

AL TAISEER GROUP TALCO INDUSTRIAL COMPANY CLOSED JOINT STOCK

(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

For the year ended 31 December 2023

AL TAISEER GROUP TALCO INDUSTRIAL COMPANY CLOSED JOINT STOCK
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2023

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KPMG Professional Services

Roshn Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No. 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة روشن، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤
المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Al Taiseer Group TALCO Industrial Company Closed Joint Stock

Opinion

We have audited the financial statements of **Al Taiseer Group TALCO Industrial Company Closed Joint Stock** (A Saudi Closed Joint Stock Company) ("the Company"), which comprise the statement of financial position as at 31 December 2023, 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, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting 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 International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (the "Code"), that is endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of 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.

Independent auditor's report (continued)

To the Shareholders of Al Taiseer Group TALCO Industrial Company Closed Joint Stock

Key audit matter	
Revenue recognition	
Sales revenue recognition – refer to note (3.17) to the financial statements for the accounting policy relating to revenue recognition and note (17) to the financial statements for the related disclosures.	
Key audit matters	How the matter was addressed in our audit
<p>During the year ended 31 December 2023, the Company recognized Revenue from sales of goods amounting to SR 671.4 million (2022: SR 749.9 million).</p> <p>Revenue from sales of goods is recognized at point in time when accepting and controlling the goods by the customer representative -which normally happens in dispatch area of the company premises- in accordance with "IFRS 15 Revenue from contracts with customers".</p> <p>The company is in the final stage for the initial public offering process and Revenue is one of the major indicators for measuring performance and estimating the company value, and consequently, there are inherent risks through recognizing revenue with more than its actual value or not recognizing in correct accounting period, in order to increase revenue and profitability. Therefore, the revenue recognition process has been considered as a key audit matter.</p>	<p>Among other procedures, we performed the following procedures:</p> <ul style="list-style-type: none"> ▪ Evaluated the appropriateness of the Company's accounting policies relating to revenue recognition and assessed the compliance with the applicable accounting standards. ▪ Assessed the design, implementation and testing the operational effectiveness of the manual internal control systems relevant to revenue recognition. ▪ Conducted analytical audit procedures for revenues, by comparing sales quantities and prices for the current year with the previous year, and determining whether there are any significant trends or fluctuations that need additional examination in light of our understanding of the current market conditions. ▪ Tested a sample of journal entries relating to revenue accounts and checked them to the underlying supporting documents. ▪ Performed cut-off procedures on the timing of revenue recognition from sales after the products were delivered to the customers and recorded during their correct accounting periods; and ▪ Evaluated the adequacy of disclosures made by the management in the accompanying financial statements.

Independent auditor's report (continued)

To the Shareholders of Al Taiseer Group TALCO Industrial Company Closed Joint Stock

Key audit matter (continued)

Impairment of trade and notes receivables

Expected credit losses of trade and notes receivables – Refer for to Notes (3.8) to the financial statements for the accounting policy relating to impairment of financial assets and Note 8 to the financial statements for the related disclosures.

Key audit matters	How the matter was addressed in our audit
<p>As at 31 December 2023, the Company's gross trade and notes receivables balance amounted to SR 349 million (2022: SR 345.2 million), against which a corresponding allowance for impairment of SR 32.8 million (2022: SR 30.6 million) was recorded.</p> <p>The Company assesses at each reporting date whether its trade and notes receivables are credit impaired. The Company has applied a simplified expected credit loss (ECL) model to determine the allowance for impairment. The ECL model involves the use of various assumptions, macro-economic factors and study of historical trends.</p> <p>We considered this as a key audit matter due to the judgement and estimation involved in the application and calculation of ECL model in determining impairment loss allowance as per the requirements of IFRS 9.</p>	<p>Among other procedures, our procedures included the following:</p> <ul style="list-style-type: none"> ▪ Assessed the design, implementation and testing the operational effectiveness of the manual internal control systems relevant to management calculation of the expected credit losses of trade and notes receivables. ▪ Assessed the methodology, assumptions and estimates used by management in preparing the expected credit losses models, including the assessment of future projections. ▪ Assessed the completeness and accuracy of the aging report of trade and notes receivables. ▪ Involved our specialists to test the key assumptions used by management and assess the reasonableness of the estimates used to determine impairment losses against trade and notes receivables; and ▪ Evaluated the adequacy of disclosures made by the management in the accompanying financial statements.

Other Information

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

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

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

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

Independent Auditor's Report (continued)

To the Shareholders of Al Taiseer Group TALCO Industrial Company Closed Joint Stock

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, 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 related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

AL TAISEER GROUP TALCO INDUSTRIAL COMPANY CLOSED JOINT STOCK


(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION**As at 31 December 2023**

(All amounts are expressed in Saudi Riyals unless otherwise stated)

	<u>Note</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
<u>ASSETS</u>			
Non-current assets			
Property, plant and equipment, net	4	108,533,370	115,473,814
Intangible assets, net	5	858,734	216,886
Right of use assets, net	6	3,528,441	5,097,439
Total non-current assets		<u>112,920,545</u>	<u>120,788,139</u>
Current assets			
Inventories, net	9	141,154,323	107,901,609
Trade receivables and other current assets, net	8	328,273,312	334,822,037
Cash and cash equivalents	7	77,388,154	65,709,712
Total current assets		<u>546,815,789</u>	<u>508,433,358</u>
Total assets		<u>659,736,334</u>	<u>629,221,497</u>
<u>EQUITY AND LIABILITIES</u>			
Equity			
Share capital	10	400,000,000	350,000,000
Statutory reserve	11	-	14,267,856
Retained earnings		83,440,490	80,500,551
Total equity		<u>483,440,490</u>	<u>444,768,407</u>
Non-current liabilities			
Lease liabilities – non-current portion	16	2,187,154	3,722,903
Employees' retirement benefits obligations	13	21,719,381	19,771,958
Total non-current liabilities		<u>23,906,535</u>	<u>23,494,861</u>
Current liabilities			
Trade payables and other current liabilities	14	139,393,727	149,325,639
Lease liabilities - current portion	16	1,617,254	1,609,314
Zakat provision	15	11,378,328	10,023,276
Total current liabilities		<u>152,389,309</u>	<u>160,958,229</u>
Total liabilities		<u>176,295,844</u>	<u>184,453,090</u>
Total equity and liabilities		<u>659,736,334</u>	<u>629,221,497</u>



Chief Financial Officer

Chief Executive Officer

The accompanying notes (1) through (30) form an integral part of these financial statements.

AL TAISEER GROUP TALCO INDUSTRIAL COMPANY CLOSED JOINT STOCK
(A Saudi Closed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

As at 31 December 2023

(All amounts are expressed in Saudi Riyals unless otherwise stated)

	<u>Note</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
Sales			
Cost of sales	17	671,353,847	749,874,192
Gross profit	18	<u>(530,729,072)</u>	<u>(622,565,514)</u>
		140,624,775	127,308,678
Selling and distribution expenses	19	(15,580,132)	(13,992,512)
General and administrative expenses	20	(35,473,213)	(30,976,405)
Impairment losses on trade receivables and other current assets	8	(2,234,813)	(209,404)
Other income	21	6,728,046	4,255,155
Operating profit		<u>94,064,663</u>	<u>86,385,512</u>
Finance costs	22	(2,560,152)	(1,660,639)
Net profit before Zakat		<u>91,504,511</u>	<u>84,724,873</u>
Zakat expense	15	(11,378,328)	(10,023,276)
Net profit for the year		<u><u>80,126,183</u></u>	<u><u>74,701,597</u></u>
Other comprehensive income			
<u>Items that will not be re-classified to profit or loss</u>			
Profits / (losses) on re-measurement of employees' retirement benefits obligations	13	2,424,700	(1,873,600)
Total other comprehensive income / (loss) for the year		<u>2,424,700</u>	<u>(1,873,600)</u>
Total comprehensive income		<u><u>82,550,883</u></u>	<u><u>72,827,997</u></u>
Earnings Per Share			
Basic and diluted earnings per share	24	<u>2,00</u>	<u>1.87</u>

Chief Financial Officer

Chief Executive Officer

The accompanying notes (1) through (30) form an integral part of these financial statements.

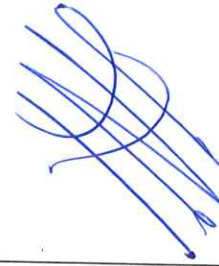
AL TAISEER GROUP TALCO INDUSTRIAL COMPANY CLOSED JOINT STOCK

(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY INCOME**As at 31 December 2023**

(All amounts are expressed in Saudi Riyals unless otherwise stated)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance at 1 January 2022	350,000,000	6,797,696	35,576,812	392,374,508
Net profit for the year	-	-	74,701,597	74,701,597
Other comprehensive loss for the year	-	-	(1,873,600)	(1,873,600)
Total comprehensive income for the year	-	-	72,827,997	72,827,997
Dividends (note 12)	-	-	(20,434,098)	(20,434,098)
Transferred to statutory reserve	-	7,470,160	(7,470,160)	-
Balance at 31 December 2022	350,000,000	14,267,856	80,500,551	444,768,407
Net profit for the year	-	-	80,126,183	80,126,183
Other comprehensive income for the year	-	-	2,424,700	2,424,700
Total comprehensive income for the year	-	-	82,550,883	82,550,883
Share capital increase	50,000,000	(14,267,856)	(35,732,144)	-
Dividends (note 12)	-	-	(43,878,800)	(43,878,800)
Balance at 31 December 2023	400,000,000	-	83,440,490	483,440,490

**Chief Financial Officer****Chief Executive Officer**

The accompanying notes (1) through (30) form an integral part of these financial statements.

