

MOBI Industry Company
(Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
AND INDEPENDENT AUDITOR'S REPORT

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS

For the year ended 31 December 2022

INDEX	PAGE
Independent auditor's report on financial statements	1 - 3
Statement of profit or loss and other comprehensive income	4
Statement of financial position	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to financial statements	8 - 42

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MOBI INDUSTRY COMPANY
(Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)**

Opinion

We have audited the accompanying financial statements of MOBI Industry Company (Formerly known as the National Fertilizers Company) (the "Company"), a Saudi Joint Stock Company, which comprise the statement of financial position as at 31 December 2022 and the statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with professional code of conduct and ethics 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company as of and for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 27 Sha'aban 1443H (corresponding to 30 March 2022).

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT (continued)
TO THE SHAREHOLDERS OF MOBI INDUSTRY COMPANY
(Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

Key Audit Matters (continued)

Below is a description of each of the key audit matters and how they are addressed:

Key Audit Matter	How our audit addressed the key audit matter
<p>Revenue recognition</p> <p>During the year ended 31 December 2022, the Company has recognized gross revenue of SR 214.82 million (2021: SR 186.89 million) and net revenue of SR 190.76 million (2021: SR 170.37 million).</p> <p>The Company's most significant revenue streams from the sale of goods involve gross revenue of SR 192.15 million (2021: SR 161.12 million) from detergent product and SR 22.67 million (2021: SR 25.77 million) from fertilizer product during the year.</p> <p>Revenue from the sale of goods is recognised at a point in time when the significant risks and rewards of ownership have been transferred to the buyer. This normally occurs when the goods has been delivered to the customer in accordance with agreed delivery terms.</p> <p>Revenue recognition is considered as a key audit matter as the Company focuses on revenue as a key performance measure which could create an incentive for revenue to be recognised before the risks and rewards have been transferred.</p> <p><i>Refer to note 2.2.20 for the accounting policy relating to revenue recognition and note 5 for the related disclosures.</i></p>	<p>We have performed the following procedures to address this matter:</p> <ul style="list-style-type: none"> - We obtained an understanding and performed walkthroughs of the processes and internal controls, with respect of revenue recognition in relation to the sale of goods. - We performed monthly, customer and product wise analysis of revenue from sale of goods, comparing current year revenue with our expectation derived from internal and external market data. - We tested revenue transactions related to sales of goods, on a sample basis, and verified supporting documents which include invoices acknowledged by customer or delivery notes, to ensure the accuracy and validity of revenue recognized. - We assessed the appropriateness and adequacy of disclosures related to revenue in the financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)
TO THE SHAREHOLDERS OF MOBI INDUSTRY COMPANY (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
<p><i>Valuation of inventories</i> As of 31 December 2022, the Company's inventories balance amounted to SR 44.47 million (2020: SR 34.13 million), which represents 47.26% of the Company's total current assets and 36.64% of total assets (31 December 2020: 39.5% of total current assets and 30.49% of total assets).</p> <p>The inventories are measured at lower of cost or net realizable value.</p> <p>Valuation of inventories was considered key audit matter due to the financial significance and because inventory valuation involves management judgement.</p> <p><i>Refer to note 2.2.5 for the accounting policy relating to inventories and note 14 for the related disclosures.</i></p>	<p>We have performed the following procedures to address this matter:</p> <ul style="list-style-type: none"> - We assessed the compliance of Company's accounting policies over inventory valuation with applicable accounting standards. - We assessed the analysis and assessment made by the management with respect to the provision of slow moving inventories. - We tested the integrity of the inventories aging report used by the management in its determination of inventory provisions. - We analysed the inventory aging data to identify slow moving and aged inventories and have assessed the realisability with respect to inventories for these items. - We tested, on sample basis, the net realizable value of inventories by examining the sales subsequent to the year end and comparing the net realizable value with the carrying values of inventories to check the appropriateness of the associated provision. - We assessed the adequacy of disclosures related to inventories in the financial statements.

**INDEPENDENT AUDITOR'S REPORT (continued)
TO THE SHAREHOLDERS OF MOBI INDUSTRY COMPANY
(Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)**

Other Information included in the Company's 2022 Annual Report

The management is responsible for the other information. The other information comprises the information included in the Company's 2022 annual report, but does not include the financial statements and our auditor's report thereon. The Company's 2022 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 do not express any form of assurance conclusion thereon.

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

When we read the Company's 2022 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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 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 the 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 ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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.

**INDEPENDENT AUDITOR'S REPORT (continued)
TO THE SHAREHOLDERS OF MOBI INDUSTRY COMPANY
(Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)**

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

for Alluhaid & Alyahya Chartered Accountants



Turki A. Alluhaid
Certified Public Accountant
License No. 438

Riyadh: 8 Ramadan 1444 H
(30 March 2023)



MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022

		31 December 2022	31 December 2021 (Restated note 29)
	Notes	SR	SR
Revenue, net	5	190,762,270	170,375,210
Cost of revenue	6	(142,905,812)	(123,486,345)
GROSS PROFIT		47,856,458	46,888,865
Selling and distribution expenses	7	(26,213,668)	(25,165,187)
General and administrative expenses	8	(6,306,379)	(4,124,362)
Amortization of right-of-use assets	19	(816,999)	(784,324)
Finance charges	10	(1,661,410)	(499,479)
OPERATING PROFIT		12,858,002	16,315,513
Share of profit of investment in a joint venture	17	2,084,961	1,396,011
Share of profit of investment in associates	18	1,035,777	-
Other income	9	83,823	699,352
PROFIT BEFORE ZAKAT		16,062,563	18,410,876
Zakat	21	(2,139,180)	(2,281,594)
NET INCOME FOR THE YEAR		13,923,383	16,129,282
Other comprehensive income that will not be reclassified subsequently to the statement of profit or loss			
Remeasurement of loss on employee benefit obligations	23	(63,877)	(951,426)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		13,859,506	15,177,853
EARNINGS PER SHARE:			
Basic and diluted earnings per share	24	2.78	3.22


Chief Financial Officer


Chief Executive Officer


Chairman of the Board of Directors

The attached notes 1 to 31 form an integral part of these financial statements.



MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	31 December 2022 SR	31 December 2021 (Restated note 29) SR	1 January 2021 (Restated note 29) SR
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	11	6,332,443	7,747,190	9,641,894
Trade receivables	12	29,430,921	29,437,624	23,359,771
Prepayments and other receivables	13	11,104,532	13,537,659	11,790,583
Inventories	14	44,471,069	34,128,519	34,527,100
Amounts due from related parties	15	2,743,562	1,551,785	838,144
TOTAL CURRENT ASSETS		94,082,527	86,402,777	80,157,492
NON-CURRENT ASSETS				
Property, plant and equipment	16	8,023,040	8,678,092	8,225,825
Investment in a joint venture	17	-	11,780,940	10,384,929
Investment in an associate	18	14,651,678	-	-
Right-of-use assets	19	4,869,131	5,070,242	5,210,843
TOTAL NON-CURRENT ASSETS		27,543,849	25,529,274	23,821,597
TOTAL ASSETS		121,626,376	111,932,051	103,979,089
LIABILITIES AND EQUITY				
LIABILITIES				
CURRENT LIABILITIES				
Borrowings	22	18,450,837	14,859,402	17,007,636
Trade payables		13,606,552	12,158,128	6,901,738
Current portion of lease liabilities	19	772,007	728,127	540,270
Accrued expenses and other payables	20	6,282,521	3,626,373	4,438,456
Amounts due to related parties	15	24,310	193,471	972,317
Zakat payable	21	2,098,033	2,281,986	1,619,744
TOTAL CURRENT LIABILITIES		41,234,260	33,847,487	31,480,161
NON-CURRENT LIABILITIES				
Non-current portion of lease liabilities	19	3,588,679	3,948,154	4,467,735
Employee benefit obligations	23	10,683,856	9,876,335	8,837,509
TOTAL NON-CURRENT LIABILITIES		14,272,535	13,824,489	13,305,244
TOTAL LIABILITIES		55,506,795	47,671,976	44,785,405
EQUITY				
Capital		50,000,000	50,000,000	50,000,000
Statutory reserve		12,965,107	11,572,769	9,960,317
Retained earnings		5,043,117	4,512,072	106,704
Actuarial loss reserve		(1,888,643)	(1,824,766)	(873,337)
TOTAL EQUITY		66,119,581	64,260,075	59,193,684
TOTAL LIABILITIES AND EQUITY		121,626,376	111,932,051	103,979,089


Chief Financial Officer


Chief Executive Officer


Chairman of the Board of Directors

The attached notes 1 to 31 form an integral part of these financial statements.

