.

The expected credit losses measurement is determined by estimating the weighted probability of credit losses over the expected life of the financial instrument.

The Company recognizes 12-month expected credit losses for financial assets at fair value through other comprehensive income (if any). Since most of these instruments have excellent credit ratings, the probability of them being neutral is small. However, at each reporting date, the Company assesses whether there has been a significant increase in the credit risk of the instrument.

Cash and cash equivalents

It includes: cash at banks, cash on hand, cash at investment portfolios, checks for collection, and bank current accounts for liquid financial assets that can be liquidated within a period of three months or less from the date of acquisition.

Dividend distribution

Dividend distributions to shareholders are recorded as a liability when these dividends are approved. According to the Companies Law in the Kingdom of Saudi Arabia, dividends are approved when approved by shareholders or authorized by them to the Board of Directors to distribute dividends to shareholders. This is commensurate with the company's financial position and cash flows. The corresponding amount is deducted directly from equity.

Employee Benefits

- *Employees' defined benefit plan obligations*
  Liabilities related to defined benefit plans are determined using the projected credit unit method with actuarial valuations made at the end of the annual reporting period. The method involves making assumptions about discount rates, future salary increases and mortality rate, and given the nature of these long-term benefits, these estimates are subject to certain uncertainties. and important assumptions used to make the actuarial valuation.

- *Retirement benefits*
  The Company pays retirement contributions for its Saudi employees to the Social Insurance Institution, and it represents a specific contribution plan, and the payments are considered as expenses when incurred.

- *Short-term employees' benefit*
  The obligation for benefits due to employees in respect of wages, salaries, annual leave and sick leave in the period in which the service related to them is provided is recognized at the uneducated amount of benefits expected to be paid for that service.
  Recognized liabilities for short-term employee benefits are measured by the amount expected to be paid for the service rendered.

Contingent liabilities

All contingent liabilities arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not entirely within the control of the Company, or all present obligations arising from past events but not confirmed for the following reasons:

- There is no possibility that an outflow of resources embodied in the economic benefits will be required to settle the obligation, or
- It is not possible to measure the amount of the obligation with sufficient reliability; They must all be evaluated at the date of each statement of financial position and disclosed in the Company's financial statements as potential liabilities.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether or not invoiced by suppliers are submitted.

4 - Summary of significant accounting policies (continued)

Provisions
Provisions are recognized when there are liabilities (legal or foreseeable) on the Company resulting from past events and the costs of repayment of the obligation are probable and reliably measurable.

The amounts included as a provision are the best estimate of the consideration required to settle the current liability at the end of the financial statement period, taking into account the risks and uncertainty of the liability. When the provision is measured using the estimated cash flows to settle the current obligation, its carrying value is the present value of these cash flows when the effect of the time value of money is material. When discounting is used, the increase in the provision due to the passage of time is recognized as financing costs.

When some or all of the economic benefits required to settle a provision are expected to be recovered from another party, a receivable is recognized as an asset when receipt is virtually certain and the amounts of the receivable can be measured reliably.

Zakat
- The Zakat provision is recognized at the end of each fiscal year in accordance with the regulations of the Zakat, Tax and Customs Authority of the Kingdom of Saudi Arabia (the "Authority").
- The Zakat provision at the end of each fiscal year is charged to the profit or loss statement, and the Zakat liabilities, if any, related to the Zakat assessments for previous years are recognized by the Authority in the period in which the final assessments are issued.

Withholding tax
The Company collects taxes on transactions with non-resident parties in the Kingdom of Saudi Arabia and dividend distribution paid for non-resident partners accordance with the regulations of the Zakat, Tax and Customs Authority.

Value Added Tax (VAT)
Expenses and assets are recognized net after deducting the amount of VAT, except:
- When VAT incurred on the purchase of assets or services is not refundable from the tax authority, VAT is recognized as part of the cost of acquiring the asset or as part of the expense item, as the case may be.
- And when listing accounts receivable and payable with VAT amount. The net amount of VAT recoverable from or payable to the tax authority as part of accounts receivable or payable is included in the statement of financial position.

Revenue recognition
Revenue is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

The Company recognizes revenue when it transfers control over a product or service to a customer. The principles in IFRS 15 are applied using the following five steps:

1- Defining the contract with the customer: A contract is defined as an agreement between two or more parties that creates enforceable rights or obligations and defines the criteria that must be met.
2- Defining performance obligations in the contract: A performance obligation is a promise with a customer to transfer a good or provide a service.
3- Determining the transaction price: the transaction price is the amount of consideration that the Company expects to achieve in return for transferring the promised goods or services to the customer, excluding the amounts collected on behalf of third parties.
4- Allocation of transaction price: performance obligations in the contract: For a contract that contains more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that specifies the amount of consideration that the Company makes, specifying the amount of consideration that the Company expects to receive in exchange for fulfillment with all commitment.
5- Recognize revenue when (as) the entity satisfies the performance obligation.