AL TAISEER GROUP TALCO INDUSTRIAL COMPANY CLOSED JOINT STOCK

(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS

As at 31 December 2023

(All amounts are expressed in Saudi Riyals unless otherwise stated)

	<u>31 December</u> <u>2023</u>	<u>31 December</u> <u>2022</u>
<u>OPERATING ACTIVITIES</u>		
Profit for the year before zakat	91,504,511	84,724,873
Adjustments:		
Depreciation of property, plant and equipment	20,885,383	20,142,090
Depreciation of intangible assets	238,837	165,149
Depreciation on right of use assets	1,568,998	1,547,426
Impairment losses on trade receivables and other current assets	2,234,813	209,404
Gains on disposals of property, plant and equipment	(53,753)	(106,574)
Provision for end-of-service benefits	2,661,960	2,360,886
Finance charges on employees' retirement benefits obligations	1,775,124	804,620
Financial charges on lease liabilities	213,437	273,007
Loss from disposal of right of use assets and derecognition of lease liabilities	-	89,272
Changes in working capital:		
Trade receivables and other current assets	4,313,912	(70,923,291)
Inventory	(33,252,714)	(2,843,285)
Trade payables and other current liabilities	(9,931,912)	23,346,307
Change in benefits for employees	1,756,561	(514,647)
Cash flows generated from operating activities	<u>83,915,157</u>	<u>59,275,237</u>
Employees' end-of-service benefits paid	(1,821,522)	(1,751,404)
Zakat paid	(10,023,276)	(8,792,085)
Net cash flows generated from operating activities	<u>72,070,359</u>	<u>48,731,748</u>
<u>INVESTING ACTIVITIES</u>		
Additions to property, plant and equipment	(13,944,939)	(16,508,071)
Additions to intangible assets	(880,685)	-
Proceed from disposal of property, plant and equipment	53,753	106,574
Net cash flows used in investing activities	<u>(14,771,871)</u>	<u>(16,401,497)</u>
<u>FINANCING ACTIVITIES</u>		
Dividends paid	(43,878,800)	(20,434,098)
Payment of lease liabilities	(1,527,809)	(1,550,143)
Payment of interest on lease liabilities	(213,437)	(273,007)
Net cash flows used in financing activities	<u>(45,620,046)</u>	<u>(22,257,248)</u>
Net change in cash and cash equivalents during the year	<u>11,678,442</u>	<u>10,073,003</u>
Cash and cash equivalents at the beginning of the year	65,709,712	55,636,709
Cash and cash equivalents at the end of the year	<u>77,388,154</u>	<u>65,709,712</u>
<u>Significant non-cash transactions:</u>		
Additions to right-of-use assets against lease liabilities		
Right of use assets	-	626,133
Lease liabilities on right-of-use assets	-	626,133
Capital increase from statutory reserve and retained earnings		
Share capital	50,000,000	-
Statutory reserve	(14,267,856)	-
Retained earnings	(35,732,144)	-


Chief Financial Officer


Chief Executive Officer

The accompanying notes (1) through (30) form an integral part of these financial statements

AL TAISEER GROUP TALCO INDUSTRIAL COMPANY CLOSED JOINT STOCK

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2023

(All amounts are expressed in Saudi Riyals unless otherwise stated)

1. REPORTING ENTITY

Al Taiseer Group TALCO Industrial Company Closed Joint Stock ("The Company") (formerly known as Al Taiseer Aluminum TALCO Company - A Closed Saudi Joint Stock Company) incorporated as a Saudi Closed Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration No. 1010009737 dated 10 Jumada II 1396H (corresponding to 8 June 1976).

The Company is engaged in the production and coverage of various aluminum profiles, manufacturing of doors, windows, glass buildings facades, aluminum and wooden kitchen units, and production of marble kitchen surfaces.

On 24 December 2020, the shareholders of Al Taiseer Group TALCO Industrial Company Closed Joint Stock approved the merger of Gulf Polyester Powder Coating Company with Commercial Registration No. 1010086759 and its branches. Also, they approved the merger of Al Fattouh Company for Aluminum Accessories and Insulation Yarn with Commercial Registration No. 1010086760 and its branches ("The Merged Companies") into Al Taiseer Group TALCO Industrial Company Closed Joint Stock, a Saudi closed joint stock company ("The merging company") formerly known as Al Taiseer Aluminum TALCO Company, which kept the same Commercial Registration No. 1010009737. Gulf Polyester Powder Coating Company and Al Fattouh Company for Aluminum Accessories and Insulation Yarn became branches of Al Taiseer Group TALCO Industrial Company Closed Joint Stock starting from 11 August 2021 'Date of Merger'.

On 11 October 2022, the members of the Extraordinary General Assembly approved the amendment of the Company's bylaws, the Company's name has been changed to Al Taiseer Group TALCO Industrial Company Closed Joint Stock (formerly known as Al Taiseer Aluminum TALCO Company (A Closed Joint Stock Company) and the Company's share capital has been increased by SR 50 million to become SR 400 million (note 10) based on the recommendation of the Board of Directors on 21 February 2022. On 29 Muharram 1445H (corresponding to 16 August 2023), the Company has amended the Company's commercial registration and recorded the increase in the share capital account. The articles of association were amended accordingly on 29 October 2023.

On 11 May 2022, the Board of Directors convened and decided to start the procedures for offering the company shares on the Saudi Stock Exchange Company (Tadawul) and to authorize the Executive Committee to contract with the parties it deems appropriate in this regard. Accordingly, the Company contracted with consultants specialized in offering and listing and the file was submitted to the Capital Market Authority (CMA) on 8 November 2023.

On 31 December 2023, the Capital Markets Authority (CMA) announced the issuance of the CMA board resolution in the same date to approve the Company request to list its shares and offer 12,000,000 shares, representing 30% of the Company shares, for public subscription. CMA approval shall be deemed valid for six months from the date of CMA Board Resolution and CMA approval shall be deemed invalid in case of non-completion of the Company's shares offering and listing within such period. The Company is still in the process of studying offering and listing their shares to determine the appropriate time to do so.

The Company exercises its activities through the Head office, branches, factories and outlets under the following sub-commercial registrations:

	<u>Location</u>	<u>Commercial Registration Date</u>	<u>C.R. No</u>
Factory of Al Taiseer Group TALCO Industrial Company Closed Joint Stock	Riyadh	10/6/1396H	1010009737
Factory of Al Taiseer Group TALCO Industrial Company Closed Joint Stock	Jeddah	9/2/1440H	4030312086
Factory of Al Taiseer Group TALCO Industrial Company Closed Joint Stock	Riyadh	14/5/1441H	1010621235
Factory of Gulf Polyester Powder Coating Company	Riyadh	16/3/1412H	1010086759
Factory of Gulf Polyester Powder Coating Company	Jeddah	2/3/1439H	4030596375
Factory Al Fattouh Company for Aluminum Accessories and Insulation Yarn	Riyadh	16/3/1412H	1010086760

AL TAISEER GROUP TALCO INDUSTRIAL COMPANY CLOSED JOINT STOCK

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS**As at 31 December 2023**

(All amounts are expressed in Saudi Riyals unless otherwise stated)

1. REPORTING ENTITY (CONTINUED)

	Location	Commercial Registration Date	C.R. No
Outlet of Gulf Polyester Powder Coating Company	Jeddah	2/3/1439H	4030596375
Outlet of Gulf Polyester Powder Coating Company	Dammam	2/3/1439H	2050235804
Outlet of Gulf Polyester Powder Coating Company	Riyadh	16/3/1412H	1010086759
Outlet of Gulf Polyester Powder Coating Company	UAE - Sharjah	24/6/1420H	68988
Outlet of Al Fattouh Company for Aluminum Accessories and Insulation Yarn	Riyadh	16/3/1412H	1010086760
Outlet of Al Fattouh Company for Aluminum Accessories and Insulation Yarn	Dammam	18/8/1443H	2050156157

The Company's registered office is located at the following address:

Industrial Area II, Al-Kharj Road, P.O Box 6416, Riyadh 11442, Kingdom of Saudi Arabia.

The financial year of the Company begins on 1 January and ends on 31 December of each year.

2. BASIS OF PREPARATION**Statement of Compliance**

The financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") that are endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and the applicable requirements of the Regulations for Companies and the Company's By-Laws.

i. Basis of Measurement

These financial statements have been prepared on a historical cost and going concern basis, except for employees' defined benefits plans that are measured at present value of future obligations using the projected unit credit method.

ii. New Standards, Amendments to Standards, and Interpretations

There have been no new standards issued. However, there are a number of amendments to standards that are effective from 1 January 2023, which did not have a material impact on the financial statements.

Effective for annual periods beginning on or after	New Standards and Amendments
1 January 2023	IFRS 17 "Insurance Contracts*", including amendments to initial application of IFRS 17
	Definition of Accounting Estimates - Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

AL TAISEER GROUP TALCO INDUSTRIAL COMPANY CLOSED JOINT STOCK

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS**As at 31 December 2023**

(All amounts are expressed in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)**ii) New Standards, Amendments to Standards, and Interpretations (continued)**

Effective for annual periods beginning on or after	New Standards and Amendments
1 January 2023	Disclosure Initiative: Accounting Policies – Amendments to IAS 1 “Presentation of Financial Statements” and IFRS Practice Statement 2 “Making Materiality Judgements”. Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 “Income Taxes”.
23 May 2023	International Tax Reform - Pillar Two Model Rules - Amendments to IFRS 12.

There are standards issued but effective for the periods beginning after 1 January 2024 with early adoption allowed for the periods as of 1 January 2023 as follows:

The Company has not early adopted the amendments to new IFRS that have been issued:

Effective for annual periods beginning on or after	New Standards and Amendments
1 January 2024	Classification of liabilities as current or non-current - Amendments to IAS 1 “Presentation of Financial Statements” and classification of liabilities as current and non-current. Lease liabilities in sales and lease back - amendments to IFRS 16. Supplier Finance Arrangements- Amendments to IFRS 7 and IAS 7.
1 January 2025	Lack of exchangeability - Adoption of adjustments to IAS 21
Available for optional adoption/effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

iii. Functional and Presentation Currency

These financial statements are presented in Saudi Riyal (SR), which is the functional and presentation currency of the Company. All amounts have been rounded to the nearest SR, unless otherwise indicated.

iv. Use of Estimates, Assumptions and Judgements

The preparation of the Company’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, costs, assets and liabilities, and the disclosure of contingencies at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the asset or liability affected in the future.

