

THE NATIONAL COMPANY FOR GLASS INDUSTRIES (ZOUJAJ)
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022

THE NATIONAL COMPANY FOR GLASS INDUSTRIES (ZOUJAJ)
(A SAUDI JOINT STOCK COMPANY)
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**Independent Auditor's Review Report on the
Interim Condensed Financial Statements**

**To the Shareholders,
The National Company for Glass Industries (Zoujaj)**

(A Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed statement of financial position of The National Company for Glass Industries ("Zoujaj" or "the Company") as at 30 September 2022 and the related interim condensed statement of profit or loss and other comprehensive income for the three and nine-month periods then ended and the interim condensed statements of changes in equity and cash flows for the nine-month period then ended, and notes to the interim condensed financial statements, including a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standards (IAS 34) "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

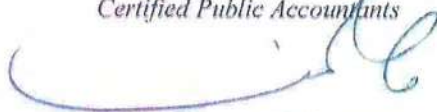
Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (2410), 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Baker Tilly MKM & Co.
Certified Public Accountants



Majed Moneer Al Nemer
(License No. 381)

Riyadh on 27 Rabi al-Awwal 1444H
Corresponding to 23 October 2022G



THE NATIONAL COMPANY FOR GLASS INDUSTRIES (ZOUJAJ)
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022
(SAUDI RIYALS)

	Note	30 September 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6	192,473,900	216,100,530
Right of use assets		1,706,767	1,836,606
Investments in joint ventures	7	516,356,394	460,892,677
Total non-current assets		710,537,061	678,829,813
Current assets			
Inventories	8	29,145,473	23,444,174
Prepayments and other debit balances		3,065,225	1,494,593
Contract assets		5,583,372	8,552,150
Trade receivables	9	52,400,175	40,625,002
Cash and cash equivalents		20,571,324	14,215,788
Total current assets		110,765,569	88,331,707
Total assets		821,302,630	767,161,520
EQUITY AND LIABILITIES			
EQUITY			
Share capital		329,000,000	329,000,000
Statutory reserve		98,700,000	98,700,000
Retained earnings		272,258,268	212,497,679
Total equity		699,958,268	640,197,679
LIABILITIES			
Non-current liabilities			
Loans and borrowings	11	3,399,130	28,796,115
Lease liabilities		1,741,616	1,890,595
Employee's end of service benefits		6,804,180	6,124,978
Total non-current liabilities		11,944,926	36,811,688
Current liabilities			
Loans and borrowings	11	68,069,412	44,498,384
Lease liabilities		181,065	177,081
Contract liabilities		278,852	429,806
Trade payables		10,295,841	17,126,448
Accrued expenses and other credit balances		7,278,328	7,632,124
Zakat provision		9,250,287	6,715,753
Dividends payable		14,045,651	13,572,557
Total current liabilities		109,399,436	90,152,153
Total liabilities		121,344,362	126,963,841
Total equity and liabilities		821,302,630	767,161,520

CFO
Hatem Ayedh Alfadli

Acting General Manager
Khaled Mohammed Al Qaisi

Chairman of Board of Directors
Omar Riyadh Alhumaidan

The accompanying notes form an integral part of these interim condensed financial statements

THE NATIONAL COMPANY FOR GLASS INDUSTRIES (ZOUJAJ)
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022
(SAUDI RIYALS)