4 - Summary of significant accounting policies (continued)

Revenue recognition (continued)

Revenue is recognized when the performance obligations are fulfilled and that is when the service is provided to the customer. Performance commitment is a promise to provide service to the customer. Upon fulfillment of performance obligations, revenue is recorded at the fair value of the benefit provided, and any amounts collected on behalf of any external parties and any price discounts are excluded from the service price.

If the service invoice to the customer includes certain different services, the invoice price is distributed proportionally, and the revenue of the services is realized upon fulfilling the performance obligations and providing the service to the customer. The Company provides its services directly and is not considered an agent for any other parties.

Define contracts with the Client
The Company conducts a meticulous assessment of the terms and conditions of contracts with its clients because revenue is only realized when performance obligations in the contracts with the clients are fulfilled. Any changes in the scope or price (or both) of the contract are considered amendments to the contract, and the Company determines whether this change will be considered a new contract or accounted for as part of the current contract. The Company also substantiates the impact that the contract modification will have on the transaction price.

Define Performance Obligations
Once the Company identifies the contract with the client, it assesses the contractual terms and usual business practices to identify all services agreed upon within the contract. It determines any of those agreed-upon services (or a Company of agreed-upon services) that will be treated as separate performance obligations.

Determining the transaction price
The Company determines the transaction price as the amount it expects to receive. This includes an estimate of any variable consideration and the effect of the time value of money and the fair value of any non-cash consideration, as well as the effect of any consideration paid or payable to a customer (if applicable). Variable consideration is constrained to the amount for which there is a high probability of not resulting in a significant revenue reversal when uncertainties associated with the variable consideration are resolved.

Allocation of transaction price
Upon determining the performance obligations and transaction price, the transaction price is allocated to the performance obligations, typically based on their standalone selling prices (i.e., on a relative standalone selling price basis). When determining standalone selling prices, the Company must use observable information, if available. If standalone selling prices are not directly observable, the Company uses estimates based on reasonably available information.

Revenue Recognition
Revenue is recognized only when the Company satisfies a performance obligation by transferring control of a promised service to the customer. Control may transfer over time or at a specific point in time. When a performance obligation is satisfied over time, the Company determines the extent of progress towards completion based on the input or output method, which provides the best measure of progress towards completion to date. The chosen method is consistently applied to similar performance obligations and in similar circumstances.

4 - Summary of significant accounting policies (continued)

Revenue recognition (continued)

Recognition of revenue from sales of goods
Sales of goods are recognized when the goods have been delivered and the significant rewards and risks of ownership of the goods have passed to the buyer, usually on delivery of the goods, as this is the point in time at which the amount is unconditional, because only the passage of time is required before payment is due.

Return Policy
The Company does not grant customers the right to return products within a limited period. Returns are recorded after management reviews and accepts any defects or deviations from the specified order by the customer.

Other income
Other income is recognized when realized.

Cost of Revenue

The cost of revenue includes all direct operating expenses directly related to generating revenue, including costs of services from external sources (if any), such as maintenance.

Expenses

Expenses are recognized when incurred on an accrual basis and classified as follows:

Selling and Marketing Expenses: These expenses include costs related to marketing and sales efforts.

General and Administrative Expenses: All other expenses, excluding financing costs, are classified as general and administrative expenses.

Common expenses are allocated among cost of sales, general and administrative expenses, and selling and marketing expenses. Common expenses are allocated based on fixed principles.

Segment information

Business sector:
A set of assets and processes that together share the delivery of products or services subject to risks and returns that differ from those of other business segments and that are measured according to the reports used by the CEO and the Company's key decision maker.

Geographical sector:
It is associated with the delivery of products in a specific economic environment subject to risks and returns that differ from those related to business sectors in other economic environments.

Earnings per share

Basic EPS is calculated by dividing the year's net profit by the weighted average number of shares outstanding as at the end of the year. Basic EPS from the main business is calculated by dividing the net profit from the main business by the weighted average number of shares outstanding as at the end of the year.

Offsetting

Financial assets and liabilities are set off and recorded net in the statement of financial position when there is a legal right to apply the process of set-off between these amounts, and the Company intends to settle on the basis of the net of these amounts or to recognize the assets and settle the liabilities simultaneously.

Foreign currencies transactions

Foreign currency transactions are converted to Saudi riyals at the conversion rates prevailing at the time of the transaction, and financial assets and liabilities in foreign currencies as at the date of the special purpose statement of financial position are converted to Saudi riyals at the prevailing rates at that date. Gains and losses resulting from repayments or foreign currency conversion are included in the statement of profit or loss.

