

MOBI Industry Company

(A Saudi Joint Stock Company)

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2023

MOBI Industry Company
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS
For the year ended 31 December 2023

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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MOBI INDUSTRY COMPANY
(A Saudi Joint Stock Company)**

Opinion

We have audited the accompanying financial statements of MOBI Industry Company (the "Company"), a Saudi Joint Stock Company, which comprise the statement of financial position as at 31 December 2023 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 material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, 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 the International Code of Ethics for Professional Accountants (including International Independence Standards) ("the Code"), that is endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current 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
 (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 During the year ended 31 December 2023, the Company has recognized gross revenue of SR 223.94 million (2022: SR 214.10 million) and net revenue of SR 198.84 million (2022: SR 182.39 million).</p> <p>The Company's most significant revenue streams from the sale of goods involve gross revenue of SR 213.59 million (2022: SR 191.50 million) from detergent product and SR 10.35 million (2022: SR 22.59 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 have 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 2.2.15 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 updated our understanding and performed walkthroughs of the processes and internal controls, with respect to 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
(A Saudi Joint Stock Company)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
<p>Valuation of inventories</p> <p>As of 31 December 2023, the Company's inventories balance amounted to SR 36.6 million (2022: SR 44.5 million), which represents 39.8% of the Company's total current assets and 29.3% of total assets (31 December 2022: 47.3% of total current assets and 36.6% 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 2.2.4 and 3 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 the 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 realizability 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
(A Saudi Joint Stock Company)**

Other Information included in the Company's 2023 Annual Report

The management is responsible for the other information. The other information comprises the information included in the Company's 2023 annual report, but does not include the financial statements and our auditor's report thereon. The Company's 2023 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 2023 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
(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: 17 Ramadan 1445 H
(27 March 2024)

MOBI Industry Company
(A Saudi Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2023

		31 December 2023	31 December 2022
	Notes	SR	SR
Revenue, net	5	198,842,806	182,387,099
Cost of revenue	6	(130,076,247)	(135,175,602)
GROSS PROFIT		68,766,559	47,211,497
Selling and distribution expenses	7	(30,799,272)	(27,119,547)
General and administrative expenses	8	(6,346,469)	(5,400,500)
Depreciation of right-of-use assets	18	(1,124,648)	(816,999)
OPERATING PROFIT		30,496,170	13,874,451
Share of profit of investment in an associate and a joint venture	17	2,767,665	3,120,738
Other income	9	758,283	728,784
Finance charges	10	(1,940,099)	(1,661,410)
PROFIT BEFORE ZAKAT		32,082,019	16,062,563
Zakat	20	(1,734,307)	(2,139,180)
NET INCOME FOR THE YEAR		30,347,712	13,923,383
Other comprehensive income that will not be reclassified subsequently to the statement of profit or loss			
Remeasurement of loss on employee benefit obligations	22	(968,083)	(63,877)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		29,379,629	13,859,506
EARNINGS PER SHARE:			
Basic and diluted earnings per share	23	0.61	0.28



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
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Notes	31 December 2023 SR	31 December 2022 SR
ASSETS			
CURRENT ASSETS			
Cash and bank balances	11	20,853,300	6,332,443
Trade receivables	12	23,513,579	29,430,921
Prepayments and other receivables	13	10,156,410	11,104,532
Inventories	14	36,598,171	44,471,069
Amounts due from related parties	15	693,815	2,743,562
TOTAL CURRENT ASSETS		91,815,275	94,082,527
NON-CURRENT ASSETS			
Property, plant and equipment	16	8,455,389	8,023,040
Investment in an associate	17	17,419,343	14,651,678
Right-of-use assets	18	6,928,231	4,869,131
TOTAL NON-CURRENT ASSETS		32,802,963	27,543,849
TOTAL ASSETS		124,618,238	121,626,376
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Borrowings	21	18,498,730	18,450,837
Trade payables		9,630,522	13,606,552
Current portion of lease liabilities	18	1,355,550	772,007
Accrued expenses and other payables	19	10,736,920	6,282,521
Amounts due to related parties	15	82,601	24,310
Zakat payable	20	1,808,257	2,098,033
TOTAL CURRENT LIABILITIES		42,112,580	41,234,260
NON-CURRENT LIABILITIES			
Non-current portion of lease liabilities	18	5,052,966	3,588,679
Employee benefit obligations	22	11,953,482	10,683,856
TOTAL NON-CURRENT LIABILITIES		17,006,448	14,272,535
TOTAL LIABILITIES		59,119,028	55,506,795
EQUITY			
Share capital	24	50,000,000	50,000,000
Statutory reserve	25	-	12,965,107
Retained earnings		18,355,936	5,043,117
Actuarial loss reserve		(2,856,726)	(1,888,643)
TOTAL EQUITY		65,499,210	66,119,581
TOTAL LIABILITIES AND EQUITY		124,618,238	121,626,376



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.

