

ALWASAIL INDUSTRIAL COMPANY

**(A SAUDI JOINT STOCK COMPANY)
BURAYDAH – KINGDOM OF SAUDI ARABIA**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2025**

ALWASAIL INDUSTRIAL COMPANY (A SAUDI JOINT STOCK COMPANY)

Financial statements and independent auditor's report

For the Year Ended December 31, 2025

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" INDEPENDENT AUDITOR'S REPORT "

To The **SHAREHOLDERS OF Alwasail Industrial Company**
 (A Saudi Joint Stock Company)

Opinion:

We have audited the financial statements of the Alwasail Industrial Company ("the Company") which comprise the statement of financial position as at December 31, 2025, and the statement of profit or loss and other comprehensive income, statement of changes in Shareholders equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025, 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 issued by Saudi Organization for chartered and professional Accountants "SOCPA".

Basis for Opinion:

We conducted our audit in accordance with International Standards on Auditing "ISAs" 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA 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 of 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, we do not provide a separate opinion on these matters. For each key audit matter, a description of how our audit addressed the matter is set out below:

| Key audit matters | Procedures performed to ward key audit matters |
|---|--|
| <p>Revenue recognition:</p> <p>During the year ended 31 December 2025, Company's revenue amounted to SAR 461.2 million (December 31,2024: SAR 460.1 million).</p> <ul style="list-style-type: none"> ▪ The company continues to be under pressure to meet goals and expectations which may lead to misstatements in revenue. ▪ Please refer to Note No 3/19 for revenue accounting policy and Note No. (19) for the relevant disclosure on the accompanying financial statement. | <p>We have performed the following procedures regarding revenue recognition:</p> <ul style="list-style-type: none"> ▪ Evaluating the appropriateness of the Company's accounting policies for revenue recognition, considering the requirements of International Financial Reporting Standard 15, "Revenue from Contracts with Customers". ▪ Evaluating the design and implementation of the Company's internal controls, including anti-fraud controls over revenue recognition in accordance with Company policy. ▪ Testing sales transactions on a sample basis and performed cut-off tests on revenue recognized at the beginning or end of the year to assess whether revenue was recognized in the correct period. ▪ Testing revenue transactions on a sample basis and verifying supporting documentation to ensure the accuracy and validity of revenue recognition. |

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" INDEPENDENT AUDITOR'S REPORT (CONTINUED)"

Other information included in the company annual report for the year ended 31 December 2025:

Other information comprises the information included in the company annual report for the year ended 31 December 2025, other than the financial statements and the auditor's report thereon. The Company's Management is responsible for the other information mentioned in its annual report.

Our opinion on the financial statements does not cover other information and we do not and will not express any form of assurance conclusion thereon. In our audit of the financial statements, it is our responsibility to read the other information described above. In doing so, we consider whether the other information is not materially consistent with the financial statements or knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 International Financial Reporting Standards (IFRSs) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the regulations for companies 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Board of Directors, are responsible for overseeing the company financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards an auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 commissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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" INDEPENDENT AUDITOR'S REPORT (CONTINUED)"

- 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 ability to continue as a going concern. If we conclude that 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 such communication.

Professional Consultants Company



Abdullah S. Al Msned
License No. (456)

Riyadh, on:
Shawwal 7, 1447 H.
March 26, 2026 G.



ALWASAIL INDUSTRIAL COMPANY (A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2025

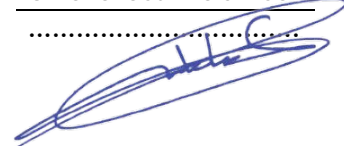
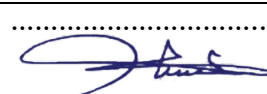
(All amounts are in Saudi Riyals unless otherwise stated)