Note	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2022	2021 (Restated) (Note 16)	2022	2021 (Restated) (Note 16)
Continuing operations				
Revenue	30,457,357	19,523,659	81,430,773	58,309,739
Cost of revenue	(31,328,624)	(19,598,148)	(75,141,483)	(55,609,339)
Gross profit	(871,267)	(74,489)	6,289,290	2,700,400
Selling and distribution expenses	(749,104)	(619,094)	(2,115,868)	(1,579,844)
General and administrative expenses	(2,481,610)	(2,002,163)	(7,032,297)	(5,921,190)
Impairment on financial assets	(602,059)	(2,500,000)	(1,164,455)	(3,500,000)
Other income/(expenses), net	69,884	36,757	(2,436,105)	1,213,841
Operating loss	(4,634,156)	(5,158,989)	(6,459,435)	(7,086,793)
Finance cost	(891,674)	(664,979)	(2,318,086)	(1,859,519)
Share of profit from equity accounted joint ventures	28,453,661	26,424,592	107,636,717	52,320,767
Profit before zakat for the period	22,927,831	20,600,624	98,859,196	43,374,455
Zakat	(935,421)	(901,130)	(3,359,412)	(2,677,106)
Profit for the period from continuing operations	21,992,410	19,699,494	95,499,784	40,697,349
Loss from discontinued operation	(1,700,200)	(646,452)	(2,839,195)	(1,802,783)
Net profit for the period	20,292,210	19,053,042	92,660,589	38,894,566
Other comprehensive income				
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	20,292,210	19,053,042	92,660,589	38,894,566
Basic and diluted earnings per share attributable to the shareholder of the Company				
From continuing operation	0.62	0.58	2.82	1.18
From discontinued operation	0.67	0.60	2.90	1.24
	(0.05)	(0.02)	(0.08)	(0.06)

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THE NATIONAL COMPANY FOR GLASS INDUSTRIES (ZOUJAJ)
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022
(SAUDI RIYALS)

	Note	Share capital	Statutory reserve	Retained earnings	Total
Balance as at 1 January 2021		329,000,000	98,700,000	162,622,186	590,322,186
Total comprehensive income for the period (restated)		-	-	38,894,566	38,894,566
Balance as at 30 September 2021 (restated)		329,000,000	98,700,000	201,516,752	629,216,752
Balance as at 1 January 2022		329,000,000	98,700,000	212,497,679	640,197,679
Total comprehensive income for the period		-	-	92,660,589	92,660,589
Dividend	17	-	-	(32,900,000)	(32,900,000)
Balance as at 30 September 2022		329,000,000	98,700,000	272,258,268	699,958,268



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THE NATIONAL COMPANY FOR GLASS INDUSTRIES (ZOUJA.I)
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022
(SAUDI RIYALS)

	30 September 2022	30 September 2021 (Restated)
Cash flows from operating activities		
Profit before zakat for the period	98,859,196	43,374,455
Loss from discontinued operation	(2,839,195)	(1,802,783)
Adjustments for:		
Depreciation of property, plant and equipment	23,626,257	21,803,383
Depreciation of right of use assets	129,839	129,839
Loss on disposal of non-current assets held for sale	1,673,915	-
Gain on modification of a financial liability	-	(1,068,168)
Impairment loss on financial assets	1,164,455	3,500,000
Impairment loss on remeasurement of non-current assets held for sale	2,833,948	-
Interest expense on lease liabilities	48,821	97,000
Share of profit from equity accounted joint ventures	(107,636,717)	(52,320,767)
Employee's end of service benefits	902,416	677,975
	18,762,935	14,390,934
Changes in working capital items:		
Inventories	(5,701,299)	(7,232,352)
Prepayments and other debit balances	(1,570,632)	(950,447)
Contract assets	2,968,778	446,325
Trade receivables	(12,939,628)	(6,742,062)
Contract liabilities	(150,954)	27,498
Trade payables	(6,830,607)	2,636,056
Accrued expenses and other credit balances	(353,796)	(416,793)
	(5,815,203)	2,159,159
Employee's end of service benefits paid	(223,214)	(1,291,833)
Zakat paid	(824,878)	(2,851,935)
Net cash flows used in operating activities	(6,863,295)	(1,984,609)
Cash flows from investing activities		
Additions to property, plant and equipment	(5,333,575)	(6,802,272)
Proceeds from disposal of non-current assets held for sale	826,085	-
Dividend received from joint ventures	52,173,000	-
Net cash flows generated from / (used in) investing activities	47,665,510	(6,802,272)
Cash flows from financing activities		
Proceeds from loans and borrowings	35,678,432	27,544,484
Payment of loans and borrowings	(37,504,389)	(31,362,773)
Lease liabilities paid	(193,816)	(145,363)
Dividends paid	(32,426,906)	(3,110)
Net cash flows used in financing activities	(34,446,679)	(3,966,762)
Net change in cash and cash equivalents during the period	6,355,536	(12,753,643)
Cash and cash equivalents at the beginning of the period	14,215,788	24,737,983
Cash and cash equivalents at end of the period	20,571,324	11,984,340


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THE NATIONAL COMPANY FOR GLASS INDUSTRIES (ZOUJAJ)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022
(SAUDI RIYALS)

1. COMPANY INFORMATION AND PRINCIPAL ACTIVITIES

The National Company for Glass Industries (Zoujaj) (hereinafter "The Company") is a Saudi Joint Stock company, established under the Commercial Register No. 1010075300 dated 20/6/1410 H (corresponding to 17 January 1990) in Riyadh, Kingdom of Saudi Arabia.