(Saudi riyals)

5 - Property, Plant and equipment

A- This item consists of the following:

2024	Lands	Buildings and constructions	Machinery and equipment	Tools & Equipment	Office equipment and furniture	Vehicles	Capital work in progress (B)	Total
Cost								
Balance, beginning of the year	46,442,583	50,376,845	193,454,085	2,013,332	8,245,832	16,873,627	2,284,416	319,690,720
Re-class	-	42,855	(22,817,238)	29,372,536	(17,678)	(6,580,475)	-	-
Additions	-	3,119,500	3,025,531	3,223,038	1,212,334	1,114,811	27,427,523	39,122,737
Disposals	-	(33,161)	-	-	-	(81,400)	-	(114,561)
Transfers	-	6,688,315	13,074,390	-	-	-	(19,762,705)	-
Balance, end of the year	46,442,583	60,194,354	186,736,768	34,608,906	9,440,488	11,326,563	9,949,234	358,698,896
Accumulated depreciation								
Balance, beginning of year	-	19,192,298	172,347845	1,293,169	6,978,188	14,834,571	-	214,646,071
Re-class	**-**	**32,838**	**(16,998,410)**	**22,352,647**	**(10,528)**	**(5,376,547)**	**-**	**-**
Charged for the year	**-**	**1,506,493**	**6,664,078**	**2,048,424**	**385,140**	**418,217**	**-**	**11,022,352**
Disposals	**-**	**(1,887)**	**-**	**-**	**-**	**(81,397)**	**-**	**(83,284)**
Balance, end of the year	**-**	**20,729,742**	**162,013,513**	**25,694,240**	**7,352,800**	**9,794,844**	**-**	**225,585,139**
Net book value	**46,442,583**	**39,464,612**	**24,723,255**	**8,914,666**	**2,087,688**	**1,531,719**	**9,949,234**	**133,113,757**
2023								
Cost								
Balance, beginning of the year	43,502,583	42,205,002	191,019,763	1,836,655	7,885,209	16,082,958	684,463	303,216,633
Additions	2,940,000	8,072,635	2,434,322	176,677	360,623	857,169	1,699,161	16,540,587
Disposals	-	-	-	-	-	(66,500)	-	(66,500)
Transfer	-	99,208	-	-	-	-	(99,208)	-
Balance, end of the year	46,442,583	50,376,845	193,454,085	2,013,332	8,245,832	16,873,627	2,284,416	319,690,720
Accumulated depreciation								
Balance, beginning of year	-	17,843,533	164,770,286	1,155,604	6,447,803	14,174,841	-	204,392,067
Charged for the year	-	1,348,765	7,577,559	137,565	530,385	726,230	-	10,320,504
Disposals	-	-	-	-	-	(66,500)	-	(66,500)
Balance, end of the year	-	19,192,298	172,347,845	1,293,169	6,978,188	14,834,571	-	214,646,071
Net book value	46,442,583	31,184,547	21,106,240	720,163	1,267,644	2,039,056	2,284,416	105,044,649

B- Depreciation expense on property, plant and equipment was distributed as follows

	Note	**2024**	2023
Cost of sales	18	**10,118,775**	8,988,424
Selling and marketing expenses	19	**560,561**	751,986
General and administrative expenses	20	**343,016**	580,094
		11,022,352	10,320,504

(Saudi riyals)

5 - Property, Plant and equipment

C- Capital work in progress for a total cost of SR 9,949,234 as at 31 December 2024 (31 December 2023: SR 2,284,416) represents the cost of the new machinery and the company's project for enterprise resource planning system and is expected to be completed during 2025. The expected cost of completing these works is SR 283,500.

D- The cost of property, plant and equipment fully depreciated and still operating was SR 142,882,579 as at 31 December 2024 (2023: SR 131,505,907).

6 - Right of use assets, and Lease liabilities

A- This item consists of the following:

	Lands	
	2024	2023
Cost		
Balance, beginning of the year	**6,106,421**	5,928,791
Addition	**-**	177,630
Balance, end of the year	**6,106,421**	6,106,421
Accumulated depreciation		
Balance, beginning of the year	**2,609,195**	1,694,494
Charge for the year – (note 18)	**1,004,618**	914,701
Balance, end of the year	**3,613,813**	2,609,195
Net book value	**2,492,608**	3,497,226

B- The following is the movement made on Lease liabilities:

	2024	2023
Balance, beginning of the year	**3,512,023**	**4,176,863**
Addition	**-**	**177,630**
Interest expense charged for the year	**132,333**	190,006
Payments	**(1,024,328)**	(1,032,476)
Balance, end of the year	**2,620,028**	3,512,023

C- The lease liabilities are classified as follows:

	2024	2023
Lease liabilities – non-current portion	**2,164,798**	2,620,028
Lease liabilities – current portion	**455,230**	891,995

D- The lease payments and financing expenses related to the lease liabilities were as follows:

2024	**Current**	**1-5 Years**	**Total**
Lease Payments	**566,911**	**2,594,726**	**3,161,637**
Financing expenses	**(111,681)**	**(429,928)**	**(541,609)**
Net Present Value	**455,230**	**2,164,798**	**2,620,028**

2023			
Lease Payments	1,024,328	3,161,637	4,185,965
Financing expenses	(132,333)	(541,609)	(673,942)
Net Present Value	891,995	2,620,028	3,512,023

E- The leases are related to lands on which the factories and housing of employees are built.