These estimates and assumptions are based upon experience and other various factors that are believed to be reasonable under these circumstances and are used to estimate the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period, if the effect of revision is limited to that period only, or they are recognized in the revision period and future periods if the revision affects both current and future periods.

AL TAISEER GROUP TALCO INDUSTRIAL COMPANY CLOSED JOINT STOCK

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2023

(All amounts are expressed in Saudi Riyals unless otherwise stated)

2 BASIS OF PREPARATION (CONTINUED)

iv. Use of Estimates, Assumptions and Judgements (continued)

The key accounting assumptions concerning the future and key sources of estimation uncertainty at the end of the financial position date that have a significant risk of causing material adjustments to the carrying amounts of the assets and liabilities within the next financial year is discussed below:

Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the financial statements, are described below:

Impairment of non-financial assets

At each reporting date, the Company assesses the asset whether there is an indication that this asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. In assessing value in use, the estimated future cash flows attributable to the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined that no impairment loss been recognized for the asset in prior years. An impairment loss reversal is recognized immediately in the statement of profit or loss.

Provisions

Provisions are recognized when the Company has liabilities (legal or contractual) resulting from past events, and it is probable that the liability will be settled and the amount of the liability can be reliably measured.

The amount recognized as a provision is the best estimate for the consideration required to settle the present obligation at reporting date taking into account risk and doubts specific to liability. Where the provision is measured using the cash flows estimated to settle the current liability, its carrying amount is the present value of those cash flows.

When the Company expects some or all of economic benefits that are required to settle a provision by third party to be reimbursed, the accrued amount is recognized as an asset if the reimbursed amount is virtually certain and its value can be reliably estimated.

Estimated useful life of property, plant and equipment

The management of the Company determines the estimated useful life of property, plant and equipment for calculating depreciation. The estimate is carried out after considering the expected usage of the assets or obsolescence.

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2. BASIS OF PREPARATION (CONTINUED)

iv. Use of Estimates, Assumptions and Judgements (continued)

Assumptions and Estimation Uncertainties (continued)

Estimated useful life of property, plant and equipment (continued)

Management performs periodic review for the estimated useful lives and depreciation method to ensure that depreciation duration and method are consistent with the expected pattern for the economic benefit of the assets.

Assumptions for employees' benefits obligations

The Company operates an End of service benefit plan for its employees based on the prevailing Saudi Labor laws. The liability is being accrued based on projected credit unit method in accordance with the periodic actuarial valuations.

Certain actuarial assumptions have been adopted as disclosed in note 11 to these financial statements for valuation of present value of defined benefit obligations.

Any changes in these assumptions in future years might affect gains and losses in those years.

Expected adjustments of net realizable value

Management performs assessment to reach the net realizable value of inventory items if its cost is not recoverable or it becomes damaged / obsolete, or if its selling price is less than its cost or if there are any other factors that may lead to a decrease in its net realizable value for less than its cost. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of prices or costs directly related to events occurring subsequent to the financial statements date to the extent that such events confirm conditions existing as at the end of reporting period.

Going concern

The Company's management uses estimates and assumptions to assess the Company's ability to continue on a going concern basis, including an assessment of any material uncertainties that may cast significant doubts about the Company's ability to continue on a going concern basis.

Expected credit losses of receivables and other current assets

The Company calculate ECLs of trade receivables and other current assets based on days past due for groupings of various customer segments using a provision matrix to measure expected credit losses of trade receivables and other current assets.

The provision matrix is calculated based on the historical observable default rates. The Company calibrates the matrix to adjust historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the industry, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECLs is the most sensitive item to changes of circumstances and forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

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3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

Discount rate for lease contracts

The management uses its estimates to determine the incremental borrowing rate for calculating the present value of the minimum lease payments, As well as to estimate options to continue in contracts.

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, unless otherwise indicated. Further, the Company adopted the Disclosure of Accounting Policies (amendments to IAS 1 and Practice Statement 2) from 1 January 2023. Amendments require disclosure of “significant” rather than “material” accounting policies. Although the amendments did not result in any changes in the accounting policy itself, they did affect the size of accounting policy information that is disclosed in certain cases.

3.1 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. Assets are classified as current when:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period;
- Cash and cash equivalents unless restricted from being exchanged or used to settle liabilities for at least twelve months after the reporting period date.

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

3.2 Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of any accumulated depreciation and any accumulated impairment losses, if any. Projects in progress are stated at cost less any accumulated impairment losses, if any.

Cost includes all amounts necessary for bringing the asset to the present condition and location to be ready for its intended use by management. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met, as well as costs incurred during the pre-operating period, less proceeds from sale of experimental production.

When parts of property, plant and equipment are significant in cost compared with total cost of asset, and when these parts/components have useful lives different from other parts and required to be replaced at different intervals, the Company has to recognize such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed (planned or unplanned), the cost attributable thereto directly is recognized in the carrying amount of the property, plant and equipment if the recognition criteria are satisfied. This is recorded as a separate part with a useful life equal to the period up to the upcoming planned overhaul. The carrying amount of the replaced part is written-off. In case the upcoming repair is made before the planned date, any outstanding carrying amount for previous repair is recorded as an expense. Other repair and maintenance costs are recognized in the statements of profit or loss as incurred.

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3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

3.2 Property, Plant and Equipment (continued)

Depreciation is calculated from the date for which assets are available for their intended use. Self-constructed assets are from the date of completing such assets and be ready for their intended use. Depreciation on property, plant, and equipment is calculated using the straight-line method over the useful lives of assets as follows:

<u>Assets</u>	<u>Useful life (Years)</u>
Buildings	13: 33
Trucks	4
Plant and equipment	4 : 20
Leasehold Improvements*	5
Aluminum casting molds	2
Furniture & fixtures	4:7

*The Leasehold improvements are depreciated using expected useful live which is not exceeded the specified rental period of the leased asset.

Projects in progress are not depreciated.

The assets' residual values, useful lives and depreciation methods of the assets are reviewed and adjusted, if appropriate at the end of each year.

Any item of property, plant and equipment is written off when disposed or when it is probable that continues use of assets leads to future economic benefits. Profits and losses resulting from disposal of property, plant and equipment that are retired, sold or unrecognized are identified by comparing the proceeds with carrying amount of an asset and are recognized under "other income, net" in the statement of profit or loss.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

3.3 Intangible assets

Intangibles assets are initially recognized at cost less accumulated amortization and impairment losses, if any. Costs associated with maintaining computer software are recognized as an expense as and when incurred.

Amortization is charged to statement of profit or loss by applying the straight-line basis whereby the carrying amount of an asset is amortized over its estimated useful life to the Company unless such life is indefinite. The estimated useful life of intangible assets which is represent computer software that ranges between 4 years to 7 years.

The Company accounts for impairment, where indications exist that required to reducing the asset's carrying amount to the recoverable amount.

3.4 Right-of-Use Assets and Lease Liabilities

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

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3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.4 Right-of-Use Assets and Lease Liabilities (continued)

Company as a lessee

At inception or on reassessment of an arrangement that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, with regard to property leases, the Company elected not to separate the non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes right-of-use assets and lease liabilities at the lease commencement date. The right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and the estimated costs of dismantling and removing the underlying asset and cost of restoring the underlying asset or the site on which it is located (if any), less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The estimated useful lives of right of use assets are estimated based the expected use of underlying asset and based on the useful lives of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liabilities are initially measured at the present value of the lease payments that were not paid at the commencement date and are discounted using the implicit interest rate in the lease, or if that rate cannot be readily determined, the Company uses its incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

- Fixed payments (including in-substance fixed payments).
- Variable lease payments that depend on an index or a rate, that are initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option if the Company is reasonably certain to exercise the option, the lease payments in the optional renewal period if the Company is reasonably certain to exercise the extension option, and payments for penalties for early terminating the lease unless the Company is reasonably certain not to exercise the option of early termination.

Lease liabilities are measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in index or rate, or if there was a change in the Company's estimate of the amount expected to be payable by the lessee under residual value guarantees, or if the Company changed its assessment whether if it will opt for purchase, extension or termination.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in the statement of profit or loss and other comprehensive income if the carrying amount of the right-of-use assets has been reduced to Nil.

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3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.4 Right-of-Use Assets and Lease Liabilities (continued)

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less and leases of low value assets. The Company recognizes the lease payments associated with these leases as expenses on a straight-line basis over the lease term in the statement of profit or loss and other comprehensive income.

3.5 Impairment of Non-Financial Assets

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the highest of an asset's fair value less cost of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from assets or group of other assets (cash-generating units). Non-financial assets that have been impaired are reviewed for possible reversal of the impairment loss at the end of each reporting period.

3.6 Inventories

Inventory includes raw materials, work in progress, finished goods, packaging materials, and spare parts that are recorded at the lower of cost or net realizable value. Work in progress and finished goods inventory include direct materials, direct labors and an appropriate proportion of fixed and variable indirect expenses.

Costs are assigned to the items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is considered as the estimated selling price in ordinary course of business, less estimated costs to completion and the estimated costs necessary to complete the sale.

3.7 Foreign Currencies

Transactions and Balances

Foreign currency transactions are initially recorded by the Company's entities denominated in the functional currency of each of them according to the exchange rate prevailing on the date when the transaction becomes qualified for recognition for the first time. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the reporting date.

The differences arising on the settlement or translation of monetary items are recognized in the statement of profit and loss of the Company.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate prevailing at the date of the initial transaction.