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Capital SR	Statutory reserve SR	Actuarial loss reserve SR	Retained earnings SR	Total shareholders' equity SR	Non- controlling interest SR	Total equity SR
Balance as at 1 January 2022, (Restated, note 29)	50,000,000	11,572,769	(1,824,766)	4,512,072	64,260,075	-	64,260,075
Comprehensive income:							
Net income for the year	-	-	-	13,923,383	13,923,383	-	13,923,383
Other comprehensive loss for the year	-	-	(63,877)	-	(63,877)	-	(63,877)
Total comprehensive income for the year	-	-	(63,877)	13,923,383	13,859,506	-	13,859,506
Transfer to statutory reserve	-	1,392,338	-	(1,392,338)	-	-	-
Dividends (note 28)	-	-	-	(12,000,000)	(12,000,000)	-	(12,000,000)
Balance as at 31 December 2022	50,000,000	12,965,107	(1,888,643)	5,043,117	66,119,581	-	66,119,581
Balance as at 1 January 2021	50,000,000	9,960,317	(873,337)	106,704	59,193,684	7,414,929	66,608,613
Change in accounting treatment (note 29)	-	-	-	-	-	(7,414,929)	(7,414,929)
Balance as at 1 January 2021, (Restated, note 29)	50,000,000	9,960,317	(873,337)	106,704	59,193,684	-	59,193,684
Comprehensive income:							
Net income for the year	-	-	-	16,129,282	16,129,282	-	16,129,282
Other comprehensive loss for the year	-	-	(951,429)	-	(951,429)	-	(951,429)
Total comprehensive income for the year	-	-	(951,429)	16,129,282	15,177,853	-	15,177,853
Transfer to statutory reserve	-	1,612,452	-	(1,612,452)	-	-	-
Dividends (note 28)	-	-	-	(10,111,462)	(10,111,462)	-	(10,111,462)
Balance as at 31 December 2021	50,000,000	11,572,769	(1,824,766)	4,512,072	64,260,075	-	64,260,075

Chief Financial Officer

Chief Executive Officer

Chairman of the Board of Directors



The attached notes 1 to 31 form an integral part of these financial statements.

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS

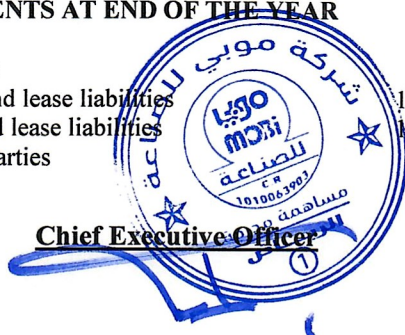
For the year ended 31 December 2022

	Note	31 December 2022 SR	31 December 2021 SR (Restated note 29)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat		16,062,563	18,410,876
Adjustments for:			
Depreciation of property, plant and equipment	16	2,105,438	2,000,277
Share in profit of investment in a joint venture	17	(2,084,961)	(1,396,011)
Share in profit of investment in an associate	18	(1,035,777)	-
Finance cost on lease liabilities	19	155,244	177,091
Impairment losses on trade receivables	12	905,879	(83,264)
Provision for slow moving inventories	14	586,990	-
Amortization of right-of-use assets	19	816,999	784,324
Provision for employee benefit obligations	23	1,156,334	1,015,764
Gain on disposal of property, plant and equipment	9	(72,272)	(133,696)
		<u>18,596,437</u>	<u>20,775,361</u>
Changes in operating assets and liabilities:			
Trade receivables		(899,176)	(5,994,589)
Prepayments and other receivables		2,433,127	(1,747,076)
Inventories		(10,929,540)	398,581
Amounts due from/to related parties, net		(1,360,938)	(1,661,533)
Trade payables		1,448,424	5,256,390
Accrued expenses and other payables		2,656,148	(812,083)
Cash from operating activities		<u>11,944,482</u>	<u>16,215,051</u>
Zakat paid	21	(2,323,133)	(1,619,352)
Employee benefit obligations paid	23	(412,690)	(928,367)
Net cash from operating activities		<u>9,208,659</u>	<u>13,667,332</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	16	(2,027,363)	(2711,277)
Proceeds from disposal of property, plant and equipment	16	649,249	392,429
Proceeds from disposal of investment in a joint venture	17	250,000	-
Net cash used in investing activities		<u>(1,128,114)</u>	<u>(2,318,848)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	22	46,736,486	15,079,116
Repayments of borrowings	22	(43,145,051)	(17,227,350)
Dividends paid	28	(12,000,000)	(9,942,416)
Payment of principal portion of lease liabilities	19	(1,086,727)	(1,152,538)
Net cash used in financing activities		<u>(9,495,292)</u>	<u>(13,243,188)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>(1,414,747)</u>	<u>(1,894,704)</u>
Cash and cash equivalents at beginning of the year		<u>7,747,190</u>	<u>9,641,894</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u>6,332,443</u>	<u>7,747,190</u>
NON-CASH TRANSACTIONS			
Additions in right-of-use assets and lease liabilities	19	1,145,971	493,723
Disposal in right-of-use assets and lease liabilities	19	530,083	-
Dividends transferred to related parties		-	169,046

Chief Financial Officer



Chief Executive Officer



Chairman of the Board of Directors



The attached notes 1 to 31 form an integral part of these financial statements.

MOBI Industry Company (Formerly known as The National Fertilizers Company) (A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS

31 December 2022

1 CORPORATE INFORMATION

MOBI Industry Company (Formerly known as The National Fertilizers Company profusely) (the “Company”) is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010063903 dated 24 Safar 1407H (corresponding to 27 October 1986).

The Company's activity represents manufacture of soap in all its forms, including (paste, liquid, and dry), manufacture of industrial detergents, manufacture of fertilizers and nitrogenous compounds, manufacture of plastics (plastics) in their primary forms, manufacture of washing and cleaning materials and preparations.

On 16 Rabie Al-Thani 1444H (corresponding to 10 November 2022), the shareholders' approved in the Extraordinary General Assembly meeting to change the name of the Company from National Fertilizers Company to MOBI Industry Company. All legal formalities were completed during the year in relation to change of the name of the Company.

The registered address of the Company is P.O. Box 1239, Riyadh 11431, Kingdom of Saudi Arabia.

The accompanying financial statements include the financial information of the Company and its following branches, operating under separate commercial registrations:

<u>Location</u>	<u>Commercial registration number</u>	<u>Register date</u>
Buraydah	1131007549	16/03/1409
Wadi Aldawasir	1185000617	07/02/1409
Dammam	2050032592	22/03/1418
Hail	3350007289	15/07/1411
Tabarjal	3402004797	26/04/1428
Jeddah	4030221203	20/02/1433
Khamees Mushait	5855016815	28/08/1417
Jazan	5900027472	12/04/1435

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

The financial statements have been prepared under the historical cost convention on the accrual basis of accounting.

The financial statements are presented in Saudi Riyals (“SR”), which is the Company’s functional currency.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is the summary of significant accounting policies applied by the Company in preparing its financial statements. These policies have been consistently applied to the year presented, unless otherwise stated.

2.2.1 Change in accounting treatment for joint arrangement

During the year, the Company has reappraised certain critical management judgments, which it has previously applied in preparation of the annual financial statements for the year ended 31 December 2021 relating to the determination of whether control is present with respect to investments in partially owned subsidiary. To support the control presumption when the Company has equal voting rights of an investee, the Company now places more weight on the legal and contractual ability to exercise power, including the potential substantive voting rights, if any. As a result of this reassessment, the Company has concluded that Jal Alsahra for Agriculture Production Company (“the investee”) where the Company hold 50% ownership which was previously accounted as a subsidiary should now be accounted for as a joint arrangement.