| | Note | 31 December 2025 | 31 December 2024 |
|---|------|---------------------|---------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and Equipment, net | 4 | 160,149,974 | 149,459,646 |
| Project under constructions | 5 | 3,773,810 | 9,815,934 |
| Intangible assets, net | 6 | 3,938,467 | 1,146,381 |
| Right-of-use assets, net | 7/1 | 4,036,860 | 4,992,110 |
| Total non-current assets | | 171,899,111 | 165,414,071 |
| Current assets | | | |
| Inventory, net | 8 | 187,995,595 | 195,749,721 |
| Trade receivables, net | 9 | 131,227,566 | 100,179,636 |
| Prepayments and other debit balances, net | 10 | 33,580,846 | 45,788,916 |
| Due from related parties, net | 11 | 198,555 | 860,654 |
| Cash and cash equivalents | 12 | 7,198,792 | 8,525,491 |
| Total current assets | | 360,201,354 | 351,104,418 |
| Total assets | | 532,100,465 | 516,518,489 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| Shareholders' Equity | | | |
| Share capital | 13 | 250,000,000 | 250,000,000 |
| Statutory reserve | | 43,486,530 | 43,486,530 |
| Retained earnings | | 89,502,521 | 68,221,015 |
| Employees defined benefit obligations remeasurement reserve | | 83,206 | (511,539) |
| Total Shareholders' equity | | 383,072,257 | 361,196,006 |
| Non-current liabilities | | | |
| Long term loans – noncurrent portion | 14/1 | 14,810,000 | 13,102,473 |
| Employees defined benefits obligations | 15 | 15,681,430 | 15,460,436 |
| Lease liabilities – non-current portions | 7/2 | 2,059,575 | 2,763,593 |
| Total non-current liabilities | | 32,551,005 | 31,326,502 |
| Current liabilities | | | |
| Long term loans – current portion | 14/1 | 3,300,000 | 4,400,000 |
| Short term loans | 14/2 | 4,989,627 | 991,250 |
| Trade Payable | | 79,941,196 | 82,804,070 |
| Accrued expenses and other credit balances | 16 | 20,493,985 | 27,697,079 |
| Lease liabilities – current portion | 7/2 | 1,394,105 | 1,820,597 |
| Zakat provision | 17 | 6,358,290 | 6,282,985 |
| Total current liabilities | | 116,477,203 | 123,995,981 |
| Total liabilities | | 149,028,208 | 155,322,483 |
| Total equity and liabilities | | 532,100,465 | 516,518,489 |

The accompanying notes are an integral part of these financial statements

Chief financial
officer

Chief executive officer

Chairman of the Board of
Directors

ALWASAIL INDUSTRIAL COMPANY (A SAUDI JOINT STOCK COMPANY)**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2025

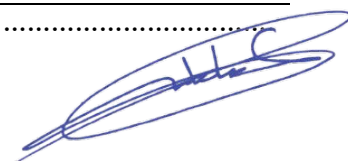
(All Amounts are in Saudi Riyals unless otherwise stated)

| | Note | 31 December 2025 | 31 December 2024 |
|---|------|---------------------|---------------------|
| Revenues | 18 | 461,297,328 | 460,105,865 |
| Cost of revenues | 19 | (345,459,407) | (336,450,375) |
| Gross profit | | 115,837,921 | 123,655,490 |
| Operating Expenses: | | | |
| Selling and distribution expenses | 20 | (48,110,722) | (48,295,295) |
| General and administrative expenses | 21 | (22,469,471) | (21,464,567) |
| Impairment in value of trade receivables | 9 | (2,688,331) | (11,562,980) |
| Impairment in value of other debit balances | 10/1 | (236,333) | (635,428) |
| Impairment in value of cheques under collection | 10/2 | (2,648) | (450,000) |
| Impairment in value of inventory | 8 | (1,000,000) | - |
| Impairment in value of due from related parties | 11 | - | (1,703,267) |
| Profit from Operations | | 41,330,416 | 39,543,953 |
| Other income | | 1,622,608 | 190,368 |
| Profits from sale of investment | 23 | - | 9,646,962 |
| Finance Expenses | 22 | (3,177,868) | (3,961,467) |
| Profit before zakat for the year | | 39,775,156 | 45,419,816 |
| Zakat | 17 | (5,993,650) | (6,282,985) |
| Net profit for the year | | 33,781,506 | 39,136,831 |
| Other comprehensive income | | | |
| Item that will not be subsequently reclassified at a later time to profit or loss | | | |
| Actuarial profit/Loss from remeasurement of employee benefit obligations | 15 | 594,745 | (471,632) |
| Total comprehensive income for the year | | 34,376,251 | 38,665,199 |
| Earnings per share (SAR) | | | |
| Basic and diluted Income per share from net profit for the year | 24 | 0.14 | 0.16 |