3.8 Financial instruments

Recognition and Initial Measurement

Trade receivables issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

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3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.8 Financial instruments (continued)

Recognition and Initial Measurement (continued)

A financial asset (unless it is a receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to its acquisition or issue. Trade receivables without a significant financing component is initially measured at the transaction price.

Financial Assets

Classification of financial assets

On initial recognition, a financial asset is classified as: measured at amortized cost, fair value through other comprehensive income (FVTOCI) or fair value through profit and loss (FVTPL).

A financial asset is measured at amortized cost if it meets both of the following conditions are met:

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

A financial asset shall be measured at FVTOCI if both of the following conditions are met:

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

A financial asset shall be measured at FVTPL unless it is measured at amortized cost or at FVTOCI.

Financial Assets

IFRS 9 classification

Cash and bank balances

at amortized cost

Trade Receivables and Other Current Assets

at amortized cost

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses including interest income and dividends are recognized in the statement of profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest rate method. Amortized value is reduced by impairment losses. Interest revenue, foreign exchange gains and losses and impairment are recognized in the statement of income. Any gain or loss on derecognition of an investment is recognized in the statement of profit or loss.

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3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.8 Financial instruments (continued)

Financial Assets (continued)

Subsequent measurement (continued)

Financial assets through other comprehensive income (debt investments)	Subsequently measured at fair value. Interest revenue calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, accumulated gains and losses in OCI are reclassified to the statement of profit or loss.
Financial assets through other comprehensive income (investments in equity instruments)	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss. Any gains or losses on derecognition or recognition of investment is recognized in equity, and may not be reclassified to the statement of profit or loss.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Derecognition

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:
 - the Company has transferred substantially all the risks and rewards of the asset, or
 - The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

IFRS 9 impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. That replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortized cost and FVTOCI, trade receivables, contract assets recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at FVTPL.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead, the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.8 Financial Instruments (continued)

Financial Assets (continued)

Impairment of financial assets (continued)

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

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2')
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Presentation of Impairment

Loss provisions for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment losses related to receivables from customers are presented separately in the statement of profit or loss and other comprehensive income.

Expected credit losses assessment for trade and other receivables

The Company applies IFRS 9 simplified approach for measuring expected credit losses, which uses a lifetime expected loss provision.

The expected loss rates are based on the payment profiles of receivables over a period of 12 months before each reported period and corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability the customers to settle the receivables.

The Company has identified GDP of Kingdom of Saudi Arabia, inflation rate and Saudi government spending (the country in which it renders the services) to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The expected loss approach breaks the total loss amount modelling into following parts: probability of default ("PD"), loss given default ("LGD"), exposure at default ("EAD"). These are briefly described below:

Loss given default (LGD): This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.

Probability of default (PD): the likelihood of a default over a particular time horizon.

Exposure At Default (EAD): This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

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3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.8 Financial Instruments (continued)

Presentation of Impairment (Continued)

The Company uses a point in time (PIT) probability of default model to measure impairment on financial assets. Point-in-time PD models incorporate information from a current credit cycle and assess risk at a point-in-time. The point-in-time PD term structure can be used to measure credit deterioration and starting PD when performing the provision calculations. Also, when calculating lifetime expected credit losses, after the inputs are correctly converted, cash flows can be projected and gross carrying amount, loss provision, and amortized cost for the financial instrument are then calculated.

Macroeconomic weighted average scenarios

The Company incorporates macroeconomic factor of GDP to develop multiple scenarios, the purpose is towards the realization of most likely outcome using worst and best case scenarios. The scenario-based analysis includes forward-looking information into the impairment estimation using multiple forward-looking macroeconomic scenarios. The estimate of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.

After the inputs to the model are adjusted for above mentioned macroeconomic scenarios, PD of each scenario is calculated and then weighted average PD based on likelihood of scenarios is calculated. In the last step, a weighted average lifetime ECL based on the likelihood of the scenarios is determined.

Definition of 'Default'

In the above context, the Company considers default when:

- the customer is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The customer is more than 360 days past due on any material credit obligation to the Company. As the industry norm suggests that such a period fairly represents default scenario for the Company, this rebuts the presumption of 90 days mentioned in IFRS 9.

The carrying amount of the asset is reduced using the above model and the loss is recognized in the statement of comprehensive income. Accounts receivable, together with the associated provision are written off when there is no realistic prospect of future recovery and all collateral has been realized or transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced. If a write-off is later recovered, the recovery is recognized under other income in the statement of profit or loss.

Specific impairment

Specific impairment is recognized for each customer separately at each reporting date. The Company recognizes specific impairment against receivables from certain customers. Impairment are reversed only when the outstanding amounts are recovered from the customers.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

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3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.8 Financial Instruments (continued)

Presentation of Impairment (Continued)

Financial Liabilities

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, if any, net of directly attributable transaction costs.

The Company's financial liabilities mainly include trade payables, other current liabilities, lease liabilities, and due to related parties.

After initial recognition, loans and borrowings (if any) are subsequently measured at amortized cost using the effective interest rate method.

Financial Liabilities

IFRS classification

Trade payables and other current liabilities

at amortized cost

Due to related parties

at amortized cost

Derecognition

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Modifications of Financial Assets and Financial Liabilities

If the terms of a financial assets are modified, the Company evaluates whether the cash flows of the modified assets are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognizes the amount adjusting the gross carrying amount as modification gain or loss in the consolidated statement of profit or loss.

The Company derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, new financial liabilities based on the modified terms are recognized at fair value. The difference between the carrying amount of the financial liability distinguished and the new financial liability with modified terms is recognized in the statement of profit or loss.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to set off the included amounts and there is an intention to settle on a net basis, to sell the assets and settle the liabilities simultaneously.

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3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.9 Fair Value Measurements

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

- In the principal market for the asset or liability; or
- In the absence of the primary market, in the most appropriate markets for the asset or liability.

The Company uses appropriate valuation techniques with surrounding conditions for which sufficient data are available to measure fair value, maximizing the use of appropriate inputs that can be monitored and minimizing the use of inputs that cannot be monitored to the greatest extent possible.

The measurement of the fair value of a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset at its maximum and best use or by selling it to another market participant who may use the asset at its maximum and best use.

All assets and liabilities whose fair values are measured or disclosed in the financial statements are classified in the fair value hierarchy. This is described as follows, based on the lowest input level that is important for the overall measurement:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets and liabilities can be obtained at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for assets or liabilities either directly or indirectly.
- Level 3: Inputs for the asset or liability that are not based on observable market information (unobservable inputs).

For assets and liabilities that are measured in the financial statements at fair value on a recurring basis, the Group determines whether transfers have been made between hierarchy levels by reassessing the classification (based on the lowest input level that is significant for the overall measurement) at the end of each reporting period.

3.10 Cash and Cash Equivalents

For the purpose of presentation of the statement of cash flows, cash and cash equivalents include cash on hand, bank balances, short-term deposits, call deposits and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, and which are not subject to significant risk of changes in value.

3.11 Dividends to the Company's Shareholders

Dividends to the Company's shareholders are recognized as liability in the financial statements of the Company in the year in which the dividends are approved by the Shareholders of the Company.

3.12 Employees' Benefits

Short Term Employees' Benefits

Short term employees' benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.12 Employees' Benefits (continued)

Short Term Employees' Benefits (continued)

Employees' benefits are payable to all employees under the terms and conditions of the labor law applicable on the Company, on termination of their employment contracts.

Defined Contribution Plan

Retirement benefit in the form of General Organization of Social Insurance (GOSI) is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the GOSI. The Company recognizes contribution payable to GOSI as an expense when due.

Defined Benefits Plans (employees' end-of-service benefits)

The Company operates defined benefits plans, under the Saudi Labor Law applicable based on employees' accumulated periods of service as at the date of statement of financial position.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Previously, "employees' end of service benefits' obligation" was calculated at the present value of the vested benefits to which the employee was entitled, should his service be terminated at the reporting date.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in the statement of profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date on which the Company recognizes related restructuring costs.
- Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Company recognizes the following changes in the defined benefit obligation in the statement of profit or loss:

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

3.14 Trade payables and other current liabilities

Trade payables and other current liabilities are obligations on the basis of normal credit terms and do not bear interest. Trade payables denominated in a foreign currency are translated into Saudi Arabian Riyals ("SR") using the exchange rate at the reporting date, if any. Foreign exchange gains or losses are included in other income or other expenses.

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3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.15 Zakat and Value Added Tax (VAT)

Zakat

Provision for Zakat is calculated at the date of the statement of financial position in accordance with regulations of the Zakat, Tax and Customs Authority (“ZATCA”).

The resulting provision is recorded in the statement of profit or loss. Additional Zakat liabilities, if any, related to prior years’ assessments arising from ZATCA are recognized in the period in which the final assessments are finalized.

Value added tax (“VAT”)

The Company is subject to a VAT on a monthly basis. VAT is paid and settled through the monthly statements submitted by the Company to the Zakat, Tax, and Customs Authority (the “ZATCA”).

3.16 Provisions

Provisions are recognized when the Company has a current liability (legal or constructive) as a result of a past event and it is probable that the liability will be settled and the amount of the liability can be reliably measured. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item recognized in the same item of liabilities may be small.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

3.17 Recognition of Revenue from Contracts with Customers

The Company has adopted IFRS 15: Revenue from Contracts with Customers, which was effective from 1 January 2018.

Revenue is measured based on consideration specified in a contract with a customer, includes unbilled revenue (contract asset) 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 Company recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15:

- Step 1: Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2: Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

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3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.17 Recognition of revenue from contracts with customers (continued)

Identify the contract with the customer

The Company carefully evaluates the terms and conditions of the contracts with its customers because revenue is recognized only when performance obligations in contracts with customers are satisfied. A change in the scope or price of a contract (or both) is considered as a contract modification and the Group determines whether this creates a new contract or whether it will be accounted for as part of the existing contract.