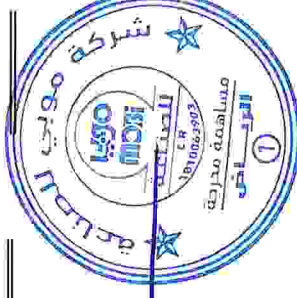
**MOBI Industry Company
(A Saudi Joint Stock Company)**

STATEMENT OF CHANGES IN SHAREHOLDER' EQUITY

For the year ended 31 December 2023

	Share capital SR	Statutory reserve SR	Actuarial loss reserve SR	Retained earnings SR	Total shareholders' equity SR
Balance as at 1 January 2023	50,000,000	12,965,107	(1,888,643)	5,043,117	66,119,581
Comprehensive income:					
Net income for the year	-	-	-	30,347,712	30,347,712
Other comprehensive loss for the year	-	-	(968,083)	-	(968,083)
Total comprehensive income for the year	-	-	(968,083)	30,347,712	29,379,629
Transfer from statutory reserve (note 25)	-	(12,965,107)	-	12,965,107	-
Dividends (note 29)	-	-	-	(30,000,000)	(30,000,000)
Balance as at 31 December 2023	<u>50,000,000</u>	<u>-</u>	<u>(2,856,726)</u>	<u>18,355,936</u>	<u>65,499,210</u>
Balance as at 1 January 2022	50,000,000	11,572,769	(1,824,766)	4,512,072	64,260,075
Comprehensive income:					
Net income for the year	-	-	-	13,923,383	13,923,383
Other comprehensive loss for the year	-	-	(63,877)	-	(63,877)
Total comprehensive income for the year	-	-	(63,877)	13,923,383	13,859,506
Transfer to statutory reserve	-	1,392,338	-	(1,392,338)	-
Dividends (note 29)	-	-	-	(12,000,000)	(12,000,000)
Balance as at 31 December 2022	<u>50,000,000</u>	<u>12,965,107</u>	<u>(1,888,643)</u>	<u>5,043,117</u>	<u>66,119,581</u>

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
(A Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	31 December 2023 SR	31 December 2022 SR
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat		32,082,019	16,062,563
Adjustments for:			
Depreciation of property, plant and equipment	6	2,204,650	2,105,438
Share of profit of investment in an associate and a joint venture	17	(2,767,665)	(3,120,738)
Finance cost on lease liabilities	18	373,610	155,244
Allowance for expected credit loss	12	210,082	905,879
Provision for other receivables	13	140,000	-
Provision for slow moving inventories	14	358,960	586,990
Amortization of right-of-use assets	18	1,124,648	816,999
Provision for employee benefit obligations	22	1,420,364	1,156,334
Gain on disposal of property, plant and equipment	9	-	(72,272)
		<u>35,146,668</u>	<u>18,596,437</u>
Changes in operating assets and liabilities:			
Trade receivables		5,707,260	(899,176)
Prepayments and other receivables		808,122	2,433,127
Inventories		7,513,938	(10,929,540)
Amounts due from related parties		2,049,747	(1,191,777)
Amounts due to related parties		58,291	(169,161)
Trade payables		(3,976,030)	1,448,424
Accrued expenses and other payables		4,454,399	2,656,148
		<u>51,762,395</u>	<u>11,944,482</u>
Cash from operating activities		51,762,395	11,944,482
Zakat paid	20	(2,024,083)	(2,323,133)
Employee benefit obligations paid	22	(1,118,821)	(412,690)
		<u>48,619,491</u>	<u>9,208,659</u>
Net cash flow from operating activities		<u>48,619,491</u>	<u>9,208,659</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	16	(2,636,999)	(2,027,363)
Proceeds from disposal of property, plant and equipment		-	649,249
Proceeds from disposal of investment in a joint venture	17	-	250,000
		<u>(2,636,999)</u>	<u>(1,128,114)</u>
Net cash flow used in investing activities		<u>(2,636,999)</u>	<u>(1,128,114)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	21	34,771,419	46,736,486
Repayments of borrowings	21	(34,723,526)	(43,145,051)
Dividends paid	29	(30,000,000)	(12,000,000)
Payment of principal portion of lease liabilities	18	(1,509,528)	(1,086,727)
		<u>(31,461,635)</u>	<u>(9,495,292)</u>
Net cash flow used in financing activities		<u>(31,461,635)</u>	<u>(9,495,292)</u>
NET INCREASE (DECREASE) IN CASH AND BANK BALANCES			
		14,520,857	(1,414,747)
Cash and bank balances at beginning of the year		6,332,443	7,747,190
CASH AND BANK BALANCES AT END OF THE YEAR			
	11	<u>20,853,300</u>	<u>6,332,443</u>
NON-CASH TRANSACTIONS			
Additions in right-of-use assets and lease liabilities	18	2,581,367	1,145,971
Re-measurement right-of-use assets and lease liabilities	18	602,381	-
Termination of right-of-use assets and lease liabilities	18	-	530,083
Re-measurement of employee benefits obligation	22	(968,083)	(63,877)

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 (A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1 CORPORATE INFORMATION

MOBI Industry Company (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 is the manufacture of fertilizers and nitrogenous compounds, the manufacture of phosphate and potash fertilizers, the manufacture of plastics in their primary forms, the manufacture of household insect and rodenticides, the manufacture of soap in all its forms, including (paste, liquid, dry), the manufacture of shampoos and industrial detergents, Manufacture of floor, glass, and furniture polishes and scouring powders, manufacture of washing and cleaning materials and preparations, manufacture of preparations for perfuming rooms and removing odors, and manufacturing of bottles of various forms of plastics.

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

The Company's Board of Directors has approved the transition of the Company from the parallel equity market (Nomu) to the principal market on 26 Dhul-Qa'dah 1444H (corresponding to 16 June 2023). However, this transition is subject to the approval of the Capital Market Authority of Saudi Arabia (“CMA”). As of the date of approval of these financial statements, the CMA's approval has not been yet received.