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.1 Change in accounting treatment for joint arrangement (continued)

The above reassessment has neither changed nor is expected to change the existing relationship between the Company and the investee, which is now accounted for as joint venture based on the legal document. Hence, the reassessment of management judgments has been considered a change in accounting treatment and applied retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', please refer to note 29.

2.2.2 Current versus non-current classification

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

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

2.2.3 Fair value measurement

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.3 Fair value measurement (continued)

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

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

For assets and liabilities recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the minimum input required to measure fair value as a whole) at the end of each financial reporting period.

2.2.4 Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and any impairment losses. Cost includes the direct expenses of acquiring the asset. Improvements that materially extend the useful life of the asset are capitalized, All other expenses related to repair and maintenance are charged to the statement of profit or loss at the time they occur.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specified useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied.

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

• Building	10 – 33 years
• Machinery and equipment	4 – 6 years
• Motor vehicles and transportation	4 years
• Furniture and fixtures	4 – 10 years
• Tools	4 – 10 years

Any item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual value, useful lives and methods of depreciation of property, plant and equipment are reviewed at the end of each financial year end, and adjusted prospectively, if appropriate.

Projects under construction include costs directly attributable to the projects, which are capitalized to property, plant, and equipment when completed and ready for use.

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.5 Inventories

The Company's inventory represents the value of raw materials, work in progress, finished goods, and spare parts, which are presented as inventory balances at the date of the statement of financial position. The inventory is measured at cost or net realizable value, whichever is lower, and the cost is determined on the basis of the weighted average.

The costs of inventories include the net purchase value and other direct expenses related to the purchase cost. The net realizable value consists of the estimated selling price less costs to complete the sale. A provision is made when necessary against any inventory that is obsolete or slow-moving.

2.2.6 Financial instruments

A) Recognition and Initial Measurement

All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual of the instrument.

The financial asset or the financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. Trade receivables without a significant financing component are initially recognized at the transaction price.

B) Classification and measurement of financial assets and financial liabilities

Financial assets

On initial recognition, financial assets are classified as financial assets measured at amortized cost, or at fair value through other comprehensive income - investments in debt instruments, or at fair value through other comprehensive income or at fair value through profit or loss - investments in equity instruments. The classification of financial assets in accordance with International Financial Reporting Standard No. (9) is usually based on the business model through which the financial assets are managed, as well as the characteristics of their contractual cash flows. Derivatives embedded in contracts in which the financial asset is the host are never separated within the scope of the standard, instead, the hybrid financial instrument as a whole is evaluated with a view to its classification.

Financial assets are measured at amortized cost if they meet both conditions below and are not designated at their value through profit or loss.

- They are held within a business model whose objective is to hold assets to collect contractual cash flows, and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not measured at amortized cost or at fair value through other comprehensive income, as explained above, are measured at fair value through profit or loss, and this includes all derivative financial assets. On initial recognition, the Company has the right to definitively designate financial assets that otherwise meet the measurement requirements at amortized cost or at fair value through other comprehensive income, as financial assets at fair value through profit or loss, and if it does, eliminate the accounting mismatch that may have occurred. It arises in another way, or you significantly reduce it.

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

Financial assets at fair value through profit or loss: the subsequent measurement of these assets are at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.6 Financial instruments (continued)

B) Classification and measurement of financial assets and financial liabilities (continued)

Financial assets at amortized cost: the subsequent measurement of these assets is at amortized cost using the effective interest method. The amortized cost is reduced by the impairment loss. Interest income, foreign exchange gains, losses, and impairment are recognized in profit or loss. Any gain or loss is recognized in profit or loss.

Financial assets at amortized cost consist of trade receivables, contractual assets, cash and cash equivalent.

Trade and other receivables

Most of the revenue is made on the basis of normal credit terms and does not carry interest. When credit is extended beyond normal credit terms, trade and other receivables are measured at amortized cost using the effective interest method. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence of impairment, then the impairment loss is recognized directly in profit or loss.

Financial Liabilities

Financial liabilities are classified when measured at amortized cost or fair value through profit or loss. A financial liability is designated at fair value through statement of profit or loss if it is classified as held trading and is derived or designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains or losses, including any interest expense, recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Trade and other payables

Trade payables are obligations based on normal credit terms and do not bear interest. Trade payables denominated in a foreign currency are translated into Saudi Riyals using the exchange rate at the reporting date. Foreign exchange gains or losses are included in other income or expenses in the statement of profit or loss.

Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset have been transferred, or the Company has neither transferred nor retained substantially all the risks and rewards of ownership. It does not retain control of the financial asset. The Company enters into operations where it transfers the assets recognized in its statement of financial position but retains all or substantially all the risks and rewards of the transferred assets. In this case, the transferred assets are not excluded.

The Company derecognizes financial liabilities when its contractual obligations are discharged, canceled or expire. The company also cancels the financial obligations when their terms are modified and the cash flows of the modified obligations are fundamentally different, in this case the new financial obligations based on the modified terms are recognized at fair value.

Offsetting

A financial asset and a financial liability are offset and the net set-off is presented in the statement of financial position when and only when the Company has the legally enforceable right to set off the recognized amounts and the Company intends either to make a settlement on the basis of the net amounts or to recognize the asset and settle the liability at the same time.

On derecognition of financial liabilities, the difference between the carrying amount amortized and the consideration paid (including any transferred non-cash assets or liabilities assumed) is recognized in profit or loss.

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.6 Financial instruments (continued)

B) Classification and measurement of financial assets and financial liabilities (continued)

Impairment of non-derivative financial assets

For trade receivables, the Company applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Measurement of expected credit losses

ECLs is a weighted estimate of potential credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the contract cash flows and the cash flows that the Company expects to receive). Expected credit losses are discounted at the financial asset's real interest rate.

Credit-impaired financial assets

The Company assesses at each financial statement date whether financial assets carried at amortized cost are impaired. A financial asset is assessed as impaired when one or more events that have a negative impact on the estimated future cash flows of that financial asset occur.

Evidence of impairment of financial assets includes the following observable data:

- Significant financial difficulty of the debtor.
- Breach of the contract, such as default or delay of more than 4 years from the due date from government agencies and more than two years late from the due date from commercial agencies.
- Restructuring of the loan or advance by the Company on terms that the Company does not consider otherwise.
- It is probable that the debtor Will enter bankruptcy or Other financial reorganization, or the disappearance of an active stock market due to financial difficulties.

Presentation of impairment

Provisions for losses for financial assets measured at amortized cost are deducted from the carrying amount of the assets. Impairment losses relating to trade and other receivables are presented separately in the statement of profit or loss.

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.6 Financial instruments (continued)

B) Classification and measurement of financial assets and financial liabilities (continued)

In assessing the present value, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are considered.

If no such transactions are specified, an appropriate valuation form is used. These calculations are recognized by valuation multiples, listed share prices for publicly traded companies or other available fair value indicators. For assets other than goodwill, an assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses may no longer exist or have decreased. If any such indication exists, the Company estimates the recoverable amount of the asset or cash-generating unit. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

2.2.7 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position consists of bank balances and cash in hand. Bank balances and deposits that are subject to bank restrictions and are not available for use are excluded from cash and cash equivalents for the purpose of preparing the cash flow statement.

2.2.8 Investments in associates and joint arrangements

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Investment in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the legal structure of the joint arrangement and also contractual rights and obligations of each investor. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Joint operations

A joint operation is an arrangement whereby the parties that have joint control on the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Company recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held assets or incurred liabilities, revenues and expenses for its joint operations.

Joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the statement of financial position.

Under the equity method of accounting, the investments in an associate or joint venture are initially recognised at cost and adjusted thereafter to recognise the Company's share of the post-acquisition results in the statement of income, and the Company's share of movements in OCI in the statement of comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.8 *Investments in associates and joint arrangements (continued)*

When the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognise further losses, unless it is liable due to constructive or legal obligations on behalf of the other entity.

2.2.9 *Leases*

The Company assess whether a contract contains a lease, at inception of the contract. For all such lease arrangements the Company recognize right of use assets and lease liabilities except for the short-term leases and leases of low value assets as follows:

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of the lease payments, the Company uses the incremental borrowing rate at the commencement date of the lease if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of the lease liability is increased to reflect the accrual of interest and a reduction by the lease payments made. In addition, the carrying amount of the lease liability is remeasured if there is an adjustment, a change in the lease term, a change in the guaranteed fixed lease payments, or a change in the assessment to purchase the underlying asset.