The registered address of the Company is building number 8317, unit number 5, Saudi Second Industrial City, PO Box 88646, Riyadh 11672, Kingdom of Saudi Arabia.

The principal activity of the Company is production and sale of returnable and non-returnable glass bottles and float glass.

The Company owns two factories in Riyadh and Dammam. Riyadh factory began its commercial production during the first quarter of 1991, while Dammam factory began its commercial production in January 1994 and disposed off on 14 August 2022 (Note 10).

The interim condensed financial statements include the Company's accounts and its following branches:

Branch name	CR Number	Issuance Location	Registration date	Activity
The National Factory for Glass Bottles	1010088944	Riyadh	11/05/1412 (H)	Production of returnable and non-returnable glass bottles.
Dammam Factory for Glass Bottles	2050023369	Dammam	28/11/1412 (H)	Production of glass bottles.

2. STATEMENT OF COMPLIANCE WITH IFRS

These interim condensed financial statements have been prepared in accordance with the requirements of International Accounting Standard (IAS 34) "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA) and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2021. These interim condensed financial statements do not include all the information and disclosures required in a full set of financial statements prepared in accordance with International Financial Reporting Standards. Specific accounting policies and explanatory disclosures have been included in order to explain the significant events and transactions behind the changes in the Company's financial position and financial performance since the preparation of the prior year financial statements.

The interim period is considered to be an integral part of the full fiscal year; still, the results of operations for the interim periods may not be a fair indication of the results for the full-year operations.

3. BASIS OF PREPARATION

3.1 Overall considerations

These interim condensed financial statements have been prepared using the measurement bases specified by IFRS for each type of assets, liabilities, income and expenses. The measurement bases are further fully described in the accounting policies.

The principal accounting policies adopted in the preparation of these interim condensed financial statements have been consistently applied to all the years presented unless otherwise stated.

The preparation of these interim condensed financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires Company's management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing these interim condensed financial statements and their effect are disclosed in note (4).

THE NATIONAL COMPANY FOR GLASS INDUSTRIES (ZOUJAJ)
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3. BASIS OF PREPARATION (Continued)

3.1 Overall considerations (Continued)

These interim condensed financial statements have been prepared on the historical cost basis, except for the following:

- Defined benefits plan measured at the present value of future obligations using the Projected Unit Credit Method; and
- Investments in joint ventures using the equity method of accounting.

Furthermore, these interim condensed financial statements are prepared using the accrual basis of accounting and the going concern basis.

3.2 Functional and presentation currency

The interim condensed financial statements are presented in Saudi Riyal, which is the Company's functional currency.

4. USE OF JUDGMENTS AND ESTIMATES

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual results may differ from these estimates and assumptions.

The significant estimates made by the Company for managing the Company's accounting policies and the primary sources of estimating the unreliability were the same as those that were applied in the last annual financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and calculation methods applied in preparing the interim condensed financial statements are consistent with those followed in preparing the Company's annual financial statements for the year ended 31 December 2021, except for the application of the new standards that became effective on 1 January 2022. The Company did not early adopt any other standard, interpretation or amendment issued but not yet effective.

New Standards, Amendment to Standards and Interpretations

There are no new standards issued; however, there are number of amendments to standards which are effective from 1 January 2022 and have been explained in the Company's annual financial statements, but they do not have a material effect on the Company's interim condensed financial statements.