2 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.

The Company's management has prepared these financial statements on the basis that the Company will continue to operate as a going concern. The Company's management considers that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

MOBI Industry Company
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2023

2 ACCOUNTING POLICIES (continued)

2.2 MATERIAL ACCOUNTING POLICY INFORMATION

The following is the material accounting policy information 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 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.

2.2.2 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
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2023

2 ACCOUNTING POLICIES (continued)

2.2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2.2 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.

2.2.3 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.

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

MOBI Industry Company
(A Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2023

2 ACCOUNTING POLICIES (continued)

2.2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2.4 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.

2.2.5 Financial instruments

A) Recognition and Initial Measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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 is usually based on the business model through which the financial assets are managed, as well as the characteristics of their contractual cash flows.

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:

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NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2023

2 ACCOUNTING POLICIES (continued)

2.2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2.5 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.

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

Trade and other receivables

Most of the sales 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 less any provision for impairment for expected credit loss. The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past default experience of the customer and analyse the general economic conditions of the industry in which the customers operate and current financial position specific to the customers and an assessment of both the current as well as the forecast direction of past-due status and other loss event factors being indicative of the ability to pay all amounts due as per contractual terms at the reporting date. A provision for credit loss is made where there is an objective evidence, including customers with financial difficulties or in default on payments, that amounts will not be recovered in accordance with original terms of the agreement and the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective interest rate. The carrying value of the receivable is reduced with the provision for expected credit loss and any impairment loss is recognised in the profit or loss.

Management applies the simplified approach in calculating ECLs. Therefore, management does not track changes in credit risk, but instead recognised a loss allowance base on lifetime ECL's at each reporting date. Management 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.

Financial Liabilities

Financial liabilities are classified according to the substance of the respective contractual arrangement and are initially measured at their fair value, net of transaction costs. Financial liabilities are subsequently carried at their amortised cost, with commission cost being recognised on an effective yield basis in the statement of profit or loss over the term of the instrument.

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.

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

MOBI Industry Company
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NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2023

2 ACCOUNTING POLICIES (continued)

2.2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2.5 Financial instruments (continued)

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

Derecognition

Financial assets

The Company derecognizes financial assets when the contractual cash flows from the asset expire or when they transfer the assets and the significant risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the associated assets and liabilities for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of the transferred financial asset, the Company continues to recognize the financial assets and records secured financing against the proceeds received.

Financial liabilities are derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, the difference in respective carrying amounts is recognised in the profit and loss.

Offsetting

A financial asset and a financial liability are offset and the net amount reported in the statement of financial position when and only 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.

Impairment of 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).

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.

2.2.6 Cash and bank balances

Cash and bank balances in the statement of financial position consists of bank balances and cash in hand and short-term deposits with an original maturity of less than three months. 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.

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NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2023

2 ACCOUNTING POLICIES (continued)

2.2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2.7 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 associates are accounted for using equity method.

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 a 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.

When the Company's share of losses in associates or joint venture 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.

2.2.8 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.

MOBI Industry Company
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NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2023

2 ACCOUNTING POLICIES (continued)

2.2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2.8 Leases (continued)

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.

2.2.9 Zakat

Zakat is calculated in accordance with the Zakat, Tax and Customs Authority ("ZATCA") laws and regulations 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 year in which the final assessments are finalized.

2.2.10 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.

2.2.11 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.

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NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2023

2 ACCOUNTING POLICIES (continued)

2.2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2.11 Impairment of non-financial assets (continued)

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.

2.2.12 Employee benefits

The Company implements a defined benefit plan in accordance with labor and workers regulations in the Kingdom of Saudi Arabia, providing end-of-service benefits to employees. These benefits are determined based on the employee's final salary and length 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 of 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.

2.2.13 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.

2.2.14 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.

MOBI Industry Company
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NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2023

2 ACCOUNTING POLICIES (continued)

2.2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2.15 Revenue

The Company recognizes revenues from contracts with customers based on a five-step model as set out in IFRS 15 as follows:

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

Below is a description of the principal activities, from which the Company earns its revenues:

Revenue from selling detergent and fertilizers products:

Revenue from contracts with customers consists of revenue from selling detergent and fertilizers products. Revenue from contracts with customers is recognized when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. Revenue is recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery of the products. For the sales through MOBI's retail outlets and online website, the period of time between the payments received from the customers and when control of the goods are transferred to the customer is usually insignificant. For the sales detergent and fertilizers products to the wholesale markets, a receivable is recognized when the goods are delivered to the customer as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The Company is considered to be a principal.

Sales are shown in the statement of profit or loss net of returns and any discounts given. Generally, the sales returns may only be accepted at the management's discretion

Sales discount/rebate

The sales discounts represent the various promotional discounts and offers provided to the end consumer on the sale of goods. Revenue from these sales is recognized based on the price specified in the invoice net of any discounts. The consideration received from the customer is net of the discount provided to the customer. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. Sales rebates are presented primarily as a deduction from gross sales based on entitlement that has been earned up to the statement of financial position date, for each relevant receivable arrangement. The related liability, included in accrued and other payables is recognized for expected volume rebates payable to customers in relation to sales made during the year.

Significant financing component

Using the practical expedient in IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component as it expects, at contract inception, that the period between the transfer of the promised goods to the customer and when the customer pays for that good will be one year or less.