The accompanying notes are an integral part of these financial statements

Chief financial
officer

Chief executive officer

Chairman of the Board of
Directors

ALWASAIL INDUSTRIAL COMPANY (A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025
(All Amounts are in Saudi Riyals unless otherwise stated)

| | <u>Share capital</u> | <u>Statutory Reserve</u> | <u>Retained Earnings</u> | <u>Employees defined benefit obligations remeasurement reserve</u> | <u>Total</u> |
|---|----------------------|--------------------------|--------------------------|--|--------------------|
| Balance as at January 1, 2024 | 250,000,000 | 39,572,847 | 70,497,867 | (39,907) | 360,030,807 |
| Net profit of the year | - | - | 39,136,831 | - | 39,136,831 |
| Transfer to the statutory reserve | - | 3,913,683 | (3,913,683) | - | - |
| Actuarial losses from remeasurement of employee defined benefit obligations (Note 15) | - | - | - | (471,632) | (471,632) |
| Dividends (Note 25) | - | - | (37,500,000) | - | (37,500,000) |
| Balance at December 31, 2024 | 250,000,000 | 43,486,530 | 68,221,015 | (511,539) | 361,196,006 |
| Balance as at January 1, 2025 | 250,000,000 | 43,486,530 | 68,221,015 | (511,539) | 361,196,006 |
| Net profit of the year | - | - | 33,781,506 | - | 33,781,506 |
| Actuarial profit from remeasurement of employee defined benefit obligations (Note 15) | - | - | - | 594,745 | 594,745 |
| Dividends (Note 25) | - | - | (12,500,000) | - | (12,500,000) |
| Balance at December 31, 2025 | 250,000,000 | 43,486,530 | 89,502,521 | 83,206 | 383,072,257 |

The accompanying notes are an integral part of these financial statements

Chief financial officer

Chief executive officer

Chairman of the Board of Directors

ALWASAIL INDUSTRIAL COMPANY (A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025
(All Amounts are in Saudi Riyals unless otherwise stated)

| | Note | 31 December 2025 | 31 December 2024 |
|---|------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Profit before zakat | | 39,775,156 | 45,419,816 |
| Adjustments | | | |
| Depreciation of property, plant and equipment | 4 | 10,944,310 | 10,618,879 |
| Amortization of intangible assets | 6 | 408,535 | 327,076 |
| Depreciation of the right of use of assets | 7/1 | 1,877,743 | 2,002,356 |
| Employees defined benefits obligations | 15 | 2,840,913 | 2,890,249 |
| Impairment Losses on trade receivables | 9 | 2,688,331 | 11,562,980 |
| Impairment in value of due from related parties | 11 | - | 1,703,267 |
| Used impairment in value of due from related parties | 11 | - | (7,607,747) |
| Impairment in value of cheques under collection | 10/2 | 2,648 | 450,000 |
| Impairment in value of inventory | 8 | 1,000,000 | - |
| Impairment in value of other debit balances | 10/1 | 236,333 | 635,428 |
| Used impairment in value of cheques under collection | 10/2 | - | (485,863) |
| Used impairment Losses on trade receivables | 9 | (1,304,028) | (6,534,367) |
| Used impairment in value of other debit balances | 10/1 | - | (3,586,411) |
| Profits from sale of investment in a subsidiary company | 23 | - | (9,646,962) |
| Profit from the sale of property, plant, and equipment | | (1,124,458) | - |
| Profit from disposals of right-of-use assets | | (175,836) | - |
| Finance Costs | 22 | 1,347,528 | 485,719 |
| Operating profit before changes in working capital | | 58,517,175 | 48,234,420 |
| Changes in working capital | | | |
| Trade receivables, net | | (32,847,279) | (2,710,490) |
| Prepayments and other debit balances, net | | 10,382,561 | 119,878 |
| Due from related parties | | 662,099 | 8,150,530 |
| Inventory, net | | 5,447,626 | (16,699,885) |
| Trade payable | | (2,862,874) | (701,918) |
| Accrued expenses and other credit balances | | (6,963,368) | 7,299,408 |
| Employees defined benefits obligations Paid | 15 | (1,406,757) | (874,272) |
| Zakat paid | 17 | (5,918,345) | (7,537,035) |
| Net cash flow generated from operating activities | | 25,010,838 | 35,280,636 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Additions to property, plant and equipment | 4 | (14,243,348) | (10,950,383) |
| Additions to project under constructions | 5 | (3,888,462) | (3,919,660) |
| Additions to intangible assets | 6 | (7,696) | (15,065) |
| Proceeds from the sale of property, machinery and equipment | | 1,777,330 | - |
| Proceeds from sale of investment in a subsidiary company | | - | 12,000,000 |
| Net cash used in investing activities | | (16,362,176) | (2,885,108) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Payments of lease liabilities | 7/2 | (2,081,265) | (2,028,661) |
| Proceeds from long-term loans | 14/1 | 4,264,886 | 3,138,843 |
| Payments of Long-term Loans | 14/1 | (3,657,359) | (4,000,000) |
| Proceeds from short-term loans | 14/2 | 19,379,881 | 1,586,000 |
| Payments of short-term Loans | 14/2 | (15,381,504) | (594,750) |
| Dividends paid | 25 | (12,500,000) | (37,500,000) |
| Net cash used in financing activities | | (9,975,361) | (39,398,568) |
| Net change in cash and cash equivalents | | (1,326,699) | (7,003,040) |
| Cash and cash equivalents at the beginning of the year | | 8,525,491 | 15,528,531 |
| Cash and cash equivalents at the end of the year | 12 | 7,198,792 | 8,525,491 |