Identifying performance obligations

Once the Company has identified the contract with a customer, it evaluates the contractual terms and its customary business practices to identify all the promised services within the contract and determine which of those promised services (or bundles of promised services) will be treated as separate performance obligations.

Identify the transaction price

The Company determines transaction price as the amount which it expects to be entitled. It includes an estimate of any variable consideration, the effect of a significant financing component (i.e., the time value of money), the fair value of any non-cash consideration and the effect of any consideration paid or payable to a customer (if any). Variable considerations are limited to the amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Allocation of transaction price

Once the performance obligations have been identified and the transaction price has been determined, transaction price is allocated to the performance obligations, generally in proportion to their stand-alone selling prices (i.e., on a relative stand-alone selling price basis). When determining stand-alone selling prices, the Company is required to use observable information, if any. If stand-alone selling prices are not directly observable, the Company makes estimates based on information that is reasonably available.

Revenue recognition

Revenue from contracts concluded with customers are recognized when control of goods are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for such goods. The Company has generally concluded that it is the principal in all its revenue arrangements as it controls the goods before transferring them to the customer at an amount that reflects the consideration that the entity expects to receive against such goods.

Sale of goods

The revenues represent net income resulting from selling goods in the Company's ordinary course of business after volume rebates and Value Added Tax (VAT). The sale of aluminum, metal powder coating and aluminum accessories is generally expected to be a sole performance obligation, Revenues from the sale of goods are recognised at a point in time when the control of goods is transferred to the customer, i.e., normally upon delivery, in a manner that reflects the consideration the Company expects to be entitled to against such goods.

The Company does not provide guarantee service for its sold products and does not grant its customers the right to return the goods sold, except for exceptional cases, which did not have a significant impact on the financial statements up to the reporting date.

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3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.17 Recognition of revenue from contracts with customers (continued)

Revenue streams

The Company earns revenue from following streams:

<u>Revenue streams</u>	<u>Revenue recognition</u>
Sales from activity of forming and selling aluminum	At point in time
Sales from the activity of selling metal coating powder	At point in time
Sales from the activity of selling aluminum accessories	At point in time

3.18 Other revenues

All other revenues are recognized on an accrual basis when the Company's right to earn the revenues is established.

3.19 Cost of sales

Production costs and direct manufacturing expenses are classified as cost of sales. This includes raw material, direct labors, depreciation and other related general indirect costs. This also includes share of the related common overheads.

3.20 Selling and distribution expenses

This include any costs incurred to execute or facilitate all sale transactions in the Company. These costs typically include salaries of the sales employees, costs of managing the exhibitions, marketing and distribution expenses, and logistics expenses as well as commissions, fees and the like. This includes share of the related general common costs.

3.21 General and administrative expenses

This relates to operating expenses that are not directly related to the production or sale of the company's products. This includes share of the related general common costs.

Common expenses between direct cost, selling and distribution expenses, and general and administrative expenses, when required, are allocated on a consistent basis.

3.22 Finance Cost

The finance cost consists of other bank commissions that an entity incurs in connection with issuing letters of guarantee and credit and other transactions and interest on the employee's end-of-service benefits according to IAS 19 'Employee Benefits', and interest expenses on lease liabilities in accordance with IFRS 16 'Leases'.

3.23 Contingent Liabilities

They are liabilities that are likely to arise from past events and will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events and do not fall within the full control of the Company, or a present obligation arising from past events that are not recorded because it is unlikely that there will be a need for flow of resources embodying economic benefits to settle the obligation.

If the amount of the obligation cannot be measured with sufficient reliability, then the Company does not recognize contingent liabilities but discloses them in the financial statements.

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3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.24 Foreign Currency Translations

Transactions in foreign currency are translated into Saudi Riyal at the rate of exchange ruling at the date of those transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated into Saudi Riyal at the rate of exchange ruling at the year-end. Gain or loss arising from foreign currency payment or translations are recognized in the statement of profit or loss.

3.25 Segment Reporting

An operating segment is a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses.
- Results of its operations are continuously analyzed by the chief operating decision maker in order to make decisions related to resources allocation and performance assessment; and
- for which discrete financial information is available.

A geographical segment is a group of assets, operations or entities engaged in revenue generating activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

IFRS 8 requires operating segments to be identified based on internal reports that are regularly reviewed by the Company's executive management and used to allocate resources to segments and assess their performance. These operating segments described below has been identified in note (23) in accordance with IFRS 8. Most of the Company's revenues, profits and assets arise by its operations in Saudi Arabia and arise from these specific business segments. The executive management monitors the operational results of these operating segments continuously for making decisions about resource allocation and performance evaluation. Segment performance is evaluated based on profit or loss and other performance measurement indicators.

3.26 Earnings per Share

The Company presents basic earnings per share for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the year.

In a capitalization or bonus issue or a share split, ordinary shares are issued to existing shareholders for no additional consideration. Therefore, the number of ordinary shares outstanding is increased without an increase in resources. The number of ordinary shares outstanding before the event is adjusted for the proportionate change in the number of ordinary shares outstanding as if the event had occurred at the beginning of the earliest period presented.

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4. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Trucks	Plant and equipment	Leasehold Improvements	Aluminum casting molds	Furniture & fixtures	Projects in progress	Total
Cost								
Balance at 1 January 2022	106,398,087	7,817,350	354,452,937	3,596,484	83,408,903	11,893,034	-	567,566,795
Additions	586,487	509,451	4,019,564	22,700	9,737,062	1,632,807	-	16,508,071
Reclassification	-	-	-	(2,317,872)	-	-	2,317,872	-
Transferred from work in progress to buildings	2,317,872	-	-	-	-	-	(2,317,872)	-
Disposals	-	(270,500)	-	-	(4,340,438)	-	-	(4,610,938)
Balance at 31 December 2022	109,302,446	8,056,301	358,472,501	1,301,312	88,805,527	13,525,841	-	579,463,928
Additions	54,852	349,326	2,637,525	-	9,039,695	1,863,541	-	13,944,939
Disposals	-	-	-	-	(5,965,553)	-	-	(5,965,553)
Balance at 31 December 2023	109,357,298	8,405,627	361,110,026	1,301,312	91,879,669	15,389,382	-	587,443,314
Accumulated depreciation								
Balance at 1 January 2022	71,043,284	7,606,107	282,472,043	912,841	75,149,553	11,275,134	-	448,458,962
Depreciation during the year	1,932,485	147,572	8,606,382	260,467	8,723,336	471,848	-	20,142,090
Disposals	-	(270,500)	-	-	(4,340,438)	-	-	(4,610,938)
Balance at 31 December 2022	72,975,769	7,483,179	291,078,425	1,173,308	79,532,451	11,746,982	-	463,990,114
Depreciation during the year	1,887,420	219,437	8,597,875	32,789	9,316,081	831,781	-	20,885,383
Disposals	-	-	-	-	(5,965,553)	-	-	(5,965,553)
Balance at 31 December 2023	74,863,189	7,702,616	299,676,300	1,206,097	82,882,979	12,578,763	-	478,909,944
Net carrying amount:								
As at 31 December 2022	36,326,677	573,122	67,394,076	128,004	9,273,076	1,778,859	-	115,473,814
As at 31 December 2023	34,494,109	703,011	61,433,726	95,215	8,996,690	2,810,619	-	108,533,370

Depreciation charge for the year has been allocated as follows:

	2023	2022
Cost of sales (note 18)	20,398,663	19,538,136
Selling and distribution expenses (note 19)	-	4,688
General and administration expenses (Note 20)	486,720	599,266
	20,885,383	20,142,090

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5. INTANGIBLE ASSETS

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	1,018,756	1,018,756
Additions	880,685	-
Balance at the end of the year	1,899,441	1,018,756
Depreciation		
Balance at the beginning of the year	(801,870)	(636,721)
Depreciation for the year (note 20)	(238,837)	(165,149)
Balance at the end of the year	(1,040,707)	(801,870)
Net carrying amount as at the end of the year	858,734	216,886

The above intangible assets represent cost of accounting and operating software systems.

6. RIGHT OF USE ASSETS

The Company has leases for buildings (Outlets, residential buildings and storages) and lands used for building plants and office premises. The company depreciates these contracts over the lease term on a straight-line basis.

	<u>2023</u>	<u>2022</u>
Cost		
Balance at the beginning of the year	9,537,727	9,374,360
Additions during the year	-	626,133
Disposals	-	(462,766)
Balance at the end of the year	9,537,727	9,537,727
Depreciation		
Balance at the beginning of the year	(4,440,288)	(2,988,560)
Disposals	-	95,698
Depreciation charge for the year	(1,568,998)	(1,547,426)
Balance at the end of the year	(6,009,286)	(4,440,288)
Net carrying amount at the end of the year	3,528,441	5,097,439

7. CASH AND CASH EQUIVALENTS

	<u>31 December 2023</u>	<u>31 December 2022</u>
Cash in hand	581,568	105,433
Cash at banks	76,806,586	65,604,280
Total	77,388,154	65,709,712

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8. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	<u>31 December 2023</u>	<u>31 December 2022</u>
Trade receivables	266,061,787	249,061,502
Impairment losses on trade receivables	<u>(25,346,381)</u>	<u>(19,881,829)</u>
Net trade receivables	<u>240,715,406</u>	<u>229,179,673</u>
Notes receivables	82,967,941	96,187,939
Impairment losses on notes receivable	<u>(7,487,452)</u>	<u>(10,717,191)</u>
Net notes receivable	<u>75,480,489</u>	<u>85,470,748</u>
Advances to suppliers *	5,619,311	13,125,608
Prepaid expenses	2,783,217	2,964,921
Other receivables	<u>3,674,889</u>	<u>4,081,087</u>
	<u>328,273,312</u>	<u>334,822,037</u>

* Advances to suppliers are settled against supplying inventory items.