2.2.16 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, and indirect costs directly attributable to production.

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NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2023

2 ACCOUNTING POLICIES (continued)

2.2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2.17 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.

2.2.18 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.

2.2.19 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.

2.2.20 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 2023 (unless otherwise stated).

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

The new standard had impact on the financial statements of the Company.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

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

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

The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements.

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NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2023

2 ACCOUNTING POLICIES (continued)

2.2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2.20 New and amended standards and interpretations (continued)

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

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

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

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD’s BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the consolidated financial statements better understand an entity’s exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

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

2.2.21 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.

Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback

These amendments include the sale and leaseback requirements in IFRS 16 to clarify how the Company accounts for sale and leaseback transactions in which some or all lease payments are variable lease payments that depend on an index or a rate that is highly likely to be affected.

Amendments to International Accounting Standards “IAS” 1 – Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants

Amendments to clarify how conditions which the Company must comply within twelve months after the reporting period affect the classification of a liability. These amendments aim to improve the information provided by the Company in relation to the liabilities subject to these conditions.

Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements

These amendments are to add disclosure requirements, and ‘signposts’ within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

Amendments to IAS 27 – Lack of exchangeability

The following are the new IFRSs for sustainability disclosure, which are effective for annual periods beginning on or after 1 January 2024, and subject to the endorsement from SOCPA.

MOBI Industry Company
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NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2023

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 .

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NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2023

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.

	For the year ended 31 December 2023		
	Fertilizers segment SR	Detergent segment SR	Total SR
Revenue			
Kingdom of Saudi Arabia	10,000,415	185,988,558	195,988,973
Outside Kingdom of Saudi Arabia	44,000	2,809,833	2,853,833
Revenue, net	10,044,415	188,798,391	198,842,806
Cost of revenue	(9,526,828)	(120,549,419)	(130,076,247)
GROSS PROFIT	517,587	68,248,972	68,766,559
Selling and distribution expenses	(1,583,930)	(29,215,342)	(30,799,272)
General and administrative expenses	(1,604,329)	(4,742,140)	(6,346,469)
Amortization of right-of-use assets	-	(1,124,648)	(1,124,648)
Finance charges	(83,330)	(1,856,769)	(1,940,099)
Other income	565	757,718	758,283
OPERATING (LOSS) PROFIT	(2,753,437)	32,067,792	29,314,354
Share of profit of investment in an associate			2,767,665
PROFIT BEFORE ZAKAT			32,082,019

MOBI Industry Company
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NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2023

4 SEGMENT INFORMATION (continued)

	For the year ended 31 December 2022		
	Fertilizers segment SR	Detergent segment SR	Total SR
Revenue			
Kingdom of Saudi Arabia	20,511,003	159,044,166	179,555,169
Outside Kingdom of Saudi Arabia	411,750	2,420,180	2,831,930
Revenue, net	20,922,753	161,464,346	182,387,099
Cost of revenue	(20,519,069)	(114,656,533)	(135,175,602)
GROSS PROFIT	403,684	46,807,813	47,211,497
Selling and distribution expenses	(2,054,255)	(25,065,292)	(27,119,547)
General and administrative expenses	(1,604,299)	(3,796,201)	(5,400,500)
Amortization of right-of-use assets	-	(816,999)	(816,999)
Finance costs	(458,514)	(1,202,896)	(1,661,410)
Other revenue	85,391	643,393	728,784
OPERATING (LOSS) PROFIT	(3,627,993)	16,569,818	12,941,825
Share of profit of investment in an associate and joint venture			3,120,738
PROFIT BEFORE ZAKAT			16,062,563

	As at 31 December 2023		
	Fertilizers segment SR	Detergent segment SR	Total SR
Investment in an associate	-	-	17,419,343
Property, plant and equipment	1,456,713	6,998,676	8,455,389
Other assets	7,007,322	91,736,184	98,743,506
Total liabilities	2,538,968	56,580,060	59,119,028

	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	12,696,670	86,254,988	98,951,658
Total liabilities	2,301,946	53,204,849	55,506,795

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NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2023

5 REVENUE

	<i>For the year ended 31 December 2023</i>	<i>For the year ended 31 December 2022</i>
	SR	SR
<i>Sales of detergent and fertilizers goods recognized at a point of time</i>		
Sales	223,943,204	214,101,280
Sales discount	(25,100,398)	(31,714,181)
	<u>198,842,806</u>	<u>182,387,099</u>
<i>Geographic region</i>		
Kingdom of Saudi Arabia	195,988,973	179,555,169
Outside Kingdom of Saudi Arabia	2,853,833	2,831,930
	<u>198,842,806</u>	<u>182,387,099</u>

6 COST OF REVENUE

	<i>For the year ended 31 December 2023</i>	<i>For the year ended 31 December 2022</i>
	SR	SR
Raw materials	109,077,614	115,320,728
Employee-related costs	11,958,578	10,761,856
Depreciation (note 16)	2,204,650	2,105,438
Provision for slow moving inventories (note 14)	358,960	586,990
Others	6,476,445	6,400,590
	<u>130,076,247</u>	<u>135,175,602</u>