2.2.10 *Zakat*

Zakat is calculated in accordance with the instructions issued by the Zakat, Tax and Customs Authority ("ZATCA") and a provision is calculated to meet the due zakat on an annual basis and is charged to profits or losses, and any differences between the calculated provision and the final assessment are recorded when the final assessment is approved on profits or losses at the time.

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.11 Value-added tax

The company is subject to the value-added tax, and the tax is calculated upon issuance of the invoice, delivery of the service, receipt of the price, or part of it, and the value-added tax return is submitted on a monthly basis.

2.2.12 Provisions

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

2.2.13 Impairment of non-financial assets

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

In assessing the present value, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions are specified, an appropriate valuation method is used. These calculations are recognized by valuation multiples, listed share prices for publicly traded companies operating in a similar industry or other available fair value indicators.

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

The reversal is limited so that the carrying amount of the asset does not exceed the recoverable amount and does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss and OCI unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase.

2.2.14 Statutory reserve

According to the Saudi Arabian Companies' Law and the Company's By-law, the Company shall transfer 10% of the net income for the year to a statutory reserve until such reserve equal 30% of its capital. This reserve is currently not available for distribution to the shareholders of the Company.

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.15 Employee benefits

The Company has a system of end of service benefits for employees within a defined benefit plan that is in accordance with the labor and workers regulations in the Kingdom of Saudi Arabia based on the last salary and number of years of service. End of service benefit plans are not funded. The valuations of the obligations under the plans are therefore performed by an independent actuary based on the projected unit credit method.

The costs relating to these plans consist principally of the present value of the benefits attributable on an equal basis in each year of service and the interest on this obligation in respect or the employee's service in previous years.

Current and past service costs relating to post-service benefits and the reversal of the obligation at the discount rates used are recognized in profit or loss. Any changes in the net liability due to actuarial valuations and changes in assumptions are considered as a remeasurement in other comprehensive income.

Remeasurement of gains and losses arising from experience adjustments and changes in actuarial assumptions in the period in which they occur are recognized directly in other comprehensive income and are presented separately in the statement of changes in shareholders' equity in the period in which they occur.

Changes in the present value of the defined benefit obligation arising from modifications or curtailments of the plan are recognized immediately in the statement of profit or loss and other comprehensive income as past service costs.

End of service payments are based primarily on employees' final salaries, allowances, and cumulative years of service, as described in the Saudi Arabian Labor Law.

2.2.16 Borrowings

Borrowings are recognised initially at the transaction price (that is, the present value of cash payable to the bank, including transaction costs). Borrowings are subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2.2.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Other borrowing costs are expensed in the period in which they are incurred.

2.2.18 Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net income for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.19 Related party transactions and relationships

Related party relationships exist when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities, which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

2.2.20 Revenue

Revenue is recognized when control of an asset is transferred either over time or at a point in time. Control of an asset is defined as the ability to direct the use and substantially all of the benefits associated with that asset.

Revenue from main activity

Revenue is recognized when ordered goods are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

Revenue is recognized when the following steps are completed:

1. Identify the sales contract with the customer.
2. Existence of a performance obligation.
3. Identify the transaction price.
4. Allocate the transaction price to the performance obligation.
5. Recognize revenue when performance obligations are satisfied.

In assessing these steps, management has to consider the following:

- The agreement of the two parties (the buyer and the seller) on the sale with the transfer of the rights of each party to these goods under the sale. Payment terms should also be considered to ensure that the contract has commercial substance and that the consideration for the sale of these goods is likely to be collected.
- Identification of independent goods agreed under the contract. These independent goods are referred to as a performance obligation. In considering whether these goods are separate, management assesses whether the goods can provide a benefit in themselves and the Company's promise to transfer these goods to the customer is separately identified. All the company's sales are considered independent.
- The consideration to which the company is expected to be entitled in exchange for transferring these goods. All company's sales have a fixed consideration.
- Allocating the transaction price to the goods under the contract.
- Satisfaction of the performance obligation.

2.2.21 Other income

Other income is recognized when due and measured at the fair value of the consideration received or receivable.

2.2.22 Cost of sales

Cost of sales includes the direct costs of production which include the costs of raw materials, contract services, depreciation of property, plant and equipment, amortization of deferred expenses, and indirect costs directly attributable to production.

2.2.23 Expenses

Selling and distribution expenses are those that relate specifically to sales representatives, marketing and delivery expenses. General and administrative expenses include some direct and indirect costs that are not necessarily part of the cost of sales. Costs are also distributed between the cost of sales and general and administrative expenses, if necessary, on regular basis.

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.24 Foreign currency translation

The financial statements of the Company are presented in Saudi Riyals, which is also the Functional currency of the Company. Foreign currency transactions are initially translated at the spot rates of the functional currency on the date that the transaction becomes eligible for recognition. Monetary assets and liabilities recorded in foreign currencies are then converted at the spot conversion rates for the functional currency on the date of preparing the company's financial statements, and all differences resulting from the settlement or translation of monetary items at prices different from those that were translated at the initial recognition are included in profit or loss directly in the period in which it arises.

2.2.25 Cash Dividends to Shareholders

The Company records cash dividends to shareholders as liabilities upon approval of the distribution. According to the Saudi Arabian Companies' Law dividends are recognized when they are approved by the general assembly. The corresponding amount is recognized directly in equity.

2.2.26 Remuneration of the Board of Directors and the committees

The Company records for remuneration of the Board of Directors and the audit and remuneration committees when the remuneration is approved by the shareholders or the Board of Directors of the Company.

2.2.27 New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Company has not early adopted any other standards, interpretations or amendment that has been issued but not yet effective.

Onerous contracts – Cost of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Company cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labor and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract

These amendments had no impact on the financial statements of the Company as there were no onerous contracts as of the reporting date.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the financial statements of the Company as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.27 New and amended standards and interpretations (continued)

Property, Plant and Equipment: Proceeds before intended Use – Amendments to IAS 16 Leases

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the financial statements of the Company.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

These amendments had no impact on the financial statements of the Company as there were no modifications of the Company's financial instruments during the period.

IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the financial statements of the Company as it did not have assets in scope of IAS 41 as at the reporting date.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Standards / amendments to standards / interpretations

IFRS 17 Insurance Contracts

Effective date

1 January 2023

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

1 January 2023

Definition of accounting estimates (IAS 8)

1 January 2023

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

1 January 2023

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

1 January 2023

Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)

1 January 2023

Classification of Liabilities as Current or Non-current — Deferral of Effective Date (Amendments to IAS 1)

1 January 2023

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources.

Provision for expected credit losses on trade receivables

The provision matrix is originally determined on the basis of previously observed default rates. The Company calibrates the matrix to adjust for past credit losses with forward-looking information.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of 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.

Employees defined benefits

The provision for employees' end of service benefits is calculated according to the projected unit cost method in accordance with IAS 19, taking into account the Saudi labour law. The Company is required to make assumptions regarding variables such as discount rates, rate of salary increase, longevity and employee turnover, if applicable. Changes in key assumptions can have a significant impact on the projected benefit obligations and employee defined benefit costs. The assumptions are reviewed at each reporting date.

Defined benefit obligations are discounted at a rate set by reference to relevant market yields at the end of the reporting period on high quality corporate or government bonds. Significant judgment is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the size of the bonds, quality of the corporate bonds and the identification of outliers which are excluded, if any.

Leases - Estimating the incremental borrowing rate

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

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

4 SEGMENT INFORMATION

All operating assets are located within the Kingdom of Saudi Arabia and the Company carries out significant portion of its business activities in the Kingdom of Saudi Arabia.

All operating segments' operating results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The Company has two strategic business units ("SBUs") based on its operations which includes the Fertilizers segment and the detergent segment. At the end of each period, the Company's management reviews the report of the above-mentioned segments to make decisions about the resources that are allocated to the segments as well as the criteria for presenting the segments' revenues, expenses, assets, and liabilities.

The segment information has been restated due to change in accounting treatment as elaborated in note 2.2.1.