ALWASAIL INDUSTRIAL COMPANY (A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

(All Amounts are in Saudi Riyals unless otherwise stated)

Supplementary information for non-cash transactions:

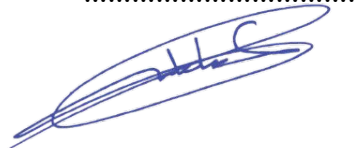
| | <u>Note</u> | <u>31 December 2025</u> | <u>31 December 2024</u> |
|--|-------------|-----------------------------|-----------------------------|
| Transfer from inventory to property, plant, and equipment | 4 | 1,306,500 | - |
| Transfer from projects under construction to property, plant, and equipment | 4-5 | 6,737,661 | - |
| Transfer from projects under construction to intangible assets (Microsoft Dynamics 365 - Solvet software) | 5-6 | 3,192,925 | - |
| Additions to assets Right of use and lease obligations | 7 | 1,344,474 | 2,046,143 |
| Write-off of trade receivables | | 415,045 | - |
| Write-off of other receivables | | 1,586,528 | - |
| | | <u>14,583,133</u> | <u>2,046,143</u> |

The accompanying notes are an integral part of these financial statements


**Chief financial
officer**

.....


Chief executive officer

.....


**Chairman of the Board of
Directors**

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ALWASAIL INDUSTRIAL COMPANY (A SAUDI JOINT STOCK COMPANY)**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025****(All Amounts are in Saudi Riyals unless otherwise stated)****1. THE COMPANY AND NATURE OF ITS BUSINESS**

Al-Wasail Industrial Company (the "Company") registered as a Saudi joint stock company in the city of Buraidah, commercial registration No. 1131002483 dated 29/03/1400, and license No. 97, dated 24/2/1410, renewed with No. 1818/R, dated 3/4/1433, renewed No. 2343, dated 28/07/1436.

The company's activity is represented in the wholesale sale of plastic materials, rubber and synthetic fibers. and the manufacturing of plastic pipes, hoses, tubes, their components, and accessories. Corresponding to 28/03/1443 corresponding to 3/11/2021, the Capital Market Authority issued a decision on the issuer on the company's request and offering (2,500,000) shares representing (10%) of its shares in the parallel market "Nomu"

Date On 15/06/1443 (corresponding to 18/01/2022), 10% (2,500,000 shares) of the company's shares were listed and started trading in the parallel Saudi Stock Exchange "Nomu" under the symbol (9525).

On December 31, 2025 (corresponding to 11/7/1447 H), Tadawul announced its approval of the company's transfer from Parallel Market "Nomu" to the Main Market, with a capital of 250,000,000 Saudi riyals and a total of 250,000,000 shares.

The company's fiscal year consists of twelve months, from the beginning of January through the end of December of each calendar year.