7 SELLING AND DISTRIBUTION EXPENSES

	<i>For the year ended 31 December 2023</i>	<i>For the year ended 31 December 2022</i>
	SR	SR
Employee-related costs	12,935,909	11,054,098
Sales commissions	6,063,304	4,764,655
Transportations costs	4,961,400	4,610,568
Insurance	2,037,523	1,985,277
Loading and unloading of goods	1,386,084	1,265,165
Advertising	557,967	443,700
Expected credit loss (note 12)	210,082	905,879
Others	2,647,003	2,090,205
	<u>30,799,272</u>	<u>27,119,547</u>

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31 December 2023

8 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>For the year ended 31 December 2023</i>	<i>For the year ended 31 December 2022</i>
	SR	SR
Employee-related costs	4,595,183	4,237,479
Professional fees	611,294	318,058
Provision for other receivables (note 13)	140,000	-
Bank charges	82,791	100,829
Stationery and prints expenses	69,982	57,616
Maintenance expenses	54,737	24,335
Communication	14,237	104,876
Others	778,245	557,307
	<u>6,346,469</u>	<u>5,400,500</u>

9 OTHER INCOME

	<i>For the year ended 31 December 2023</i>	<i>For the year ended 31 December 2022</i>
	SR	SR
Income from sale of scrape	746,783	644,961
Gain on disposal of property, plant and equipment	-	72,272
Miscellaneous	11,500	11,551
	<u>758,283</u>	<u>728,784</u>

10 FINANCE CHARGES

	<i>For the year ended 31 December 2023</i>	<i>For the year ended 31 December 2022</i>
	SR	SR
Finance costs on borrowing	1,566,489	1,506,166
Finance costs on lease liabilities (note 18)	373,610	155,244
	<u>1,940,099</u>	<u>1,661,410</u>

11 CASH AND BANK BALANCES

	<i>31 December 2023</i>	<i>31 December 2022</i>
	SR	SR
Cash at banks	20,596,166	6,062,073
Cash on hand	257,134	270,370
	<u>20,853,300</u>	<u>6,332,443</u>

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31 December 2023

12 TRADE RECEIVABLES

	<i>31 December</i> 2023 SR	<i>31 December</i> 2022 SR
Trade receivables	24,968,050	30,675,310
Less: allowance for expected credit loss	(1,454,471)	(1,244,389)
	<u>23,513,579</u>	<u>29,430,921</u>

Movement in the allowance for expected credit loss

	<i>Year ended</i> <i>31 December</i> 2023 SR	<i>Year ended</i> <i>31 December</i> 2022 SR
At beginning of the year	1,244,389	338,510
Charge for the year (note 7)	210,082	905,879
	<u>1,454,471</u>	<u>1,244,389</u>

The aging analysis of trade receivables and provision for expected credit losses is as follows:

	<i>1 - 90 days</i> SR	<i>91-180</i> <i>days</i> SR	<i>181 - 360</i> <i>days</i> SR	<i>181 - 360</i> <i>days</i> SR	<i>More than</i> <i>360 days</i> SR	<i>Total</i> SR
31 December 2023						
Gross carrying amount	21,660,187	1,468,325	366,802	392,151.19	1,433,520	24,968,050
Expected credit loss	-	1,956	40,932	22,905	1,388,679	1,454,471
Expected credit loss rate	-	0.13%	11%	58%	97%	
31 December 2022						
Gross carrying amount	26,847,669	1,460,896	926,312	36,676	1,403,758	30,675,310
Expected credit loss	8,337	10,084	84,623	18,338	1,123,007	1,244,389
Expected credit loss rate	0.03%	0.7%	9%	50%	80%	

13 PREPAYMENTS AND OTHER RECEIVABLES

	<i>31 December</i> 2023 SR	<i>31 December</i> 2022 SR
Advance to suppliers	5,898,746	7,023,778
Employees' receivables	3,560,015	3,417,856
Prepayments	695,373	521,833
Others	142,276	141,064
Less: provision for other receivables	(140,000)	-
	<u>10,156,410</u>	<u>11,104,532</u>

Movement in the provision on other receivables

	<i>Year ended</i> <i>31 December</i> 2023 SR	<i>Year ended</i> <i>31 December</i> 2022 SR
Charge for the year (note 8)	140,000	-

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31 December 2023

14 INVENTORIES

	<i>31 December</i> 2023 SR	<i>31 December</i> 2022 SR
Raw materials and packaging	25,103,988	31,751,787
Finished goods	11,801,517	12,627,041
Spare parts	638,616	679,231
Less: provision for slow moving inventories	(945,950)	(586,990)
	<u>36,598,171</u>	<u>44,471,069</u>

Movement in the provision for slow moving inventories

	<i>Year ended</i> <i>31 December</i> 2023 SR	<i>Year ended</i> <i>31 December</i> 2022 SR
At beginning of the year	586,990	-
Charge for the year (note 6)	358,960	586,990
	<u>945,950</u>	<u>586,990</u>

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:

<i>Name of related party</i>	<i>Nature of relationship</i>	<i>Nature of transaction</i>	<i>Year ended</i> <i>31 December</i> 2023	<i>Year ended</i> <i>31 December</i> 2022
Jal Alsahra for Agriculture Production Company	An associate	Sales Expenses paid on behalf	1,028,388 -	1,047,140 126,958
Abdullah Mohammed Albarjas Alnasser	Shareholder / Employee	Expenses paid on behalf	1,098,179	1,800,807
Abdulaziz Mohammed Albarjas Alnasser	Shareholder	Expenses paid on behalf	-	65,255
Barjas Mohammed Albarjas Alnasser	Shareholder	Expenses paid on behalf	-	77,359
Fahad Mohammed Albarjas Alnasser	Shareholder	Expenses paid on behalf	-	107,967
Nasser Abdullah Albarjas Alnasser	Shareholder son / Employee	Advances	-	52,499
Mohammed Barjas Albarjas Alnasser	Shareholder son / Employee	Advances	-	25,764
Mohamed Fahad Al-Nasser	Shareholder son / Employee	Advances	-	22,311
Sharifah Mohamed Al-Nasser	Shareholder son / Employee	Advances	-	11,832
Board of Directors	Affiliate / Shareholder	Board remunerations	1,570,000	1,500,000

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NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2023

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

	<i>31 December</i> 2023 SR	<i>31 December</i> 2022 SR
Jal Alsahra for Agriculture Production Company	693,815	679,228
Abdullah Mohammed Al-Nasser	-	1,790,173
Mohammed Barjas Al-Nasser	-	165,237
Nasser Abdullah Al-Nasser	-	86,240
Roqaya Barjas Al-Nasser	-	20,783
Sharifah Mohamed Al-Nasser	-	1,331
Nasser Barjas Al-Nasser	-	570
	<u>693,815</u>	<u>2,743,562</u>

b) Amounts due to related parties

	<i>31 December</i> 2023 SR	<i>31 December</i> 2022 SR
Abdullah Mohamed Al-Nasser	29,831	-
Nasser Abdullah Al-Nasser	28,895	-
Mohamed Fahad Al-Nasser	12,476	820
Waleed Barjas Al-Nasser	6,378	2,609
Mohamed Barjas Al-Nasser	3,055	-
Mohamed Abdulaziz Al-Nasser	905	1,960
Ibrahim Abdullah Barjas Al-Nasser	752	-
Barjas Abdullah Al-Nasser	309	309
Abdullah Abdulaziz Al-Nasser	-	17,555
Barjas Abdulaziz Al-Nasser	-	1,057
	<u>82,601</u>	<u>24,310</u>

15.3 Key management personnel compensation

	<i>Year ended</i> <i>31 December</i> 2023 SR	<i>Year ended</i> <i>31 December</i> 2022 SR
Short-term employee benefits	2,168,901	1,656,000
Long-term employee benefits	58,085	51,100
	<u>2,226,986</u>	<u>1,707,100</u>

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31 December 2023

16 PROPERTY, PLANT AND EQUIPMENT

	Lands SR	Buildings SR	Machines and equipment SR	Motor vehicles and transportation SR	Furniture and fixtures SR	Tools SR	31 December 2023 SR
Cost:							
At 1 January	537,000	18,962,111	26,568,723	6,459,386	3,854,264	6,514,884	62,896,368
Additions	-	-	580,607	1,815,478	240,914	-	2,636,999
At the end of year	537,000	18,962,111	27,149,330	8,274,864	4,095,178	6,514,884	65,533,367
Accumulated depreciation:							
At 1 January	-	16,215,399	24,862,267	4,987,402	2,397,550	6,410,710	54,873,328
Charge for the year	-	527,069	517,446	713,652	409,755	36,728	2,204,650
At the end of year	-	16,742,468	25,379,713	5,701,054	2,807,305	6,447,438	57,077,978
Net book amount	537,000	2,219,643	1,769,617	2,573,810	1,287,873	67,446	8,455,389

	Fertilizers segment SR	Detergent segment SR	Total SR
Charged to cost of revenue	506,375	1,698,275	2,204,650

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NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2023

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 2022 SR
Cost:							
At 1 January	537,000	19,788,582	29,337,803	7,674,846	3,748,357	7,738,414	68,825,002
Additions	-	-	187,203	713,107	1,103,053	24,000	2,027,363
Write-off / disposal	-	(826,471)	(2,956,283)	(1,928,567)	(997,146)	(1,247,530)	(7,955,997)
At the end of year	537,000	18,962,111	26,568,723	6,459,386	3,854,264	6,514,884	62,896,368
Accumulated depreciation:							
At 1 January	-	16,457,622	27,225,660	5,655,593	3,186,306	7,621,729	60,146,910
Charge for the year	-	584,248	592,890	696,517	195,270	36,513	2,105,438
Write-off / disposal	-	(826,471)	(2,956,283)	(1,364,708)	(984,026)	(1,247,532)	(7,379,020)
At the end of year	-	16,215,399	24,862,267	4,987,402	2,397,550	6,410,710	54,873,328
Net book amount	537,000	2,746,712	1,706,456	1,471,984	1,456,714	104,174	8,023,040

	Fertilizers segment SR	Detergent segment SR	Total SR
Charged to cost of revenue	599,195	1,506,243	2,105,438

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NOTES TO FINANCIAL STATEMENTS (continued)

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17 INVESTMENTS IN AN ASSOCIATE

The Company owned 25% shares of Jal Alsahra for Agriculture Production Company (“Investment in an associate”) 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 an associate company:

	31 December 2023 SR	31 December 2022 SR
Balance at beginning of the year	14,651,678	-
Balance transferred from investments in a joint venture (i)	-	4,626,750
Additions during the year	-	8,989,151
Share of profit during the year	2,767,665	1,035,777
	<u>17,419,343</u>	<u>14,651,678</u>
Balance at end of the year	<u>17,419,343</u>	<u>14,651,678</u>

- i. 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.