	For the year ended 31 December 2022		
	Fertilizers segment SR	Detergent segment SR	<i>Total</i> SR
Revenue			
Kingdom of Saudi Arabia	20,511,003	167,419,337	187,930,340
Outside Kingdom of Saudi Arabia	411,750	2,420,180	2,831,930
Revenue, net	20,922,753	169,839,517	190,762,270
Cost of revenue	(20,519,069)	(122,386,743)	(142,905,812)
GROSS PROFIT	403,684	47,452,774	47,856,458
Selling and distribution expenses	(1,983,832)	(24,229,836)	(26,213,668)
General and administrative expenses	(1,674,722)	(4,631,657)	(6,306,379)
Amortization of right-of-use assets	-	(816,999)	(816,999)
Finance charges	(458,514)	(1,202,896)	(1,661,410)
Other income	85,391	(1,568)	83,823
OPERATING PROFIT	(3,627,993)	16,569,818	12,941,825
Share of profit of investment in a joint venture			2,084,961
Share of profit of investment in an associate			1,035,777
PROFIT BEFORE ZAKAT			16,062,563

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

4 SEGMENT INFORMATION (continued)

	For the year ended 31 December 2021 (Restated)		
	Fertilizers segment SR	Detergent segment SR	Total SR
Revenue			
Kingdom of Saudi Arabia	25,266,588	143,370,808	168,637,396
Outside Kingdom of Saudi Arabia	264,040	1,473,774	1,737,814
Revenue, net	25,530,628	144,844,582	170,375,210
Cost of revenue	(23,453,481)	(100,032,864)	(123,486,345)
GROSS PROFIT	2,077,147	44,811,718	46,888,865
Selling and distribution expenses	(2,541,416)	(22,623,771)	(25,165,187)
General and administrative expenses	(1,287,941)	(2,846,421)	(4,124,362)
Amortization of right-of-use assets	(185,104)	(599,220)	(784,324)
Finance costs	(129,369)	(370,110)	(499,479)
Other revenue	-	699,352	699,352
OPERATING PROFIT	(2,066,683)	19,081,548	17,014,865
Share of profit of investment in a joint venture			1,391,253
PROFIT BEFORE ZAKAT			18,406,118

	As at 31 December 2022		
	Fertilizers segment SR	Detergent segment SR	Total SR
Investment in an associate	-	-	14,651,678
Property, plant and equipment	1,849,200	6,173,840	8,023,040
Other assets	11,443,036	87,508,622	98,951,658
Total liabilities	2,301,946	53,204,849	55,506,795

	As at 31 December 2021 (Restated)		
	Fertilizers segment SR	Detergent segment SR	Total SR
Investment in a joint venture	-	-	11,780,940
Property, plant and equipment	2,859,272	5,818,820	8,678,092
Other assets	14,628,672	76,844,347	91,473,019
Total liabilities	7,423,858	40,248,118	47,671,976

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

4 SEGMENT INFORMATION (continued)

	As at 1 January 2021 (Restated)		<i>Total</i>
	Fertilizers segment SR	Detergent segment SR	
Investment in a joint venture	-	-	10,384,929
Property, plant and equipment	2,641,115	5,584,710	8,225,825
Other assets	14,204,602	71,163,733	85,368,335
Total liabilities	<u>13,716,685</u>	<u>31,068,720</u>	<u>44,785,405</u>

5 REVENUE

	<i>For the year ended 31 December 2022</i>	<i>For the year ended 31 December 2021 (Restated)</i>
	SR	SR
Sales	214,821,346	186,897,421
Sales discount	(24,059,076)	(16,522,211)
	<u>190,762,270</u>	<u>170,375,210</u>
<i>Type of services</i>		
Sale of goods	<u>190,762,270</u>	<u>170,375,210</u>
<i>Timing of revenue recognition</i>		
Recognition at a point in time	<u>190,762,270</u>	<u>170,375,210</u>
<i>Geographic region</i>		
Kingdom of Saudi Arabia	187,930,340	168,637,396
Outside Kingdom of Saudi Arabia	2,831,930	1,737,814
	<u>190,762,270</u>	<u>170,375,210</u>

6 COST OF REVENUE

	<i>For the year ended 31 December 2022</i>	<i>For the year ended 31 December 2021 (Restated)</i>
	SR	SR
Raw materials	123,050,938	104,400,053
Employee-related costs	10,761,856	10,553,530
Depreciation (note 16)	2,105,438	2,000,277
Provision for slow moving inventories	586,990	-
Others	6,400,590	6,532,485
	<u>142,905,812</u>	<u>123,486,345</u>

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

7 SELLING AND DISTRIBUTION EXPENSES

	<i>For the year ended 31 December 2022</i>	<i>For the year ended 31 December 2021 (Restated)</i>
	SR	SR
Employee-related costs	11,054,098	9,417,419
Sales commissions	4,764,655	4,079,458
Transportations costs	4,610,568	5,695,325
Insurance	1,985,277	1,188,273
Loading and unloading of goods	1,265,165	1,075,335
Advertising	443,700	1,352,858
Others	2,090,205	2,723,323
	<u>26,213,668</u>	<u>25,165,187</u>

8 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>For the year ended 31 December 2022</i>	<i>For the year ended 31 December 2021 (Restated)</i>
	SR	SR
Employee-related costs	4,237,479	2,630,513
Expected credit loss	911,631	(83,264)
Professional fees	318,058	643,600
Communication	104,876	161,898
Bank charges	100,829	177,083
Stationery and prints expenses	57,616	63,184
Maintenance expenses	24,335	28,819
Others	551,555	502,529
	<u>6,306,379</u>	<u>4,124,362</u>

9 OTHER INCOME

	<i>For the year ended 31 December 2022</i>	<i>For the year ended 31 December 2021 (Restated)</i>
	SR	SR
Gain on disposal of property, plant and equipment	72,272	133,696
Income from sale of scrape	-	565,656
Miscellaneous	11,551	-
	<u>83,823</u>	<u>699,352</u>

10 FINANCE COSTS

	<i>For the year ended 31 December 2022</i>	<i>For the year ended 31 December 2021 (Restated)</i>
	SR	SR
Finance costs on borrowing	1,506,166	322,388
Finance costs on lease liabilities	155,244	177,091
	<u>1,661,410</u>	<u>499,479</u>

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

11 CASH AND CASH EQUIVALENTS

	<i>31 December 2022</i>	<i>31 December 2021 (Restated)</i>
	SR	SR
Cash at banks	6,062,073	7,578,356
Cash on hand	270,370	168,834
	<u>6,332,443</u>	<u>7,747,190</u>

12 TRADE RECEIVABLES

	<i>31 December 2022</i>	<i>31 December 2021 (Restated)</i>
	SR	SR
Trade receivables	30,675,310	29,776,134
Less: allowance for expected credit loss	(1,244,389)	(338,510)
	<u>29,430,921</u>	<u>29,437,624</u>

Movement in the allowance for expected credit loss

	<i>Year ended 31 December 2022</i>	<i>Year ended 31 December 2021 (Restated)</i>
	SR	SR
At beginning of the year	338,510	421,774
Charge (reversal) for the year	905,879	(83,264)
	<u>1,244,389</u>	<u>338,510</u>

13 PREPAYMENTS AND OTHER RECEIVABLES

	<i>31 December 2022</i>	<i>31 December 2021 (Restated)</i>
	SR	SR
Advance to suppliers	7,023,778	9,585,375
Employees' receivables	3,417,856	3,359,898
Prepayments	521,833	236,982
Others	141,065	355,404
	<u>11,104,532</u>	<u>13,537,659</u>

14 INVENTORIES

	<i>31 December 2022</i>	<i>31 December 2021 (Restated)</i>
	SR	SR
Raw materials and packaging	31,751,787	24,806,993
Finished goods	12,627,041	7,681,042
Spare parts	679,231	1,640,484
Less: provision for slow moving inventories	(586,990)	-
	<u>44,471,069</u>	<u>34,128,519</u>

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

14 INVENTORIES (continued)

Movement in the provision for slow moving inventories

	<i>Year ended 31 December 2022 SR</i>	<i>Year ended 31 December 2021 SR</i>
At beginning of the year	-	-
Charge for the year	586,990	-
	586,990	-