6. PROPERTY, PLANT AND EQUIPMENT

	30 September 2022	31 December 2021
Beginning balance for the period/ year	216,100,530	237,077,122
Additions/ disposals during the period/ year	5,333,575	9,092,192
Depreciation and impairment during the period/ year	(23,626,257)	(30,068,784)
Impairment loss on remeasurement of non-current assets held for sale	(2,833,948)	-
Transfer to non-current assets held for sale	(2,500,000)	-
Ending balance for the period/ year	<u>192,473,900</u>	<u>216,100,530</u>

THE NATIONAL COMPANY FOR GLASS INDUSTRIES (ZOUJAJ)
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FOR THE THREE AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022
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7. INVESTMENTS IN JOINT VENTURES

The movement in investments in joint ventures during the period/ year is as follows:

	30 September 2022	31 December 2021
Beginning balance for the period/ year	460,892,677	389,004,147
Share of profit for the period/ year	107,636,717	73,239,898
Share of other comprehensive loss for the period/ year	-	(1,351,368)
Dividend received	(52,173,000)	-
Ending balance for the period/ year	<u>516,356,394</u>	<u>460,892,677</u>

The Company's share of the joint ventures' net profit for the nine-month period ended 30 September is as follows:

	Ownership %	2022	2021
Saudi Guardian International Float Glass Company Ltd (Gulf Guard)	55%	55,185,572	32,177,670
Guardian Zoujaj International Float Glass Company LLC (Guardian Ras Al Khaimah)	55%	52,451,145	20,143,097
Saudi National Lamps and Electricals Company Ltd (SNLEC)**	50%	-	-
		<u>107,636,717</u>	<u>52,320,767</u>

** The equity method of accounting for the investment in SNLEC has been discontinued as the Company's share of losses exceeded the investment's carrying value.

8. INVENTORIES

	30 September 2022	31 December 2021
Spare parts	12,658,818	11,566,426
Goods in transit	8,920,841	5,766,188
Raw materials	4,814,056	3,623,979
Finished goods	4,061,338	4,656,177
Consumable items	1,965,248	1,361,158
Packing materials	720,666	465,740
Gross value of inventories	<u>33,140,967</u>	<u>27,439,668</u>
Provision for non-moving or slow-moving inventories	(3,995,494)	(3,995,494)
Net value of inventories	<u>29,145,473</u>	<u>23,444,174</u>

THE NATIONAL COMPANY FOR GLASS INDUSTRIES (ZOUJAJ)
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(SAUDI RIYALS)

9. TRADE RECEIVABLES

	30 September 2022	31 December 2021
Account receivables	59,917,727	46,978,099
Provision for expected credit loss	(7,517,552)	(6,353,097)
	<u>52,400,175</u>	<u>40,625,002</u>

The movement in the expected credit loss on trade receivables during the period / year is as follows:

	30 September 2022	31 December 2021
Beginning balance for the period/ year	6,353,097	1,244,937
Charged during the period/ year	1,164,455	5,108,160
Ending balance for the period/ year	<u>7,517,552</u>	<u>6,353,097</u>

10. LOSS FROM DISCONTINUED OPERATIONS

On 18 May 2022, the Company's Board of Directors resolved to sell the assets of Damman Factory for Glass Bottles (the "Factory") except for the land ("Disposal Group"). Accordingly, the Disposal Group was presented as non-current assets held for sale in the interim condensed financial statements for the period ended 30 June 2022.

The disposal was completed on 14 August 2022 when the assets pertaining to the Disposal Group were transferred to the buyer.

The results of the Disposal Group's operations for current and prior periods have been presented in the interim condensed statement of profit or loss and other comprehensive income as follows:

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2022	2021	2022	2021
Depreciation expense	-	(591,952)	(1,138,995)	(1,776,026)
Loss on disposal of non-current assets held for sale	(1,673,915)	-	(1,673,915)	-
General and administrative expenses	(26,285)	(54,500)	(26,285)	(147,997)
Other income	-	-	-	121,240
Loss from discontinued operation	<u>(1,700,200)</u>	<u>(646,452)</u>	<u>(2,839,195)</u>	<u>(1,802,783)</u>

11. LOANS AND BORROWINGS

The Company has obtained Islamic bank facilities from local banks and local development funds in the form of letter of credit and term loans (Murabaha and Tawarruq). These facilities were made in accordance with the conditions stipulated in the facilities' contracts. The following is the break-up of different facilities as at the period/ year end:

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(SAUDI RIYALS)

11. LOANS AND BORROWINGS (Continued)

	30 September 2022	31 December 2021
Non-current portion of long-term loans:		
Saudi Industrial Development Fund	-	24,547,202
Saudi Investment Bank	3,399,130	4,248,913
Loans and borrowings – non-current	3,399,130	28,796,115
Current portion of long-term loans:		
Saudi Industrial Development Fund	24,784,886	6,760,873
Saudi Investment Bank	1,699,565	1,699,565
	26,484,451	8,460,438
Short term borrowings:		
Saudi Investment Bank	25,582,870	18,678,911
Banque Saudi Fransi	16,002,091	17,359,035
	41,584,961	36,037,946
Loans and borrowings – current	68,069,412	44,498,384
Total loans and borrowings	71,468,542	73,294,499

12. OTHER INCOME/ (EXPENSES), NET

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2022	2021	2022	2021
Impairment loss on remeasurement of non-current assets held for sale	-	-	(2,833,948)	-
Gain on modification of a financial liability	-	-	-	1,068,168
Others	69,884	36,757	397,843	145,673
	69,884	36,757	(2,436,105)	1,213,841

13. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the period attributable to the shareholders of the Company over the weighted average number of outstanding ordinary shares during the period. There were no diluted shares outstanding at any time during the period, therefore, the diluted earnings per share is equal to the basic earnings per share.

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2022	2021	2022	2021
Net profit attributable to the shareholders of the Company	20,292,210	19,053,042	92,660,589	38,894,566
Weighted average number of outstanding shares during the period	32,900,000	32,900,000	32,900,000	32,900,000
Basic and diluted earnings per share	0.62	0.58	2.82	1.18

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14. SEGMENT INFORMATION

A segment is a separate and distinct part of the Company that engages in business activities from which it may earn revenues and incur expenses. The operating segments are disclosed on the basis of internal reports that are reviewed by the chief operating decision-maker, who is responsible for allocating resources, assessing performance and making strategic decisions about the operating segments. The operating sectors that show similar economic characteristics, products, services, and similar customer categories, whenever possible, are grouped and recorded as segments that are reported in accordance with International Financial Reporting Standard (8) "Operating Segments".

The principal activity of the Company is production and sale of glass bottles. The Company has factories situated in Riyadh and Dammam, Saudi Arabia. However, the factory in Dammam, was permanently closed in the financial year ended 2019 and disposed off on 14 August 2022 (Note 10).

The following is a summary of revenue for the three and nine-month periods ended 30 September 2022 and 2021 inside and outside the Kingdom of Saudi Arabia:

	For the three-month period ended 30 September			
	2022	%	2021	%
Inside the Kingdom of Saudi Arabia	17,088,191	56%	14,164,034	73%
Outside the Kingdom of Saudi Arabia	13,369,166	44%	5,359,625	27%
	30,457,357	100%	19,523,659	100%

	For the nine-month period ended 30 September			
	2022	%	2021	%
Inside the Kingdom of Saudi Arabia	41,137,532	51%	42,674,537	73%
Outside the Kingdom of Saudi Arabia	40,293,241	49%	15,635,202	27%
	81,430,773	100%	58,309,739	100%

15. FINANCIAL INSTRUMENTS

15.1 Principal financial instruments

The Company's financial instruments are measured at amortized cost. Due to their short-term nature, the carrying value of these financial instruments approximates their fair value.

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

	30 September 2022	31 December 2021
Financial assets measured at amortized cost		
Contract assets	5,583,372	8,552,150
Trade receivables	52,400,175	40,625,002
Cash and cash equivalents	20,571,324	14,215,788
Other debit balances	687,103	235,083
	79,241,974	63,628,023

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FOR THE THREE AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022
(SAUDI RIYALS)

15. FINANCIAL INSTRUMENTS (Continued)

15.1 Principal financial instruments (Continued)

<u>Financial liabilities measured at amortized cost</u>	30 September 2022	31 December 2021
Non-current:		
Loans and borrowings	3,399,130	28,796,115
Lease liabilities	1,741,616	1,890,595
Current:		
Loans and borrowings	68,069,412	44,498,384
Trade payables	10,295,841	17,126,448
Lease liabilities	181,065	177,081
Other credit balances	7,278,328	7,628,536
Dividends payable	14,045,651	13,572,557
	105,011,043	113,689,716

15.2 Financial Instruments – risk management

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies, and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout the interim condensed financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies, and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The company is exposed through its operations to the following financial risks:

Credit risk

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss and arises principally from payments and other debit balances, contract assets, trade receivables and cash and cash equivalents. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date.