The following is the movement in the balance transferred from investments in a joint venture:

	SR
Balance at beginning of the year	11,780,940
Share of profit during the period	2,084,961
Dividends	(8,989,151)
Disposal of interest in joint venture	(250,000)
	<u>4,626,750</u>
Balance transferred to investment in an associate	<u>4,626,750</u>

18 RIGHT-OF-USE ASSET AND LEASE LIABILITIES

18.1 Right-of-use asset

	31 December 2023 SR	31 December 2022 SR
Cost		
Balance at beginning of the year	7,428,831	7,063,060
Additions	2,581,367	1,145,971
Remeasurement	602,381	-
Write off	-	(780,200)
	<u>10,612,579</u>	<u>7,428,831</u>
Accumulated depreciation		
Balance at beginning of the year	2,559,700	1,992,818
Depreciation charge for the year	1,124,648	816,999
Disposal	-	(250,117)
	<u>3,684,348</u>	<u>2,559,700</u>
Balance at end of the year	<u>3,684,348</u>	<u>2,559,700</u>
Net book amount	<u>6,928,231</u>	<u>4,869,131</u>

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NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2023

18 RIGHT-OF-USE ASSET AND LEASE LIABILITIES (continued)

18.2 Lease liabilities

	<i>31 December</i> 2023 SR	<i>31 December</i> 2022 SR
Balance at beginning of the year	4,360,686	4,676,281
Additions	2,581,367	1,145,971
Finance charges (note 10)	373,610	155,244
Payment of principal portion of lease liabilities	(1,509,528)	(1,086,727)
Remeasurement	602,381	-
Termination	-	(530,083)
	<u>6,408,516</u>	<u>4,360,686</u>
Current portion of lease liabilities	1,355,550	772,007
Non-current portion of lease liabilities	5,052,966	3,588,679
	<u>6,408,516</u>	<u>4,360,686</u>

19 ACCRUED EXPENSES AND OTHER PAYABLES

	<i>31 December</i> 2023 SR	<i>31 December</i> 2022 SR
Accrued expenses	7,178,137	3,034,162
Advance from customers	1,277,642	1,493,842
Value added tax payable	812,545	684,096
Employees' payable	997,340	677,356
Other	471,256	393,065
	<u>10,736,920</u>	<u>6,282,521</u>

20 ZAKAT PAYABLE

20.1 Zakat charge

The zakat charge is based on the following:

	<i>31 December</i> 2023 SR	<i>31 December</i> 2022 SR
Equity	50,000,000	61,572,769
Opening provisions and other adjustments	34,276,718	29,868,637
Book value of long-term assets	(44,554,333)	(25,102,342)
Zakat base before adjusted net income for the year	<u>39,722,385</u>	<u>66,339,064</u>
Adjusted zakat base for the Gregorian year	40,956,696	68,400,447
Adjusted net income for the year	31,443,760	15,591,029
Zakat base	<u>72,400,456</u>	<u>83,991,476</u>
Zakat	<u>1,810,011</u>	<u>2,099,787</u>

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

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31 December 2023

20 ZAKAT PAYABLE (continued)

20.2 Zakat provision

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

	31 December 2023 SR	<i>31 December 2022 SR</i>
At the beginning of the year	2,098,033	2,281,986
Provision during the year	1,810,011	2,099,787
Adjustment for prior years	(75,704)	39,393
	1,734,307	2,139,180
Payment during the year	(2,024,083)	(2,323,133)
At the end of the year	1,808,257	2,098,033

20.3 Status of assessments

The Company has filed its zakat returns for all years up to 2022 with ZATCA, the Company received final assessment by ZATCA for the years 2017 and 2018, which resulted in additional liability of SR 164,348. The assessments for the rest of the years not have been raised yet by ZATCA.

21 BORROWINGS

The movement in the borrowings is as follows:

	31 December 2023 SR	<i>31 December 2022 SR</i>
At the beginning of the year	18,450,837	14,859,402
Proceeds from borrowings	34,771,419	46,736,486
Repayment of borrowings	(34,723,526)	(43,145,051)
At the end of the year	18,498,730	18,450,837

The Company has a short-term Sharia compliant credit facility agreement with Alinma bank amounting to SR 50 million (2022: 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 (2022: 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%.

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31 December 2023

22 EMPLOYEE BENEFIT OBLIGATIONS

	<i>31 December</i> 2023 SR	<i>31 December</i> 2022 SR
At the beginning of the year	10,683,856	9,876,335
Charged during the year	1,420,364	1,156,334
Re-measurement loss	968,083	63,877
Paid during the year	(1,118,821)	(412,690)
At the end of the year	<u>11,953,482</u>	<u>10,683,856</u>

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

Assumptions used

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

	<i>31 December</i> 2023 SR	<i>31 December</i> 2022 SR
Discount rate	5.07%	4.52%
Rate of salary increase	4.44%	1%
Retirement age	60 years	60 years

Sensitivity analysis

A quantitative sensitivity analysis for significant assumptions on the employee benefit obligations as at 31 December 2023 and 2022 is shown below:

	<i>2023</i> SR	<i>2022</i> SR
Discount Rate:		
Increase by .5%	11,691,078	10,459,014
Decrease by .5%	12,247,052	10,926,343
Salary increments:		
Increase by .5%	12,247,426	10,926,652
Decrease by .5%	11,688,270	10,456,649

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the employee benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the employee's benefits obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the employee's benefits obligation recognised in the statement of financial position.