15 RELATED PARTY TRANSACTIONS AND BALANCES

15.1 Related party transactions

The following are the details of the significant transactions with related parties during the year:

<u>Name of related party</u>	<u>Nature of relationship</u>	<u>Nature of transaction</u>	<i>Year ended 31 December 2022</i>	<i>Year ended 31 December 2021 (Restated)</i>
Jal Alsahra for Agriculture Production Company	An associate	Sales	1,047,140	854,913
		Expenses paid on behalf	126,958	-
Abdullah Mohammed Albarjas Alnasser (i)	Shareholder / Employee	Advances	1,800,807	2,887,300
Abdulaziz Mohammed Albarjas Alnasser	Shareholder	Expenses paid on behalf	65,255	859,189
Barjas Mohammed Albarjas Alnasser	Shareholder	Expenses paid on behalf	77,359	716,796
Fahad Mohammed Albarjas Alnasser	Shareholder	Expenses paid on behalf	107,967	1,983,793
Nasser Abdullah Albarjas Alnasser (i)	Shareholder son / Employee	Advances	52,499	156,978
Mohammed Barjas Albarjas Alnasser (i)	Shareholder son / Employee	Advances	25,764	18,606
Mohammed Abdullah Albarjas Alnasser (i)	Shareholder son / Employee	Advances	-	31,298
Mohamed Fahad Al-Nasser (i)	Shareholder son / Employee	Advances	22,311	-
Sharifah Mohamed Al-Nasser (i)	Shareholder son / Employee	Advances	11,832	-
Board of Directors	Affiliate / Shareholder	Board remunerations	1,500,000	-

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

15 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

15.2 Related party balances

The following are the details of related party balances at year end:

a) Amounts due from related parties

	31 December 2022 SR	31 December 2021 (Restated) SR
Abdullah Mohammed Al-Nasser (i)	1,790,173	589,344
Jal Alsahra for Agriculture Production Company	679,228	410,764
Mohammed Barjas Al-Nasser (i)	165,237	149,819
Nasser Abdullah Al-Nasser (i)	86,240	132,291
Roqaya Barjas Al-Nasser (i)	20,783	-
Sharifah Mohamed Al-Nasser (i)	1,331	-
Nasser Barjas Al-Nasser (i)	570	570
Barjas Mohammed Al-Nasser	-	136,481
Fahad Mohammed Al-Nasser	-	91,935
Abdulaziz Mohammed Al-Nasser	-	40,581
	<u>2,743,562</u>	<u>1,551,785</u>

b) Amounts due to related parties

	31 December 2022 SR	31 December 2021 (Restated) SR
Abdullah Abdulaziz Al-Nasser	17,555	14,810
Waleed Barjas Al-Nasser	2,609	965
Mohamed Abdulaziz Al-Nasser	1,960	-
Barjas Abdulaziz Al-Nasser	1,057	-
Mohamed Fahad Al-Nasser	820	6,987
Barjas Abdullah Al-Nasser	309	436
Abdullah Suliman Al farhoud	-	84,523
Abdulaziz Suliman Al farhoud	-	84,523
Mohammed Abdullah Al-Nasser	-	1,227
	<u>24,310</u>	<u>193,471</u>

(i) The above mentioned shareholders and shareholder sons balances and transactions are in their capacity as employees of the Company.

15.3 Key management personnel compensation

	Year ended 31 December 2022 SR	Year ended 31 December 2021 (Restated) SR
Short-term employee benefits	1,420,000	900,000
Long-term employee benefits	51,100	50,000
	<u>1,471,100</u>	<u>950,000</u>

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)
31 December 2022

16 PROPERTY, PLANT AND EQUIPMENT (continued)

	Lands SR	Buildings SR	Machines and equipment SR	Motor vehicles and transportation SR	Furniture and fixtures SR	Tools SR	31 December 2021 (Restated) SR
Cost:							
At 1 January	537,000	19,788,582	28,445,494	7,396,086	3,619,469	7,738,414	67,525,045
Additions	-	-	892,309	1,686,730	132,238	-	2,711,277
Disposals	-	-	-	(1,407,970)	(3,350)	-	(1,411,320)
At the end of year	537,000	19,788,582	29,337,803	7,674,846	3,748,357	7,738,414	68,825,002
Accumulated depreciation:							
At 1 January	-	15,956,533	26,580,805	6,155,124	3,027,132	7,579,626	59,299,220
Charge for the year	-	501,089	644,855	649,706	162,524	42,103	2,000,277
Disposals	-	-	-	(1,149,237)	(3,350)	-	(1,152,587)
At the end of year	-	16,457,622	27,225,660	5,655,593	3,186,306	7,621,729	60,146,910
Net book amount							
At 31 December 2021	537,000	3,330,960	2,112,143	2,019,253	562,051	116,685	8,678,092
At 1 January 2021	537,000	3,832,049	1,864,689	1,240,962	592,337	158,788	8,225,825

Fertilizers segment	Detergent segment	Total
SR	SR	SR
614,976	1,385,301	2,000,277
Charged to cost of revenue		

**MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)**

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

17 INVESTMENTS IN A JOINT VENTURE

The Company owned 50% shares of Jal Alsahra for Agriculture Production Company (“Joint venture”) limited liability company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010148818 dated 21 Shawal 1418H (corresponding 18 February 1998).

The following is the movement in the carrying value of the investment in a joint venture:

	<i>31 December 2022 SR</i>	<i>31 December 2021 (Restated) SR</i>
Balance at beginning of the year	11,780,940	10,384,929
Share of profit during the year (ii)	2,084,961	1,396,011
Dividends	(8,989,151)	-
Disposal of interest in joint venture	(250,000)	-
Balance transferred to investment in an associate (ii) (note 18)	(4,626,750)	-
Balance at end of the year	<u>-</u>	<u>11,780,940</u>

- (ii) On 9 November 2022, the Company signed shares sale agreement (“sale agreement”) to dispose 25% of its 50% equity interest in Jal Alsahra for Agriculture Production Company, bringing the Company investment to 25% equity holding. Effective 1 July 2022 the Company's management has classified its investment as an associate based on contractual assessment.

18 INVESTMENTS IN AN ASSOCIATE

The following is the movement in the carrying value of the investment in an associate company:

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Balance transferred from investments in a joint venture (note 17)	4,626,750	-
Additions during the year	8,989,151	-
Share of profit during the year (ii) (note 17)	1,035,777	-
Balance at end of the year	<u>14,651,678</u>	<u>-</u>

- (ii) Represents 25% share of profits from Jal Alsahra for Agriculture Production Company for the period from 1 July 2022 to 31 December 2022 according to the sale agreement.

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

19 RIGHT-OF-USE ASSET AND LEASE LIABILITIES

19.1 Right-of-use asset

	31 December 2022 SR	31 December 2021 SR
<i>Cost</i>		
Balance at beginning of the year	7,063,060	6,419,337
Additions	1,145,971	643,723
Disposal	(780,200)	
Balance at end of the year	<u>7,428,831</u>	<u>7,063,060</u>
<i>Accumulated depreciation</i>		
Balance at beginning of the year	1,992,818	1,208,494
Depreciation charge for the year	816,999	784,324
Disposal	(250,117)	-
Balance at end of the year	<u>2,559,700</u>	<u>1,992,818</u>
<i>Net book amount</i>	<u><u>4,869,131</u></u>	<u><u>5,070,242</u></u>

19.2 Lease liabilities

	31 December 2022 SR	31 December 2021 SR
Balance at beginning of the year	4,676,281	5,008,005
Additions	1,145,971	643,723
Finance charges	155,244	177,091
Payment of principal portion of lease liabilities	(1,086,727)	(1,152,538)
Disposal	(530,083)	-
Balance at end of the year	<u>4,360,686</u>	<u>4,676,281</u>
Current portion of lease liabilities	772,007	728,127
Non-current portion of lease liabilities	<u>3,588,679</u>	<u>3,948,154</u>
	<u><u>4,360,686</u></u>	<u><u>4,676,281</u></u>

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

20 ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2022 SR	31 December 2021 (Restated) SR
Accrued expenses	3,034,162	1,221,486
Advance from customers	1,493,842	846,394
Value added tax payable	684,096	783,778
Employees' payable	677,356	528,558
Other	393,065	246,157
	<u>6,282,521</u>	<u>3,626,373</u>

21 ZAKAT PAYABLE

21.1 Zakat charge

The zakat charge is based on the following:

	31 December 2022 SR	31 December 2021 (Restated) SR
Equity	61,572,769	61,429,132
Opening provisions and other adjustments	29,868,637	36,564,052
Book value of long-term assets	(25,102,342)	(28,233,136)
Zakat base before adjusted net income for the year	<u>66,339,064</u>	<u>69,760,048</u>
Adjusted zakat base for the Gregorian year	68,400,447	71,841,878
Adjusted net income for the year	15,591,029	19,421,882
Zakat base	<u>83,991,476</u>	<u>91,263,760</u>
Zakat	<u>2,099,787</u>	<u>2,281,594</u>

Zakat is calculated at 2.5% of the highest of zakat base or adjusted net income for the year.