F- The Company has followed the policy of charging the cost of financing to the statement of profit or loss over the lease period using the effective interest rate of 4.8% and the right of use assets has been depreciated over the useful life of the asset or the lease period, whichever is shorter, on a straight-line basis.

G- Expenses related to short-term leases for the year ended 31 December 2024 amounted to SR 1,060,492 Saudi riyals (2023: SR 1,459,809) – (note 18&19).

(Saudi riyals)

7 - Investment in an associate

A- The company invested in Arabian A1 Fens Industries Company (A limited Liabilitiy company). The company owns 30% of the capital.

B- The following is the movement made on the investment in the associate:

	2024	2023
Balance, beginning of the year	1,654,940	-
Addition	**-**	282,000
Share in the results of the associate	**3,307,653**	1,372,940
Balance, end of the year	**4,962,593**	1,654,940

C- The following table summarizes the information related to Arabian A1 Fens Industries Company:

	2024	2023
Non-current assets	**3,588,338**	983,661
Current assets	**65,297,330**	27,564,896
Non-current liabilities	**17,968,647**	42,193
Current liabilities	**36,344,546**	22,816,124
Net assets	**14,572,475**	5,690,240
Revenue	**224,493,536**	78,145,599
Net profit for the year	**13,656,138**	4,874,918

8 - Related parties transactions

There are transactions made during the year with related parties within the Company's normal business and with the approval of management, and the management believes that the terms of these transactions are not materially different from any other transactions carried out by the management with any third party. This item consists of the following:

A- The balance due from related parties is as follows:

	2024	2023
Arabian A1 Fens Industries Company **(*)**	**11,250,000**	-
Elegant Romoz for Tranding Company	**642,776**	1,273,022
	11,892,776	1,273,022

* In 2023, Arabian A1 Fens Industries Company (an associated company) entered into a loan agreement with the Company to obtain a loan of SR 11,250,000 to finance its operational activities and working capital requirements. The repayment of the loan is agreeed to be after 30 months from the date of each loan installment is drawn. The loan was drawn in four installments with the first drawdown on 25 February 2024. As a result, the full loan balance has been classified under non-current assets. The loan balance stood at SR 11,250,000 as of 31 December 2024.

The due from related parties are classified as follows:

	2024	2023
Due from related parties – non-current portion	**11,250,000**	-
Due from related parties – current portion	**642,776**	1,273,022

B- The following is the balance due to the related party:

	2024	2023
Arabian A1 Fens Industries Company	**956,566**	1,325,163

(Saudi riyals)

8 - Related parties transactions (continued)

C- The following are the significant transactions with related parties:

Related party	Nature of the relationship	Nature of transaction	2024	2023
Arabian A1 Fens Industries Company	Associate company	Purchases	**(58,554,242)**	(39,566,424)
		Sales	**8,959,903**	3,875,620
		loan	**(11,250,000)**	-
Elegant Romoz for Tranding Company	Affiliate	Sales	**4,458,345**	8,252,534

(*) An Affiliate is a related party in whose capital shareholders own a share, or is a related party in whose the company has a representation in management.

Compensation of senior management personnel

Compensation for senior management personnel is those amounts paid to persons who have the authority and responsibility to plan, direct and control, directly or indirectly the activities of the Company, including any director (whether executive or otherwise) where the compensation of senior management personnel includes:

	2024	2023
Salaries & Benefits	**5,495,972**	5,806,020

9 - Inventories

A- This item consists of the following:

	2024	2023
Raw materials	**19,117,940**	39,166,467
Work in progress	**12,427,757**	11,347,448
Finished goods	**98,934,599**	105,603,857
Not for sale Spare parts	**10,979,894**	8,824,312
	141,460,190	164,942,084

B- The following is the movement made on the provision for obsolete and slow-moving inventory:

	2024	2023
Balance, beginning of the year	-	134,916
Reverse	-	(134,916)
Balance, end of the year	-	-

10 - Accounts receivable

A- This item is as follows:

	2024	2023
Accounts receivable – (B)	**94,496,314**	100,288,432
Provision for expected credit losses – (C)	**(5,662,234)**	(4,743,469)
	88,834,080	95,544,963

B- The following is the aging for accounts receivable:

	1-90 days	91 – 180 days	181-365 days	More than 365 days	Total
2024	**82,579,219**	**3,182,653**	**3,750,433**	**4,984,009**	**94,496,314**
2023	84,902,875	10,393,864	671,332	4,320,361	100,288,432

C- The following is the movement made on the provision for expected credit losses:

	2024	2023
Balance, beginning of the year	**4,743,469**	4,334,649
Charge	**918,765**	408,820
Balance, end of the year	**5,662,234**	4,743,469

D- Note 25 shows information about exposure to credit risk on receivables.