The movement in impairment losses on trade receivables is as follows:

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	19,881,829	34,063,156
Write-off during the year	-	(15,030,583)
Provided during the year	<u>5,464,552</u>	<u>849,256</u>
Balance at the end of the year	<u>25,346,381</u>	<u>19,881,829</u>

The movement in impairment losses on notes receivable is as follows:

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	10,717,191	11,665,037
Write-off during the year	-	(307,994)
Reversal during the year	<u>(3,229,739)</u>	<u>(639,852)</u>
Balance at the end of the year	<u>7,487,452</u>	<u>10,717,191</u>

The movement in impairment losses on trade receivables and notes receivables in the statement of profit or loss during the year is as follows:

	<u>For the year ended 31 December 2023</u>	<u>2022</u>
Impairment losses on trade receivables	5,464,552	849,256
Reversal of impairment losses on notes receivables	<u>(3,229,739)</u>	<u>(639,852)</u>
Balance at the end of the year	<u>2,234,813</u>	<u>209,404</u>

9. INVENTORY

	<u>31 December 2023</u>	<u>31 December 2022</u>
Finished Goods	14,398,686	16,744,005
Raw materials	115,489,409	79,159,559
Work in progress	2,719,844	7,117,445
Spare parts	8,569,334	4,666,107
Packing and packaging materials	<u>781,899</u>	<u>1,019,342</u>
Total	<u>141,959,172</u>	<u>108,706,458</u>
Less: Expected adjustments of net realizable value	<u>(804,849)</u>	<u>(804,849)</u>
Net inventory	<u>141,154,323</u>	<u>107,901,609</u>

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10. SHARE CAPITAL

Share capital at 31 December 2023 is detailed as:

Shareholder's name	No. of shares	Value of share/ SR	Total value	% of shareholding
Mr. Mansour Kamel Ibrahim Al-Fattouh Albalawi	6,731,287	10	67,312,870	16,83%
Mr. Naser Kamel Ibrahim Al-Fattouh Albalawi	6,731,287	10	67,312,870	16,83%
Mr. Mowafak Kamel Ibrahim Al-Fattouh Albalawi*	5,720,251	10	57,202,510	14,30%
Ms. Elham Mahmoud Ibrahim	4,494,482	10	44,944,820	11,24%
Ms. Amal Kamel Al-Fattouh Albalawi	2,860,127	10	28,601,270	7,15%
Ms. Dalal Kamel Al-Fattouh Albalawi	2,860,127	10	28,601,270	7,15%
Ms. Manal Kamel Al-Fattouh Albalawi	2,860,118	10	28,601,180	7,15%
Mr. Nawaf Khaled Al-Fattouh Albalawi	2,944,937	10	29,449,370	7,36%
Mr. Abdulaziz Khaled Al-Fattouh Albalawi	2,944,937	10	29,449,370	7,36%
Ms. Basma Hussein Al-Fattouh Albalawi	841,412	10	8,414,120	2,10%
Mr. Faris Abdulaziz Al-Fattouh Albalawi	252,759	10	2,527,590	0,63%
Mr. Muhammad Abdulaziz Al-Fattouh Albalawi	252,759	10	2,527,590	0,63%
Mr. Ibrahim Abdulaziz Al-Fattouh Albalawi	252,759	10	2,527,590	0,63%
Ms. Fatima Ali Al-Fattouh Albalawi	126,379	10	1,263,790	0,32%
Ms. Reem Abdulaziz Al-Fattouh Albalawi	126,379	10	1,263,790	0,32%
	40,000,000		400,000,000	100%

As indicated in Note (1), the Company recorded the increase in the capital account which is represent SR 50,000,000, such increase was covered as follows:

- An amount of SR 35,732,144 from the retained earnings account.
- An amount of SR 14,267,856 from the statutory reserve account.

(*) On 15 January 2024, Mr. Mowafak Kamel Ibrahim Al-Futuh Al-Balawi who owned 14.30% out of the total share capital as of the reporting has passed away. therefore, the company started the process of transferring these shares to the legal heirs in accordance with the provisions of Islamic Sharia.

Share capital structure at 31 December 2022 is detailed as:

Shareholder's name	No. of shares	Value of share / SR	Total value	% of shareholding
Mr. Mansour Kamel Ibrahim Al-Fattouh Albalawi	5,889,876	10	58,898,760	16.83%
Mr. Naser Kamel Ibrahim Al-Fattouh Albalawi	5,889,876	10	58,898,760	16.83%
Mr. Mowafak Kamel Ibrahim Al-Fattouh Albalawi	5,005,220	10	50,052,200	14,30%
Ms. Elham Mahmoud Ibrahim	3,932,672	10	39,326,720	11,24%
Ms. Amal Kamel Al-Fattouh Albalawi	2,502,611	10	25,026,110	7,15%
Ms. Dalal Kamel Al-Fattouh Albalawi	2,502,611	10	25,026,110	7,15%
Ms. Manal Kamel Al-Fattouh Albalawi	2,502,603	10	25,026,030	7,15%
Mr. Nawaf Khaled Al-Fattouh Albalawi	2,576,820	10	25,768,200	7,36%
Mr. Abdulaziz Khaled Al-Fattouh Albalawi	2,576,820	10	25,768,200	7,36%
Ms. Basma Hussein Al-Fattouh Albalawi	736,235	10	7,362,350	2,10%
Mr. Faris Abdulaziz Al-Fattouh Albalawi	221,164	10	2,211,640	0,63%
Mr. Muhammad Abdulaziz Al-Fattouh Albalawi	221,164	10	2,211,640	0,63%
Mr. Ibrahim Abdulaziz Al-Fattouh Albalawi	221,164	10	2,211,640	0,63%
Ms. Fatima Ali Al-Fattouh Albalawi	110,582	10	1,105,820	0,32%
Ms. Reem Abdulaziz Al-Fattouh Albalawi	110,582	10	1,105,820	0,32%
	35,000,000		350,000,000	100%

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11. STATUTORY RESERVE

In accordance with the companies law in force in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the annual net profit to the statutory reserve (after absorbing the accumulated losses balance). This transfer ceases when the balance of this reserve reaches 30% of the share capital.

With the introduction of the new companies law in the Kingdom of Saudi Arabia into force starting from 19 January 2023, the requirement to form a statutory reserve is no longer necessary. Accordingly, the Company's shareholders, in the Extraordinary General Assembly meeting held on 22 October 2023, decided to amend the Company's bylaws in accordance with the new companies law and to unwind the item related to the creation of a statutory reserve. These legal formalities for amending the Company's bylaws have been finalized on 29 October 2023.

12. DIVIDENDS

The Extraordinary General Assembly, in its meeting held on 7 Rabi' II 1445H (corresponding to 22 October 2023), approved authorizing the Board of Directors of Al Taiseer Group TALCO Industrial Company Closed Joint Stock, a closed joint-stock company, to pay cash dividends for the fiscal year 2022 to the company's shareholders, each according to their share in the company, in the amount of SR 43.88 million (2022: SR 20.43 million).

13. EMPLOYEES' RETIREMENT BENEFITS OBLIGATIONS

The Company's employees' benefits obligations related to long-term service payments are based on a government-mandated plan which is as follows:

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	35,717,128	32,429,426
Current period cost	2,661,960	2,360,886
Financial charges (note 22)	1,775,124	804,620
Paid during the year	(1,821,522)	(1,751,404)
Actuarial gains / (losses) recognized in other comprehensive income	(2,424,700)	1,873,600
Total balance at the end of the year	<u>35,907,990</u>	<u>35,717,128</u>
Less: advances paid to employees from their end of service		
Balance at the beginning of the year	(15,945,170)	(15,430,523)
Change in advances paid to employees	1,756,561	(514,647)
Total advance paid to employees	<u>(14,188,609)</u>	<u>(15,945,170)</u>
Net balance at the end of the year	<u>21,719,381</u>	<u>19,771,958</u>

Expense recognized in the statement of profit or loss

	<u>Year ended 31 December</u>	
	<u>2023</u>	<u>2022</u>
Current service cost	2,661,960	2,360,886
Interest cost	1,775,124	804,620
	<u>4,437,084</u>	<u>3,165,506</u>

All changes in employees' defined benefits obligations are recognized in profit or loss, except for actuarial gains and losses which are recognized in other comprehensive income.

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13 EMPLOYEES' RETIREMENT BENEFITS OBLIGATIONS (CONTINUED)**The movement in actuarial gains and losses recognised in OCI:**

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	(2,611,701)	(738,101)
Actuarial gains / (losses)	<u>2,424,700</u>	<u>(1,873,600)</u>
Balance at the end of the year	<u>(187,001)</u>	<u>(2,611,701)</u>

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

The main assumptions used for the purposes of the actuarial valuation are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
	%	%
Discount rate	4.7	5.10
Salary growth rate	4.5	5

Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the principal assumptions used is as follows:

Impact on the balance of the defined benefit obligations in 2023

	<u>Change</u>	<u>Increase in assumption</u>	<u>Decrease in assumption</u>
Discount rate	1%	33,603,434	38,553,164
Salary growth rate	1%	38,684,550	33,448,624
Mortality rate	10%	35,906,093	35,909,894
Withdrawal rate	10%	35,835,260	35,985,047

Impact on the balance of the defined benefit obligations in 2022

	<u>Change</u>	<u>Increase in assumption</u>	<u>Decrease in assumption</u>
Discount rate	1%	33,046,083	38,761,380
Salary growth rate	1%	38,917,783	32,861,996
Mortality rate	10%	35,714,425	35,719,845
Withdrawal rate	10%	35,652,938	35,785,122

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to happen, and changes in some assumptions may be related to others. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit obligation recognized in the statement of financial position.