21.2 Zakat provision

The movement in the zakat provision for the year is as follows:

	31 December 2022 SR	31 December 2021 (Restated) SR
At the beginning of the year	2,281,986	1,619,744
Provision during the year	2,099,787	2,281,594
Adjustment during the year (note 21.3)	39,393	-
Payment during the year	(2,323,133)	(1,619,352)
At the end of the year	<u>2,098,033</u>	<u>2,281,986</u>

21.3 Status of assessments

The Company has filed its zakat returns for all years up to 2021 with ZATCA, the company received final assessment by ZATCA for the year 2016, which resulted in additional liability of SR 39,393. The assessments for the rest of the years not have been raised yet by ZATCA.

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

22 BORROWINGS

The movement in the borrowings is as follows:

	31 December 2022 SR	31 December 2021 (Restated) SR
At the beginning of the year	14,859,402	17,007,636
Proceeds from borrowings	46,736,486	15,079,116
Repayment of borrowings	(43,145,051)	(17,227,350)
At the end of the year	<u>18,450,837</u>	<u>14,859,402</u>

The Company has a short term Sharia compliant credit facility agreement with Alinma bank amounting to SR 50 million (2021: SR 30 million), these borrowings are secured by a promissory note of SR 30 million signed by shareholders in order to finance working capital requirements, with a profit margin: SIBOR plus 2.5%.

The Company has a short term Sharia compliant credit facility agreement with Alrajhi bank amounting to SR 25 million, these borrowings are secured by a promissory note of SR 26 million signed by shareholders in order to finance working capital requirements, with a profit margin: SIBOR plus 2.25%.

23 EMPLOYEE BENEFIT OBLIGATIONS

	31 December 2022 SR	31 December 2021 (Restated) SR
At the beginning of the year	9,876,335	8,837,509
Charged during the year	1,156,334	1,015,764
Re-measurement loss	63,877	951,429
Paid during the year	(412,690)	(928,367)
At the end of the year	<u>10,683,856</u>	<u>9,876,335</u>

Employee benefit obligations expenses are included in the direct costs and general and administrative expenses in the statement of profit or loss and OCI as employee-related costs.

Assumptions used and risks

The principal assumptions used in determining employee benefit obligations are shown below:

	31 December 2022 SR	31 December 2021 (Restated) SR
Discount rate	4.52%	2.73%
Rate of salary increase	0.95%	2.10%
Retirement age	60 years	60 years

24 Basic and diluted earnings per share

The calculation of the basic/diluted earnings per share is based on the profit attributable to shareholders and the weighted average number of shares outstanding. Basic/diluted earnings per share as 31 December 2022 have been calculated based on the weighted average number of shares outstanding during period of 5 million shares (31 December 2021: 5 million shares). There are no potentially diluted shares. Diluted earnings per share are the same as basic earnings per share as the company has neither convertible securities nor dilutive financial instruments to be exercised.

25 FINANCIAL INSTRUMENTS

25.1 FAIR VALUE OF FINANCIAL INSTRUMENTS

The financial assets are included in the company's statement of financial position consist of cash and cash equivalent, trade receivables, and other assets, and due from related parties, while the financial liabilities consist of borrowings, trade and other credit balances. The fair value of financial instruments approximates the carrying value.

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

25 FINANCIAL INSTRUMENTS (continued)

25.2 RISK MANAGEMENT

Credit risk

Credit risk represents the inability of one party to meet its obligations, which leads to the other party incurring a financial loss. Financial assets that are subject to the concentration of credit risk mainly consist of cash and cash equivalents and trade receivables. The company maintains cash at banks with good credit ratings and thus limits the risks, and receivables appear after deduction of provision for impairment in their value. The company is committed to managing the credit risk related to customers by setting credit limits for each customer and monitoring outstanding receivables.

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

	31 December 2022	31 December 2021 (Restated)
	SR	SR
Trade receivables	29,430,921	29,437,624
Cash and cash equivalents	6,332,443	7,747,190
Prepayments and other receivables	11,104,532	13,537,659
Amounts due from related parties	2,743,562	1,551,785
	<u>49,611,458</u>	<u>52,274,258</u>

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.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. Outstanding customer receivables are regularly monitored.

Liquidity risk

Liquidity risk represents the difficulty that the company faces in providing funds to meet commitments related to financial instruments. Liquidity risk results from the inability to sell a financial asset quickly at an amount equal to its fair value. The company manages liquidity risks by maintaining sufficient cash balances at banks and ensuring that it can obtain sufficient facilities, if required, to cover its short-term obligations on an ongoing basis.

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

	<i>Less than 12 months</i>	<i>More than 12 months</i>	<i>Total</i>
	SR	SR	SR
<u>31 December 2022</u>			
Trade payable	13,606,552	-	13,606,552
Accrued expenses and other payables	6,282,521	-	6,282,521
Amounts due to related parties	24,310	-	24,310
Short-term borrowings	18,450,837	-	18,450,837
	<u>38,364,220</u>	<u>-</u>	<u>38,364,220</u>
<u>31 December 2021 (Restated)</u>			
Trade payable	12,158,128	-	12,158,128
Accrued expenses and other payables	6,296,614	-	6,296,614
Amounts due to related parties	193,471	-	193,471
Short-term borrowings	14,859,402	-	14,859,402
	<u>30,837,374</u>	<u>-</u>	<u>30,837,374</u>

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

25 FINANCIAL INSTRUMENTS (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices.

Market risk consists of two types of risk: currency risk and special commission rate risk as follows:

- **Currency risk**

Currency risk resulting from the fluctuating value of financial instruments is the result of changes in foreign exchange rates. The company is subject to fluctuations in foreign exchange rates during its normal business cycle. The company did not conduct any significant transactions in currencies other than the Saudi riyal, US dollar, and Euro during the year. The exposure in Euro is insignificant and US dollar is pegged with Saudi Riyal, hence the Company is not exposed to currency risk.

- **Special commission rate risk**

Special commission rate risk relates to the risk resulting from fluctuation in the value of a financial instrument as a result of changes in special commission rates prevailing in the market. The company monitors fluctuations in interest rates and believes that the impact of special commission rate risk is not material on the financial position and cash flows.

26 COMMITMENTS AND CONTINGENCIES

As at 31 December 2022, the Company had letters of credit amounting to SR 582,776 which were issued in the normal course of business (2021: Nil).

27 SUBSEQUENT EVENTS

There have been no significant subsequent events since the year ended 31 December 2022, which would have a material impact on the financial position of the Company as reflected in these financial statements.

28 DIVIDENDS

On 2 Rabi Al-Awal 1444H (corresponding to 28 September 2022), the Board of Directors approved interim cash dividends for the first half of the year 2022 amounting to SR 7,500,000 (at SR 1.5 per share) (31 December 2021: SR 5,000,000 at SR 1 per share), which has been recognised in these financial statements for the year ended 31 December 2022.

On 16 Ramadan 1443H (corresponding to 17 April 2022), the Board of Directors approved interim cash dividends for the second half of the year 2021 amounting to SR 4,500,000 (at SR 0.9 per share) (30 June 2021: SR 5,111,462 at SR 1.02 per share), which has been recognised in these financial statements for the year ended 31 December 2022.