(Saudi riyals)

11 - Prepaid expenses and other assets

	2024	2023
Advance payments to suppliers	**7,039,985**	33,704,901
Deposits	**3,066,766**	4,382,586
Letters of guarantee	**1,825,308**	4,680,035
Employee receivables	**1,655,655**	1,426,504
Prepaid expenses	**1,256,847**	3,160,426
Letters of credit	**145,362**	381,222
Others	**1,241,085**	1,132,653
Provision on other assets	**(3,085,679)**	(3,085,679)
	13,145,329	45,782,648

12 - Cash and cash equivalents

	2024	2023
Cash at banks	**44,424,301**	37,852,008
Cash on hand	**43**	1,997
	44,424,344	37,854,005

13 - Dividends distribution

The Board of Directors decided in its meeting held on 28 Rabi' al-Thani 1446 H (corresponding to 31 October 2024), based on the authorization of the Extraordinary General Assembly meeting held on 20 Shawwal 1445 H (corresponding to 29 April 2024) to distribute dividends of an amount of SR 21,060,000 from retained earnings. The distribution was made on 22 Jumada al-Awal 1446 H (corresponding to 24 November 2024) (2023: SR 28,080,000).

14 - Reserves

In line with the requirements of the Companies Law, the Company's articles of association may stipulate that a certain percentage of net profit will used to form a reserve to be allocated for the purposes specified by the Company's Bylaws. According to the company's bylaws, the General Assembly determines the percentage that must be distributed to the shareholders from the net profits after deducting the reserves (if any). The General Assembly has not specified a specific percentage to be set aside from the net profit for the year to form any reserves.

In order to align with the provisions of the new Companies' Law issued by Royal Decree M/132 dated 1 Dhu al-Hijjah 1443H (corresponding to 30 June 2022) (hereinafter referred to as the "Regulation") came into effect on 26 Jumada al-Akhirah 1444H (corresponding to 19 January 2023). The shareholders decided in their meeting held on 20 Shawwal 1445H (corresponding to 29 April 2024), to transfer the statutory reserve amounting to SR 79,951,194 to the retained earnings

15 - Employees' defined benefit plan obligations

A- The Company determines the present value of employees defined benefit plan measurement obligations determined by an actuarial valuation in the estimated additional unit model, after taking into consideration the following set of assumptions:

	2024	2023
Discount rate	**%5.38**	%5.03
Salary increase rate	**%1**	%1
Turnover rate of workers	**medium**	medium

(Saudi riyals)

15 - Employees' defined benefit plan obligations (continued)

B- The following is the movement of employees defined benefit plan obligations:

	2024	2023
Balance, beginning of the year	8,132,219	7,665,799
Paid during the year	**(928,465)**	(764,160)
Stated in statement of profit or loss		
Current service cost	**1,016,027**	1,133,821
Interest cost	**409,051**	374,858
	1,425,078	1,508,679
Stated in other comprehensive income		
Gains from remeasurement of employees' defined benefit plan obligations	**(417,041)**	(278,099)
Balance, end of the year	**8,211,791**	8,132,219

C- Sensitivity in employees defined benefit plan obligations:

	2024		2023	
	Increase 0.5%	**Decrease 0.5%**	Increase 0.5%	Decrease 0.5%
Discount rate	**7,854,127**	**8,593,134**	7,761,042	8,528,264
Salary increase rate	**8,609,957**	**7,835,786**	8,542,509	7,744,867

The above analyses are based on the change in assumptions while all other assumptions are constant. Scientifically, this is unlikely and some changes in some assumptions may be related to each other, and when calculating the sensitivity of employee end-of-service benefits to a material actuarial assumption, the same method is applied (the present value of employees' end-of-service benefits calculated on the basis of the estimated unit cost method at the end of the reporting period) when calculating employee end-of-service benefits recognized in the statement of financial position.

16 - Accrued expenses and other liabilities

	2024	2023
Advance payments from customers	**10,051,705**	10,783,928
Accrued commission	**2,654,246**	3,514,393
Accrued employee benefits	**2,559,908**	3,073,613
Value added tax (VAT)	**1,514,203**	414,035
Accrued rewards and incentives	**1,425,000**	1,674,992
Others	**960,207**	874,564
	19,165,269	20,335,525

17 - Zakat provision

A- The following are the main components of the zakat basis:

	2024	2023
Positive elements of the basis	**379,057,447**	383,378,202
Negative elements of the basis	**(151,548,852)**	(129,398,653)
	227,508,595	253,979,549
Adjusted net profit	**16,256,158**	28,135,934
Net zakat basis	**243,764,753**	282,115,483
Zakat	**6,300,699**	7,250,188
Useless Provision	**(27,772)**	(1,451,173)
	6,272,927	5,799,015

(Saudi riyals)

17 - Zakat provision (continued)

B- The following is the movement of zakat provision:

	2024	2023
Balance, beginning of the year	7,277,960	10,505,940
Charge	**6,272,927**	5,799,015
Paid	**(7,250,188)**	(9,026,995)
Balance, end of the year	**6,300,699**	7,277,960

C- <u>Zakat status</u>

The Company has finalized its zakat status until 2022. The Company submitted the zakat return and financial statements to the Zakat, Tax and Customs Authority for the year 2023, paid what was due according to the return and obtained the required zakat certificate, and the zakat examination for the year 2023 is in progress.