Commission Rate Risk

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Company has no significant variable commission bearing long-term assets, but has variable commission bearing liabilities as at 30 September 2022 and 31 December 2021. The Company manages its exposure to commission rate risk by continuously monitoring movements in commission rates.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises from recognized assets and liabilities which are denominated in currency that is not the Company's functional currency. The Company does not believe that it is substantially exposed to currency risk as the majority of the Company's transactions and balances are denominated in Saudi Riyals or U.S. Dollar. The Company's functional currency is pegged to U.S. Dollars. The company's transactions in currencies other than the Saudi riyal or the US dollar are not significant.

Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities.

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16. PRIOR PERIODS' ADJUSTMENTS

The Company has restated its interim condensed statement of profit or loss and other comprehensive income for the three and nine-month periods ended 30 September 2021. The following is a summary of adjustments to the nine-month period ended 30 September 2021:

	Note	30 September 2021 (Unaudited)	Reclassification	Remeasurement	30 September 2021 (Restated)
Revenue	A	58,756,064	-	(446,325)	58,309,739
Cost of revenue	A, B, F	(56,042,880)	1,776,026	(1,342,485)	(55,609,339)
General and administrative expenses	D, F	(5,921,190)	147,997	(147,997)	(5,921,190)
Other income	D, E, F	145,673	(121,240)	1,189,408	1,213,841
Finance cost	C	(2,115,008)	-	255,489	(1,859,519)
Loss from discontinued operation	D, F	(26,757)	(1,802,783)	26,757	(1,802,783)
Net profit for the period		39,359,719	-	(465,153)	38,894,566

The following is a summary of adjustments to the three-month period ended 30 September 2021:

	Note	30 September 2021 (Unaudited)	Reclassification	Remeasurement	30 September 2021 (Restated)
Revenue	A	19,167,673	-	355,986	19,523,659
Cost of revenue	A, B, F	(18,654,374)	591,952	(1,535,726)	(19,598,148)
General and administrative expenses	D, F	(2,002,163)	54,500	(54,500)	(2,002,163)
Other income	D, F	36,757	-	-	36,757
Finance cost	C	(769,501)	-	104,522	(664,979)
Loss from discontinued operation	D, F	(54,500)	(646,452)	54,500	(646,452)
Net profit for the period		20,128,260	-	(1,075,218)	19,053,042

- A. The remeasurement represents the recognition of revenue over a period of time instead of at a point in time and accordingly, recognition of cost of revenue in interim condensed statement of profit or loss and other comprehensive income.
- B. Cost of revenue has been adjusted due to remeasurement of the depreciation expense related to the moulds, reversal of the depreciation on excessively capitalized borrowing cost and recognition of depreciation expense of assets previously classified as non-current assets held for sale.
- C. The remeasurement represents the impact of recognizing interest expense using the effective interest rate method instead of straight-line method.
- D. The remeasurement represents the re-clubbing of profit from discontinued operations with other income and expenses.
- E. The remeasurement represents the impact of recognition of gain on modification of a financial liability.
- F. The reclassification represents the re-clubbing of income and expenses of the Disposal Group to profit/(loss) from discontinued operation in accordance with the requirements of IFRS (5).

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17. DIVIDEND

The Company has decided to distribute cash dividend to the shareholders of the Company amounting to SR 16.45 million for the year ended 31 December 2021 at the rate of SR 0.5 per share.

On 18 May 2022, the General Assembly approved the Board of Directors' recommendation to distribute cash dividend amounting to SR 16.45 million at the rate of SR 0.5 per share.

18. SUBSEQUENT EVENTS

There are no subsequent events that require disclosure or amendment to the accompanying interim condensed financial statements.

19. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 27 Rabi al-Awwal 1444H (corresponding to 23 October 2022G).