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

29 RESTATEMENT

During the year ended 31 December 2022, the Company changed its accounting treatment as elaborated in note 2.2.1 based on a re-assessment of determination of control over Jal Alsahra for Agriculture Production Company and has ceased consolidating the financial statements of Jal Alsahra for Agriculture Production Company and considered this as a joint arrangement and retrospectively recognized the investment in Jal Alsahra for Agriculture Production Company as investment in "joint venture". Accordingly, the Company applied the equity method retrospectively to account for investment in Jal Alsahra for Agriculture Production Company which was previously accounted for as a subsidiary.

The impact of above adjustments are presented in the below table:

	<i>As at 31 December 2021 SR (Restated)</i>	<i>Adjustments</i>	<i>As at 31 December 2021 SR (Previously stated)</i>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7,747,190	(4,264,667)	12,011,857
Trade receivables	28,279,507	(8,945,947)	37,225,454
Prepayments and other receivables	14,695,776	(527,211)	15,222,987
Inventories	34,128,519	(2,670,907)	36,799,426
Amounts due from related parties	1,551,785	410,662	1,141,123
Biological assets	-	(3,081,912)	3,081,912
TOTAL CURRENT ASSETS	86,402,777	(19,079,982)	105,482,759
NON-CURRENT ASSETS			
Investment in joint venture	11,780,940	11,780,940	-
Property, plant and equipment	8,678,092	(7,233,468)	15,911,560
Right-of-use assets	5,070,242	-	5,070,242
TOTAL NON-CURRENT ASSETS	25,529,274	4,547,472	20,981,802
TOTAL ASSETS	111,932,051	(14,532,510)	126,632,525
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Borrowings	14,859,402	-	14,859,402
Trade payables	12,158,128	(3,389,586)	15,547,714
Accrued expenses and other payables	3,626,372	(1,207,985)	4,834,358
Current portion of lease liabilities	728,127	-	728,127
Amounts due to related parties	193,471	-	193,471
Zakat payable	2,281,987	(384,270)	2,666,256
TOTAL CURRENT LIABILITIES	33,847,487	(4,981,841)	38,829,328
NON-CURRENT LIABILITIES			
Employee benefit obligations	9,876,335	(769,730)	10,646,065
Non-current portion of lease liabilities	3,948,154	-	3,948,154
TOTAL NON-CURRENT LIABILITIES	13,824,489	(769,730)	14,594,219
TOTAL LIABILITIES	47,671,976	(5,751,571)	53,423,547

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

29 RESTATEMENT (continued)

	<i>As at 31 December 2021 SR (Restated)</i>	<i>Adjustments</i>	<i>As at 31 December 2021 SR (Previously stated)</i>
EQUITY			
Capital	50,000,000	-	50,000,000
Statutory reserve	11,572,769	-	11,572,769
Retained earnings	4,512,072	-	4,512,072
Actuarial loss reserve	(1,824,766)	-	(1,824,766)
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT	64,260,075	-	64,260,075
Non-controlling interest	-	(8,780,939)	8,780,939
TOTAL EQUITY	64,260,075	(8,780,939)	73,041,014
TOTAL LIABILITIES AND EQUITY	111,932,051	(14,532,510)	126,464,561
	<i>As at 1 January 2021 SR (Restated)</i>	<i>Adjustments</i>	<i>As at 1 January 2021 SR (Previously stated)</i>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9,641,894	(1,631,720)	11,273,614
Trade receivables	23,359,771	(5,305,952)	28,665,723
Prepayments and other receivables	11,790,583	(1,058,745)	12,849,328
Inventories	34,527,100	(3,463,707)	37,990,807
Amounts due from related parties	838,144	565,512	272,632
Biological assets	-	(3,802,816)	3,802,816
TOTAL CURRENT ASSETS	80,157,492	(14,697,428)	94,854,920
NON-CURRENT ASSETS			
Investment in joint venture	10,384,929	10,384,929	-
Property, plant and equipment	8,225,825	(8,673,091)	16,898,916
Intangible assets	-	(4,987)	4,987
Right-of-use assets	5,210,843	-	5,210,843
TOTAL NON-CURRENT ASSETS	23,821,597	1,706,851	22,114,746
TOTAL ASSETS	103,979,089	(12,990,577)	116,969,666
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Borrowings	17,007,636	-	17,007,636
Trade payables	6,901,738	(3,875,827)	10,777,565
Current portion of lease liabilities	540,270	-	540,270
Accrued expenses and other payables	4,438,456	(761,725)	5,200,181
Amounts due to related parties	972,317	-	972,317
Zakat payable	1,619,744	(141,940)	1,761,684
TOTAL CURRENT LIABILITIES	31,480,161	(4,779,492)	36,259,653

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

29 RESTATEMENT (continued)

	<i>As at 1 January 2021 SR (Restated)</i>	<i>Adjustments</i>	<i>As at 1 January 2021 SR (Previously stated)</i>
NON-CURRENT LIABILITIES			
Employee benefit obligations	8,837,509	(796,156)	9,633,665
Non-current portion of lease liabilities	4,467,735	-	4,467,735
TOTAL NON-CURRENT LIABILITIES	13,305,244	(796,156)	14,101,400
TOTAL LIABILITIES	44,785,405	(5,575,648)	50,361,053
EQUITY			
Capital	50,000,000	-	50,000,000
Statutory reserve	9,960,317	-	9,960,317
Retained earnings	106,704	-	106,704
Actuarial loss reserve	(873,337)	-	(873,337)
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT	59,193,684	-	59,193,684
Non-controlling interest	-	(7,414,929)	7,414,929
TOTAL EQUITY	59,193,684	(7,414,929)	66,608,613
TOTAL LIABILITIES AND EQUITY	103,979,089	(12,990,577)	116,969,666

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

29 RESTATEMENT (continued)

	<i>For year ended</i>		<i>For year ended 31 December 2021 SR (Previously stated)</i>
	<i>31 December 2021 SR (Restated)</i>	<i>Adjustments</i>	
Revenue	170,375,210	(32,501,867)	202,877,077
Cost of revenue	(123,486,345)	22,656,555	(146,142,900)
GROSS PROFIT	46,888,865	(9,845,312)	56,734,177
Selling and distribution expenses	(25,165,187)	4,504,418	(29,669,605)
General and administrative expenses	(4,124,362)	2,000,869	(6,125,231)
Amortization of right-of-use assets	(784,324)	-	(784,324)
Finance charges	(499,479)	-	(499,479)
OPERATING PROFIT	16,315,513	(3,340,025)	19,655,538
Share of profit of investment in a joint venture	1,396,011	1,396,011	-
Other income	699,352	2,680	696,672
PROFIT BEFORE ZAKAT	18,410,876	(1,941,334)	20,352,210
Zakat	(2,281,594)	554,840	(2,836,434)
NET INCOME FOR THE YEAR	16,129,282	(1,386,494)	17,515,776
Other comprehensive income that will not be reclassified subsequently to the statement of profit or loss			
Remeasurement of loss on employee benefit obligations	(951,429)	(9,516)	(941,913)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	15,177,853	(1,396,010)	16,573,863
TOTAL NET INCOME FOR THE YEAR			
ATTRIBUTABLE TO:			
Equity holders	16,129,282	-	16,129,282
Non-controlling interests	-	(1,386,494)	1,386,494
	16,129,282	(1,386,494)	17,515,776
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			
ATTRIBUTABLE TO:			
Equity holders	15,177,853	-	15,177,853
Non-controlling interests	-	(1,396,010)	1,396,010
	15,177,853	(1,396,010)	16,573,863
EARNINGS PER SHARE:			
Basic and diluted earnings per share	3.22	(0.28)	3.50

MOBI Industry Company (Formerly known as The National Fertilizers Company)
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2022

30 RECLASSIFICATIONS OF COMPARATIVE FIGURES

During the year, the Company has made certain reclassifications in the comparative 2021 financial statements to conform to 2022 presentation:

<i>Reclassified from</i>	<i>Reclassified to</i>	<i>Amount SR</i>
Employees benefit obligation	Prepayments and other receivables	3,715,262
Prepayments and other receivables	Amounts due from related parties	906,628
Accrued expenses and other payables	Amounts due to related parties	29,366

31 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 7 Ramadan 1444 H (corresponding to 29 March 2023).