18 - Cost of sales

A- This item consists of the following:

	2024	2023
Inventory, beginning of the year	**164,942,084**	192,127,759
Purchases	**586,518,681**	660,049,044
Direct expenses - (B)	**39,369,136**	40,835,295
Inventory, end of the year	**(141,460,190)**	(164,942,084)
	649,369,711	728,070,014

B- The following are the details of direct expenses:

	2024	2023
Employees' salaries and other benefits	**15,585,749**	16,498,572
Depreciation of property, plant and equipment - (note 5)	**10,118,775**	8,988,424
Spare parts and maintenance	**4,724,578**	6,284,938
Service fees	**4,242,343**	4,656,586
Depreciation of right of use assets - (note 6)	**1,004,618**	914,701
Rentals - (note 6)	**154,082**	398,823
Reverse for obsolete and slow-moving inventory	**-**	(134,916)
Others	**3,538,991**	3,228,167
	39,369,136	40,835,295

19 - Selling and marketing expenses

	2024	2023
Shipping and transportation	**7,470,277**	7,669,067
Employees' salaries and other benefits	**7,461,950**	7,944,079
Selling commissions	**1,596,210**	1,966,724
Maintenance and repairs	**1,261,151**	1,287,568
Rentals - (note 6)	**906,410**	1,060,986
Depreciation of Property, Plant and equipment - (note 5)	**560,561**	751,986
Government fees	**140,920**	242,249
Others	**1,061,231**	1,125,920
	20,458,710	22,048,579

(Saudi riyals)

20 - General and administrative expenses

	2024	2023
Employees' salaries and other benefits	**12,838,743**	12,261,712
Reward of the Board of Directors and sub-committees	**1,298,008**	1,662,996
Government fees and subscriptions	**1,081,179**	931,547
Professional and consulting fees	**694,197**	813,900
Depreciation of Property, Plant and equipment - (note 5)	**343,016**	580,094
Bank fees	**45,157**	50,439
Others	**510,092**	628,866
	16,810,392	16,929,554

21 - Basic and diluted earnings per share

Earnings per share for the year are as follows:

	2024	2023
Net profit from operations	**19,728,501**	25,324,879
Weighted average number of shares	**28,080,000**	32,349,699
Basic earnings per share of net profit from main operations	**0.70**	0.78
Net profit for the year	**16,232,927**	20,419,420
Weighted average number of shares	**28,080,000**	32,349,699
Basic earnings per share of net profit for the year	**0.58**	0.63
Number of shares outstanding as at the end of the year	**28,080,000**	28,080,000

The diluted earnings per share are similar to basic earnings per share because the Company does not have any convertible shares.

22 - Segment information

The Company presents its sectoral information by dividing its activities into two main strategic sectors. Each of these two sectors provides diverse services and is managed independently due to their different economic characteristics, such as sales growth trends, rates of return, and levels of capital investment. Each sector also adopts different marketing strategies. Below is a breakdown of the operating sectors

Industrial sector sales: includes products that serve the construction sector for construction, building and housing projects.
Commercial sector sales: includes products that serve the consumer civil sector.
The Company uses gross profit of sector to measure performance because management believes that this information is the most appropriate to evaluate the results of the relevant sectors in relation to other entities that operate in the same industries.

A- The following are some of the financial information of those business sectors

31 December 2024	**Industrial Sector**	**Commercial Sector**	**Total**
Sales	**358,325,520**	**348,960,559**	**707,286,079**
Cost of sales	**(313,382,448)**	**(335,987,263)**	**(649,369,711)**
Gross profit	**44,943,072**	**12,973,296**	**57,916,368**
31 December 2023			
Sales	448,390,930	344,390,916	792,781,846
Cost of sales	(390,476,698)	(337,593,316)	(728,070,014)
Gross profit	57,914,232	6,797,600	64,711,832

(Saudi riyals)

22 - Segment information (continued)

A- The following are some of the financial information of those business sectors (continued)

31 December 2024			
Property, plant and equipment	**89,706,751**	**43,407,006**	**133,113,757**
31 December 2023			
Property, plant and equipment	61,500,344	43,544,305	105,044,649

B- The following are some financial statements for those geographical sectors

31 December 2024	Industrial Sector	Commercial Sector	Total
Sales inside Saudi Arabia	**352,268,331**	**348,960,559**	**701,228,890**
Sales outside Saudi Arabia	**6,057,189**	**-**	**6,057,189**
Gross profit	**358,325,520**	**348,960,559**	**707,286,079**
31 December 2023			
Sales inside Saudi Arabia	439,631,267	344,390,916	784,022,183
Sales outside Saudi Arabia	8,759,663	-	8,759,663
Gross profit	448,390,930	344,390,916	792,781,846

23 - Contingent liabilities and commitments

Contingent liabilities and financial commitments on the statement of financial position are as follows:

	2024			2023
	Potential liabilities	Insurance	Net	Total
Letters of credit	**12,485,234**	**(145,362)**	**12,339,872**	29,200,000
Letters of guarantee	**36,506,155**	**(1,825,308)**	**34,680,847**	93,600,000
Capital commitments relating to capital work in progress	**9,949,234**	**-**	**9,949,234**	2,284,416

24 - Operating lease arrangements

The payments of the operating lease contracts due by the Company on the leased premises, and the minimum obligations under these contracts are as follows:

	2024	2023
Less than a year	**1,291,776**	1,123,134
From one to five years	**2,690,178**	1,521,993
More than five years	**1,101,997**	1,396,208

25 - Financial instruments, risk management and fair value

Financial instruments

The financial instruments included in the statement of financial position mainly include the following:

	2024	2023
Financial assets		
Due from related parties	**11,892,776**	1,273,022
Accounts receivable	**88,834,080**	95,544,963
Prepaid expenses and other assets	**13,145,329**	45,782,648
Cash and cash equivalent	**44,424,344**	37,854,005
	158,296,529	180,454,638
Financial liabilities		
Lease liablities	**2,620,028**	3,512,023
Due to related party	**956,566**	1,325,163
Accounts payable	**35,522,044**	43,051,335
	39,098,638	47,888,521

The company does not have any financial assets or financial liabilities at fair value.

(Saudi riyals)

25 - Financial instruments, risk management and fair value (continued)

Risk management

The Company's management has overall responsibility for developing and supervising the Company's risk management frameworks. The Company's risk management policies are developed to identify and analyze the risks faced by the Company, establish appropriate risk limits and controls, and monitor and adhere to those risks. Risk management policies and systems are regularly reviewed to reflect changes in market conditions and Company activities. Through its training and management procedures and standards, the Company aims to create a constructive and regular control environment in which employees are aware of their mandates and obligations.

- *Credit risk*

Credit risk is the risk of financial loss faced by the Company in the event that the customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from cash at banks and amounts due from clients. The maximum credit risk exposure represents the book value of these assets.

The cash balance is represented in current accounts, where cash is deposited with financial institutions with a high credit rating, management considers that the Company is not exposed to material risks. Customer-related credit risk is managed by a business unit subject to the Company's policies, procedures and controls on the management of customer-related credit risk. Credit limits have been established for all customers using internal and external rating standards and controls. The credit quality of customers is evaluated according to a credit rating system. Outstanding receivables are monitored regularly.

The credit risk to which the Company is exposed is as follows:

	2024	2023
Due from related parties	**11,892,776**	1,273,022
Accounts receivable	**94,496,314**	100,288,432
Prepaid expenses and other assets	**7,934,176**	12,003,000
Cash at banks	**44,424,301**	37,852,008
	158,747,567	151,416,462

Customer credit risk is managed by each business unit in accordance with the Company's policy, procedures and controls related to the management of credit risk for customers. as at December 31, 2024.

An impairment analysis is performed on each financial reporting date using a custom matrix in measuring expected credit losses. The calculation reflects the weighted results of probability, the time value of money and the reasonable and supporting information available at the reporting date on past events, current conditions and projections of future economic conditions. The maximum exposure to credit risk as at the reporting date is the book value of each class of financial assets. Customers' outstanding receivables are monitored regularly.

The following is information about the exposure to credit risk on the Company's commercial receivables using the provision matrix:

25 - Financial instruments, risk management and fair value (continued)

Risk management (continued)

- *Credit risk (continued)*

The following is information about the exposure to credit risk on the Company's commercial receivables using the provision matrix:

2024	**1-90 days**	**91 – 180 days**	**181-365 days**	**More than 365 days**	**Total**
Accounts receivable	**82,579,219**	**3,182,653**	**3,750,433**	**4,984,009**	**94,496,314**
Exposure to default % of expected credit losses	**-**	**%2,84**	**%15,66**	**%100**	
Expected credit losses	**-**	**(90,367)**	**(587,858)**	**(4,984,009)**	**(5,662,234)**
Net	**82,579,219**	**3,092,286**	**3,162,575**	**-**	**88,834,080**
2023					
Accounts receivable	84,902,875	10,393,864	671,332	4,320,361	100,288,432
Exposure to default % of expected credit losses	-	%2,87	%18,63	%100	
Expected credit losses	-	(298,039)	(125,069)	(4,320,361)	(4,743,469)
Net	84,902,875	10,095,825	546,263	-	95,544,963

The movement on the provision for expected credit losses is as follows:

	2024	2023
Balance, beginning of the year	4,743,469	4,334,649
Charge	**918,765**	408,820
Balance, end of the year	**5,662,234**	4,743,469

The financial position of the related party is stable. There were no past due or impaired receivables.

- *Market risk*

Market risk is the risk of the potential impact of changes in market rates such as foreign exchange rates and commission rates, the objective of market risk management is to manage and control exposure to market risk within acceptable limits with the highest possible return.