23 BASIC AND DILUTED EARNINGS PER SHARE

The extraordinary general assembly in its meeting, held on 4 Dhu al-Hijjah 1444H (corresponding to: 22 June 2023), approved a share split of the Company's shares from 5 million ordinary share to 50 million ordinary shares at a nominal value from SR 10 for each to SR 1 for each share, this has not resulted in a change in the resources of Company. The calculation of basic and diluted earnings per share for all years presented were adjusted retrospectively due to share split.

Basic and diluted earnings per share are calculated by dividing the net income for the years ended 31 December 2023 and 2022 by the weighted average numbers of shares outstanding during the year of 50 million shares.

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31 December 2023

24 SHARE CAPITAL

The Company's share capital of SR 50 million, as at 31 December 2023, consists of 50 million ordinary share of SR 1 each (31 December 2022: amounting to SR 50 million consists of 5 million ordinary share of SR 10 each).

The extraordinary general assembly in its meeting, held on 4 Dhu al-Hijjah 1444H (corresponding to 22 June 2023), approved split the Company's shares from 5 million ordinary share to 50 million ordinary shares at a nominal value of SR 10 for each to SR 1 for each share, this has not resulted in a change in the value of Company's capital.

25 STATUTORY RESERVE

On the meeting held on 4 Dhu al-Hijjah 1444H (corresponding to 22 June 2023), the Company's extraordinary general assembly approved certain amendments to the Company's by-laws to comply with the new applicable companies' law, including elimination of the requirement of transfer to a statutory reserve. Moreover, the same extraordinary general assembly approved the transfer of the statutory reserve balance amounting to SR 12,965,107 to retained earnings.

26 FINANCIAL INSTRUMENTS

26.1 FAIR VALUE OF FINANCIAL INSTRUMENTS

The financial assets are included in the company's statement of financial position consist of cash and bank balances, 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. The Company is exposed to credit risk, liquidity risk, and market risk, which are summarized below.

26.2 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 bank balances 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:

	<i>31 December</i> 2023 SR	<i>31 December</i> 2022 SR
Trade receivables	23,513,579	29,430,921
Cash and bank balances	20,596,166	6,062,074
Prepayments and other receivables	9,461,037	10,582,699
Amounts due from related parties	693,815	2,743,562
	<u>54,264,597</u>	<u>48,819,256</u>

Customer credit risk is managed by each business segment 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.

The Company applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for trade receivable. As at 31 December 2023, the allowance for expected credit loss for trade receivables amounting to SR 1,454,471 (2022: SR 1,244,389) refer to note 12 for details of the aging analysis of trade receivables and provision for expected credit losses.

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NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2023

26 FINANCIAL INSTRUMENTS (continued)

26.2 RISK MANAGEMENT (continued)

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 2023</u>			
Trade payable	9,630,522	-	9,630,522
Accrued expenses and other payables	6,578,625	-	6,578,625
Amounts due to related parties	82,601	-	82,601
Short-term borrowings	18,488,750	-	18,488,750
Lease liability	1,355,550	5,052,966	6,408,516
	<u>36,136,048</u>	<u>5,052,966</u>	<u>41,189,014</u>
	<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	4,788,680	-	4,788,680
Amounts due to related parties	24,310	-	24,310
Short-term borrowings	18,450,837	-	18,450,837
Lease liability	772,007	3,588,679	4,360,686
	<u>37,642,386</u>	<u>3,588,679</u>	<u>41,231,065</u>

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.

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27 COMMITMENTS AND CONTINGENCIES

As at 31 December 2023, the Company had letters of credit amounting to SR 582,776 which were issued in the normal course of business (2022: 582,776).

28 SUBSEQUENT EVENTS

In the opinion of management, there have been no significant subsequent events since the year ended 31 December 2023, which would have a material impact on the financial position of the Company as reflected in these financial statements.

29 DIVIDENDS

On 24 Rabi Althani 1445H (corresponding to 8 November 2023), the Company approved cash dividends for the third quarter of the year 2023 amounting to SR 12,500,000 (at SR 0.25 per share), which has been recognised in these financial statements for the year ended 31 December 2023.

On 12 Safar 1445H (corresponding to 28 August 2023), the Company approved interim cash dividends for the first half of the year 2023 amounting to SR 12,500,000 (at SR 0.25 per share) (31 December 2022: SR 7,500,000 at SR 0.15 per share), which has been recognised in these financial statements for the year ended 31 December 2023.

On 12 Ramadan 1444H (corresponding to 3 April 2023), the Company approved interim cash dividends for the second half of the year 2022 amounting to SR 5,000,000 (at SR 0.1 per share) (31 December 2022: SR 4,500,000 at SR 0.09 per share), which has been recognised in these financial statements for the year ended 31 December 2023.

30 RECLASSIFICATIONS OF COMPARATIVE FIGURES

During the year, the Company has made certain reclassifications in the comparative financial information to conform to 2023 presentation:

<i>Reclassified from</i>	<i>Reclassified to</i>	<i>Amount</i> <i>SR</i>
Cost of revenue	Revenue, net	7,730,210
Revenue	Other income	644,961
General and administrative expenses	Selling and marketing expenses	905,879

31 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 15 Ramadan 1445 H (corresponding to 25 March 2024).