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14. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	31 December 2023	31 December 2022
Letters of credit	103,098,373	104,453,268
Advances from customers	6,065,924	9,485,382
Trade payables	18,592,183	25,279,225
Accrued expenses - (Note 25)	11,015,183	7,715,726
Other payables	622,064	2,392,038
	<u>139,393,727</u>	<u>149,325,639</u>

15. ZAKAT PROVISION**Zakat status and VAT**

The Company has submitted its Zakat returns up until the year ended 31 December 2022 with Zakat, Tax and Customs Authority (“ZATCA”).

The Company has been reviewed for the years from the beginning of the activities up to 2018 by ZATCA, and the final assessment was issued by ZATCA. The Company repaid the differences resulting from this assessment.

Zakat provision

For the year ended 31 December 2023, the Company recorded Zakat provision amounting to SR 11,378,328 (2022: SR 10,023,276) based on the Zakat base in accordance with the Zakat, Tax and Customs Authority regulations in the Kingdom of Saudi Arabia.

Movement in provision for Zakat for the year ended 31 December 2022 and 2023 is as follows:

	2023	2022
Balance at the beginning of the year	10,023,276	8,792,085
Provision for the year	11,378,328	10,023,276
Payments made during the year	(10,023,276)	(8,792,085)
Balance at the end of the year	<u>11,378,328</u>	<u>10,023,276</u>

Zakat charge for the year is based on the Zakat base, which has the following significant components:

	31 December 2023	31 December 2022
Share capital	400,000,000	350,000,000
Reserves/ profits carried forward	3,314,307	21,940,410
Carrying amount of long-term assets - net	(112,920,545)	(120,788,139)
Provisions	56,318,738	50,461,940
Lease liabilities and advances from customers (more than 360 days due)	6,112,446	5,145,815
Profit for the year	91,504,511	84,724,873
Zakat base	<u>444,329,457</u>	<u>391,484,899</u>

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16. LEASE LIABILITIES

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	5,332,217	6,534,023
Additions during the year	-	626,133
Disposals	-	(277,796)
Repayment during the year	(1,741,246)	(1,823,150)
Interest expense during the year (note 22)	213,437	273,007
Balance at end of the year	<u>3,804,408</u>	<u>5,332,217</u>
Current	1,617,254	1,609,314
Non-Current	<u>2,187,154</u>	<u>3,722,903</u>
Balance at the end of the year	<u>3,804,408</u>	<u>5,332,217</u>

17. SALES

	For the year ended 31 December	
	<u>2023</u>	<u>2022</u>
Sales from activity of forming and selling aluminum	582,736,755	652,002,574
Sales from the activity of selling metal coating powder	50,696,388	54,644,916
Sales from the activity of selling aluminum accessories	37,920,704	43,226,702
	<u>671,353,847</u>	<u>749,874,192</u>

Performance obligations

Information about the Company's performance obligations are summarized below:

Type of product	Nature and timing of satisfaction of performance obligations	Revenue recognition under IFRS 15
Sales of goods	Performance obligation is satisfied at a point in time.	Revenue is recognized when control of goods is transferred to customers.

Geographical markets

	For the year ended 31 December	
	<u>2023</u>	<u>2022</u>
Local sales	523,242,017	578,789,540
External sales	148,111,830	171,084,652
	<u>671,353,847</u>	<u>749,874,192</u>

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18. COST OF SALES

	For the year ended 31 December	
	2023	2022
Raw Materials	442,030,093	542,771,411
Employees' costs	37,368,250	29,600,531
Depreciation (Note 4)	20,398,663	19,538,136
Manufacturing expenses	12,573,900	12,931,432
Utilities	7,068,968	7,003,674
Depreciation of right of assets - leases (note 6)	1,568,998	1,547,426
Water	1,357,065	1,038,911
Others	8,363,135	8,133,993
	<u>530,729,072</u>	<u>622,565,514</u>

19. SELLING AND DISTRIBUTION EXPENSES

	For the year ended 31 December	
	2023	2022
Salaries and employees' related benefits	8,552,404	7,528,248
Cargo charges	3,984,134	4,052,798
Advertisement and publicity	1,321,457	1,001,879
Royalties	39,954	71,163
Depreciation (note 4)	-	4,688
Other	1,682,183	1,333,736
	<u>15,580,132</u>	<u>13,992,512</u>

20. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December	
	2023	2022
Salaries and employees' related benefits	21,703,916	19,750,533
remuneration	3,219,000	1,296,500
Offering and listing expenses	3,182,767	3,205,686
Administrative fees	1,612,502	1,679,363
Repair and maintenance	620,101	437,938
Insurance	767,759	623,823
Depreciation (note 4)	486,720	599,266
Printing and stationery	473,647	361,859
Depreciation of intangible assets (note 5)	238,837	165,149
Other	3,167,964	2,856,288
	<u>35,473,213</u>	<u>30,976,405</u>

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21. OTHER INCOME

	For the year ended 31 December	
	2023	2022
Income from molds	6,506,628	3,917,086
Gain from sale of property, plant and equipment	53,753	106,574
Other	167,665	231,495
	<u>6,728,046</u>	<u>4,255,155</u>

22. FINANCE COSTS

	For the year ended 31 December	
	2023	2022
Net foreign exchange loss	571,591	583,012
Interest on employees defined benefit obligation (note 13)	1,775,124	804,620
Interest on lease liabilities (Note 16)	213,437	273,007
	<u>2,560,152</u>	<u>1,660,639</u>

23. SEGMENT REPORTS

The Company's activities include a number of sectors as follows:

- Aluminum forming and selling sector
- Metal coating powder sector
- Aluminum accessories sector

	As at and for the year ended 31 December 2023			As at and for the year ended 31 December 2022		
	Aluminum forming and selling sector	Metal coating powder sector	Aluminum accessories sector	Aluminum forming and selling sector	Metal coating powder sector	Aluminum accessories sector
External Sales	582,736,755	50,696,388	37,920,704	652,002,574	54,644,916	43,226,702
Inter-segment Sales	2,424,494	12,533,735	4,043,339	1,128,556	12,132,526	3,922,156
Segment Sales	585,161,249	63,230,123	41,964,043	653,131,130	66,777,442	47,148,858
Cost of sales	(463,353,094)	(40,433,654)	(23,976,231)	(538,782,157)	(50,098,433)	(29,782,601)
Other Expenses	(32,780,693)	(10,490,585)	(7,056,510)	(29,611,417)	(8,138,602)	(6,449,795)
Depreciation and amortization	(19,317,065)	(2,698,595)	(677,557)	(18,840,122)	(2,328,879)	(685,665)
Expected credit losses	(1,273,904)	(877,501)	(83,408)	340,386	(449,201)	(100,589)
Other income	6,642,618	6,983	78,445	4,062,480	71,254	121,421
Finance costs	(1,710,906)	(490,633)	(358,613)	(1,101,110)	(309,578)	(249,951)
Income before Zakat	73,368,205	8,246,138	9,890,169	69,199,191	5,524,004	10,001,678
Total assets	553,110,184	94,206,276	31,421,442	554,268,981	63,806,563	28,329,191
Total liabilities	180,138,880	7,467,020	7,691,512	191,180,186	4,747,905	5,708,237

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23 SEGMENT REPORTS (CONTINUED)

The information by geographical distribution is as follows:

As at and for the year ended 31 December 2023	Inside Kingdom of Saudi Arabia	Outside Kingdom of Saudi Arabia	Total
Sales	523,242,017	148,111,830	671,353,847
Total Trade and notes receivable	<u>257,884,298</u>	<u>91,145,430</u>	<u>349,029,728</u>

As at and for the year ended 31 December 2022	Inside Kingdom of Saudi Arabia	Outside Kingdom of Saudi Arabia	Total
Sales	578,789,540	171,084,652	749,874,192
Total Trade and notes receivable	<u>263,574,449</u>	<u>81,674,992</u>	<u>345,249,441</u>

According to geographical distribution, below are the balances of Trade and notes receivable, and the sales for the most important foreign markets:

A) Sales

	For the year ended 31 December	
	2023	2022
Oman	65,635,184	73,980,712
UAE	24,444,324	5,609,222
Kuwait	19,879,275	10,425,350
Bahrain	12,307,718	12,141,512
Egypt	6,690,749	42,974,139
Iraq	5,086,471	7,513,880
Lebanon	5,619,856	891,756
other countries	8,448,253	17,548,081
	<u>148,111,830</u>	<u>171,084,652</u>

B) Trade and notes receivable

	31 December 2023	31 December 2022
Oman	29,859,109	31,555,054
Egypt	24,598,561	27,217,092
Kuwait	12,390,614	3,370,987
UAE	10,005,709	8,390,999
Bahrain	7,878,091	4,423,309
Lebanon	1,661,837	607,429
Iraq	280,709	1,779,099
other countries	4,470,800	4,331,023
	<u>91,145,430</u>	<u>81,674,992</u>

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24. EARNINGS PER SHARE – BASIC AND DILUTED

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to the shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

	31 December 2023	31 December 2022
Net profit for the year	80,126,183	74,701,597
Weighted average number of outstanding ordinary shares (share)*	40,000,000	40,000,000
Basic and diluted earnings per share	2,00	1.87

(*) Weighted average of the number of shares during the financial year ended 31 December 2022 has been adjusted to become 40 million shares instead of 35 million shares, as the increase in shares resulted from the distribution of bonus shares.

25. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties of the Company comprise of shareholders, members of the board of directors, and executive management. The Company transacts with its related parties in the ordinary course of business. The transactions with related parties are undertaken at mutually agreed terms and are approved by the management. Related party transactions during the year are as follows:

Related party	Nature of relationship	Nature of transaction	31 December 2023	31 December 2022
RAL Investment Company	A Company controlled by Mr. Mansaour Al Fatouh	Rentals	1,072,822	550,058

25-1 Transactions with Key Management Personnel

	For the year ended 31 December	
	2023	2022
Board and its Committees' expenses and allowances	1,309,000	1,296,500
Compensations of the key management personnel (*)	6,523,625	9,871,264
	7,832,625	11,167,764

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25. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (CONTINUED)**25-1 Transactions with Key Management Personnel (continued)**

	For the year ended 31 December	
	2023	2022
(*) Compensations of the key management personnel:		
Short-term employees' benefits	5,634,999	9,315,913
Long term benefits	888,626	555,351
	6,523,625	9,871,264

Mr. Mansour Kamel Ibrahim Al-Fattouh Albalawi is the ultimate controlling party of the company.