Foreign exchange rate risk:

The foreign exchange rate is caused by changes and fluctuations in the value of financial instruments as a result of a change in foreign exchange rates. The Company's foreign exchange Risk Management aims to protect future cash flows in Saudi riyals, USD and EUR. Foreign exchange exposures related to cash flows are considered at the Company level and consist of Principal from currency exchange risk resulting from payables and receivables. The Company's management monitors currency exchange rates and believes that the risk of fluctuations in currency exchange rates is not effective.

Commission rate risk:

Commission risk appears from potential changes and fluctuations in commission rates that affect future profit or fair values of financial instruments and the Company monitors commission rate fluctuations and believes that the impact of commission rate risk is ineffective.

- *Capital risk*

The main objective of the Company's capital management is to support its business and increase the return on shareholders.

The Company's policy is to maintain a strong capital base to maintain the confidence of users of financial statements and maintain the future development of the business. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. Management monitors the return on capital, which is determined by the Company as the result of operating activities divided by total equity. There were no changes in the Company's way of managing capital during the year. Management also monitors the level of dividends to shareholders. The Company was not subject to externally imposed capital requirements.

(Saudi riyals)

25 - Financial instruments, risk management and fair value (continued)

Risk management (continued)

- *Capital risk (continued)*

The following is an analysis of the Company's debt-to-equity ratios at year-end:

	2024	2023
Total liabilities	**72,776,397**	83,634,225
Less: Cash and cash equivalents	**(44,424,344)**	(37,854,005)
Net debt	**28,352,053**	45,780,220
Total equity	**367,549,280**	371,959,312
Debt-to-equity ratio	**%7.71**	%12.31

- *Liquidity risk*

Liquidity risk represents the difficulties faced by the Company in meeting obligations related to its financial liabilities. The Company's approach to liquidity risk management is to maintain sufficient cash and quasi-cash and ensure the availability of funding from shareholders.

Management monitors liquidity shortfall risks using forecast models to determine the effects of operating activities on overall liquidity availability, and maintains an available cash flow ratio, ensuring debt is repaid at maturity.

The table below summarizes the maturity dates of the Company's financial liabilities based on undiscounted contractual payments:

2024	**1 to 12 months**	**1 to 5 years**	**Indefinite**	**Total**	**Book value**
Lease liablities	**566,911**	**2,594,726**	**-**	**3,161,637**	**2,620,028**
Employees' defined benefit plan obligations	**-**	**-**	**8,211,791**	**8,211,791**	**8,211,791**
Due to relatedy party	**956,566**	**-**	**-**	**956,566**	**956,566**
Account payable	**35,522,044**	**-**	**-**	**35,522,044**	**35,522,044**
Accrued expenses and other liabilities	**9,113,564**	**-**	**-**	**9,113,564**	**19,165,269**
	46,159,085	**2,594,726**	**8,211,791**	**56,965,602**	**66,475,698**
2023					
Lease liablities	1,024,328	3,161,637	-	4,185,965	3,512,023
Employees' defined benefit plan obligations		-	8,132,219	8,132,219	8,132,219
Account payable	1,325,163	-	-	1,325,163	1,325,163
Due to relatedy party	43,051,335	-	-	43,051,335	43,051,335
Accrued expenses and other liabilities	9,551,597	-	-	9,551,597	20,335,525
	54,952,423	3,161,637	8,132,219	66,246,279	76,356,265

Fair value

Fair value `represents the value at which assets can be exchanged or liabilities paid between parties with the knowledge and desire to do so and on fair dealing terms. Financial instruments consist of financial assets and financial liabilities. The company's management believes that the fair value of financial assets and liabilities does not differ materially from their book values.

26 - Comparative figures

Some of the comparative figures have been reclassified to fit the current year's classification, following is the effect of the reclassification:

	Balance before reclassification	reclassification	Balance after reclassification
Due from related parties	-	1,273,022	1,273,022
Accounts receivable	96,817,985	(1,273,022)	95,544,963
Accounts payable	55,160,426	(12,109,091)	43,051,335
Due to related party	-	1,325,163	1,325,163
Accrued expenses and other liabilities	9,551,597	10,783,928	20,335,525
Lease liabilities – non-current portion	2,636,817	(16,789)	2,620,028
Lease liabilities - current portion	875,206	16,789	891,995
Cost of sales	728,634,878	(564,864)	728,070,014
Finance costs of lease liabilities	-	190,006	190,006
Interest cost of employees defined benefit plan obligations	-	374,858	374,858

27 - Subsequent events

Subsequent to the date of the financial statements, the Company canceled the commercial registration No. 2050155579 issued in Dammam city on 4 Shaaban 1443 H.

Otherwise, the Company's management believes that there are no significant subsequent events after the date of the financial statements and before the issuance of these financial statements that require adjustments or disclosure.

28 - Approval of financial statements

The financial statements have been approved by the Board of Directors on 13 Ramadan 1446 H (corresponding to 13 March 2025).