25.2 Related Party Balances

Included in trade payables and other current liabilities	Related party	31 December 2023	31 December 2022
	RAL Investment Company		
Due to Related parties		50,521	550,058

26. FINANCIAL INSTRUMENTS

The Company is exposed to the following risks as a result of its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Currency risk

Key management is responsible for risk management. Financial instruments carried on the statement of financial position include cash and cash equivalents, trade receivables and notes receivables, due to related parties, trade payables and other current liabilities. The particular recognition methods used in the accounting policies related to each item are disclosed. Financial assets and liabilities are offset and net amounts reported in the statement of financial position, when the Company has a legally enforceable right to set off the recorded amounts, or it intends either to settle on a net basis, or to recognize the asset and settle the liability simultaneously.

Market Risks

Market risk is the risk that arising from changes in market prices, such as currency rates and interest rates that will affect the Company profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

No interest rate sensitivity risk is presented as there are no borrowings as at the reporting date.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk principally arises from trade receivables and notes receivables, cash and cash equivalents, and other receivable balances.

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26. FINANCIAL INSTRUMENTS (CONTINUED)

The carrying value of financial assets represents the maximum value to which a financial asset could be exposed to credit risk as at the statement of financial position date at 31 December, as follows:

	31 December 2023	31 December 2022
Cash and cash equivalents	77,388,154	65,709,712
Trade receivables	266,061,787	249,061,502
Notes receivables	82,967,941	96,187,939
	426,417,882	410,959,153

Trade receivables and notes receivables

The Company is exposed to credit risk mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the business industry and countries in which customers operate.

The Management has established a credit policy according to which the creditworthiness of each new customer is analyzed before the Company establishes its terms and conditions for payment and supply. The Company limits its exposure to credit risk from trade receivables and notes receivables by setting maximum collection limits and credit limits for its customers.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2023 and 2022:

	31 December 2023			31 December 2022		
	Gross carrying amount	Weighted average loss	Loss allowance (%)	Gross carrying amount	Weighted average loss	Loss allowance (%)
Not yet due	148,961,558	1,868,398	1%	148,310,084	1,744,834	1%
Less than 3 months	46,908,045	1,882,370	4%	42,562,618	1,888,260	4%
More than 3 months and less than 6 months	21,962,227	2,167,447	10%	20,556,027	2,233,628	11%
More than 6 months and less than 9 months	3,733,931	668,362	18%	7,862,535	1,460,437	19%
More than 9 months and less than one year	7,256,753	1,766,675	24%	9,839,301	2,641,111	27%
Greater than one year	37,239,273	16,993,129	46%	19,930,937	9,913,550	50%
Total	266,061,787	25,346,381		249,061,502	19,881,829	

The following table provides also information about the exposure to credit risk and ECLs for notes receivables as at 31 December 2023 and 2022:

	31 December 2023			31 December 2022		
	Gross carrying amount	Weighted average loss	Loss allowance (%)	Gross carrying amount	Weighted average loss	Loss allowance (%)
Not yet due	54,326,232	578,058	1%	59,814,087	1,321,868	2%
Less than 3 months	13,334,899	626,752	5%	16,751,377	2,914,158	17%
More than 3 months and less than 6 months	2,145,407	302,207	14%	602,250	105,298	16%
More than 6 months and less than one year	1,603,804	385,307	24%	8,160,382	2,776,556	34%
Greater than one year	11,557,599	5,595,128	48%	10,859,843	3,599,311	33%
Total	82,967,941	7,487,452		96,187,939	10,717,191	

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26. FINANCIAL INSTRUMENTS (CONTINUED)**Credit Risk (Continued)**Cash and Cash equivalents

As at 31 December 2023, the Company held cash and cash equivalent of SR 77,388,154 (2022: SR 65,709,712). Cash and cash equivalents are held with banks and financial institutions having sound credit ratings range from -BBB and above. The Company regularly updates its cash flows. Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers using internal and external rating criteria. Outstanding customer receivables are monitored regularly.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Liquidity risk is the difficulties that the Company will encounter in raising funds to meet commitments related to financial instruments. Liquidity risk may result from the inability to sell financial assets quickly at an amount close to its fair value.

The Company manages liquidity risk by maintaining the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 90 days. The Company also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables and ensures that bank facilities are available.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are based on the gross undiscounted amount.

The following are the contractual maturities of non-derivative financial liabilities:

	Carrying amount	Contractual Cash flows	
		Less than 1 year	More than one and less than five years
<u>31 December 2023</u>			
Trade payables and other current liabilities	139,343,206	139,343,206	-
Due to related parties	50,521	50,521	-
Lease liabilities	3,804,408	1,611,345	2,975,381
	143,198,135	141,005,072	2,975,381
		Contractual Cash flows	
	Carrying amount	Less than 1 year	More than one and less than five years
<u>31 December 2022</u>			
Trade payables and other current liabilities	148,775,581	148,775,581	-
Due to related parties	550,058	550,058	-
Lease liabilities	5,332,217	1,816,245	4,245,978
	154,657,856	151,141,884	4,245,978

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26. FINANCIAL INSTRUMENTS (CONTINUED)**Liquidity Risk (CONTINUED)**Exposure to liquidity risk (continued)

Liquidity risk is managed by monitoring on a regular basis and ensuring that sufficient funds are available to meet the Company's future liabilities.

Currency Risk

The Company is exposed to currency risk on sales, purchases that are denominated in a currency other than the respective functional currencies of Company's entities, which is in Saudi Riyals.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The following table illustrates the sensitivity of the Company to a reasonably possible change in the Saudi Riyals against major currencies (USD, Euro, AED and GBP) by 5% higher or lower with all other variables held constant, of the Group's monetary assets and liabilities:

Profit/(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2023:

	AED sensitivity	USD sensitivity	EUR sensitivity	GBP sensitivity
Increase by 5%	506,379	(3,689,096)	(12,365)	(39,019)
Decrease by 5%	(506,379)	3,689,096	12,365	39,019

Profit/(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2022:

	AED sensitivity	USD sensitivity	EUR sensitivity
Increase by 5%	125,306	(3,494,592)	(115,228)
Decrease by 5%	(125,306)	3,494,592	115,228

The Company's exposure to foreign currency risk at the end of the reporting year, in SR, is as follows:

	2023		
	Trade receivables and notes receivable	Trade payables and notes payable	Cash and cash equivalents
USD	30,148,693	103,930,620	-
Euro	-	247,291	-
AED	10,005,709	791,233	913,105
Pound Sterling (GBP)	-	780,371	-
Swiss Franc	-	-	-

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26. FINANCIAL INSTRUMENTS (CONTINUED)**Currency Risk (continued)**

	2022		
	Trade receivables and notes receivable	Trade payables and notes payable	Cash and cash equivalents
USD	33,020,858	102,912,707	-
Euro	-	2,304,558	-
AED	845,712	-	1,660,398

Capital Management

Share capital represents equity attributable to the shareholders of the Company. The Company objectives when managing capital are to safeguard its ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other beneficiaries and maintain an optimal capital structure to reduce the cost of capital. The management policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The management monitors the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity. The Company also monitors the level of dividends to the shareholders. There were no changes in the Company approach in capital management during the year.

The Company's debt ratio to adjusted capital at the end of the financial reporting period was as follows:

	31 December 2023	31 December 2022
Total liabilities	176,295,844	184,453,090
Less: Cash at banks	77,388,154	65,709,712
Adjusted net debt (a)	98,907,690	118,743,378
Total equity (b)	483,440,490	444,768,407
Adjusted net debt ratio from adjusted equity (a) / (b)	20%	27%

27. FINANCIAL INSTRUMENTS BY CATEGORY

Financial instruments have been categorized as follows:

	31 December 2023	31 December 2022
<u>Financial Assets Not Measured at Fair Value</u>		
Cash and cash equivalents	77,388,154	65,709,712
Trade receivables and other current assets	328,273,312	334,822,037
Total financial assets	405,661,466	400,531,749

AL TAISEER GROUP TALCO INDUSTRIAL COMPANY CLOSED JOINT STOCK

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2023

(All amounts are expressed in Saudi Riyals unless otherwise stated)

27. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	<u>31 December 2023</u>	<u>31 December 2022</u>
<u>Financial Liabilities Not Measured at Fair Value</u>		
Trade payables	139,393,727	148,775,581
Amounts due to related parties	50,521	550,058
Lease liability on right-of-use assets	3,804,408	5,332,217
Total financial liabilities	143,248,656	154,657,856

Fair value of financial assets and liabilities which is measured at amortized cost are not significantly different from their carrying amount.

28. COMMITMENTS AND CONTINGENCIES

Contingent liabilities

The Company has an outstanding bank letter of guarantee of SR 5 million as of 31 December 2023 (31 December 2022: SR 5 million), issued by a local bank in favor of the Zakat, Tax and Customs Authority in relation to customs duties on imported goods.

Capital Commitments

As at 31 December 2023, the Company has no Capital Commitments (2022: nil).

29. SUBSEQUENT EVENTS

On 25 Ramadhan 1445 (corresponding to 4 April 2024) the shareholders in their Ordinary General Assembly Meeting approved a recommendation from the Board of Directors on 8 Ramadan 1445 (corresponding to 18 March 2024) to distribute cash dividend amounting to SR 46,212,618. Other than this there are no significant subsequent events since the end of the year, which may require disclosure or adjustment in these financial statements.

30. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 19 Shawwal 1445H (corresponding to 28 April 2024).