The accompanying financial statements include the following accounts of the company and its branches inside and outside the Kingdom:

| Date | Commercaill Name | Location | Registration Number |
|-------------|---|----------------------------|----------------------------|
| 1424/03/13 | Alwasail Industrial Company | Riyadh | 1010186559 |
| 1400/03/29 | Alwasail Industrial Company | Buraydah | 1131002483 |
| 1411/07/15 | Factory of Alwasail Industrial Company | Buraydah | 1131009107 |
| 1419/03/12 | The Saudi Factory for Rubber Products, a branch of Alwasail | Buraydah | 1131014314 |
| 1442/05/22 | Factory of Alwasail Industrial Company | Buraydah | 1131310613 |
| 1443/11/14 | Alwasail Industrial Company Branch | Buraydah | 1131321747 |
| 1440/03/17 | Alwasail Industrial Company - Oman | Sultanate of Oman - Muscat | 11331768 |
| 1440/07/26 | Alwasail Industrial Company- Abu Dhabi | UAE | CN-2760638 |

Company Address:

The company's address is: 3806 Qassim, Riyadh - Madinah highway, Yarmouk District Unit No. 16 Buraydah 52315-6331

2. BASIS OF PREPARATION**2-1 STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with International Financial Reporting Standard "IFRS" that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for chartered and professional Accountants ("SOCPA").

2- BASIS OF PREPARATION (CONTINUED);

2-2 BASIS OF MEASUREMENT

The financial statements have been prepared on the historical cost basis except for employee defined benefit obligation which is measured at present value of future obligations using Projected Unit Credit Method) and using the accrual accounting principle and the going concern concept.

2-3 FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in Saudi Riyal, which is the company functional and presentation currency, all values are rounded to the nearest Saudi Riyal unless otherwise stated.

2-4 GOING CONCERN PRINCIPLE

The Company's ability to continue as a going concern is assessed based on the going concern principle, to ensure that it has the necessary resources to continue its operations for the foreseeable future. Accordingly, financial statements continue to be prepared in accordance with the going concern principle.

2-5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements requires management to use judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenditures recorded. Such estimates and judgments are evaluated on an ongoing basis based on past experience and some other factors, including expectations of future events that are believed to be reasonable according to the circumstances and data, and as a result, they form the basis for making judgments about the carrying amounts of assets and liabilities that are not visible from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are examined on the basis of the going concern concept. A review of accounting estimates is included in the period in which the estimates are examined if the examination affects only that period or in the review period and future periods if the examination affects both current and future periods.

2-5-1 When applying the company accounting policies, the management made assumptions and estimations for uncertainties, which are important to the financial statements:

A- Impairment in value of trade receivable and other debit balances

Trade receivable and other receivables are stated at amortized cost which is reduced by provisions related to the estimated non-recoverable amounts. The estimated non-recoverable amounts are based on the ages of the receivables and historical experience adjusted appropriately for future projections. Individual trade receivables are written off when management believes that they cannot be collected.

B- Expected Credit Losses

Expected credit losses are calculated to determine impairment losses on accounts receivable. The allowance is determined by referring to a set of factors to ensure that accounts receivable balances are not overstated due to the possibility of uncollectibility, based on the age of the receivables from the date of initial recognition to measure expected credit losses. Account receivables are grouped based on common credit risk characteristics and days past due. Expected loss rates are derived from the Company's historical data and adjusted to reflect expected future outcomes, which include any future information regarding macroeconomic factors such as inflation and GDP growth rates.

2- BASIS OF PREPARATION (CONTINUED);

2-5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED);

2-5-1 When applying the company accounting policies, the management made assumptions and estimations for uncertainties, which are important to the financial statements (CONTINUED);

C- Impairment in value of inventory

Inventories are valued at cost or net realizable value whichever is lower. Adjustments are made to reduce the cost of goods to their realizable value based on an estimate made at each financial period, if necessary. The company management determines the estimation of the slow-moving inventory amount. Factors that influence these adjustments include changes in demand and physical deterioration.

D- Defined benefit liabilities

Employee end-of-service benefits represent liabilities to be settled in the future and require the use of actuarial valuation methods to measure these liabilities. The Company must make assumptions regarding variables such as discount rates, salary growth rates, life expectancy, and other assumptions required for the measurement. Given the challenges involved in the valuation and its long-term nature, an external actuary issues a report regarding these assumptions. Changes in underlying assumptions could have a significant impact on the projected benefit obligations or the periodic defined benefit costs incurred. These estimates are disclosed in Note 16.

E- Useful lives and residual values of property, plant and equipment and intangible assets

An estimate of the useful lives and residual values of property, plant and equipment and intangible assets is made for the purposes of calculating depreciation and amortization respectively. These estimates are made based on expected usage for useful lives. Residual value is determined based on experience and observable data where available.

F. Impairment of Non-Financial Assets

Non-financial assets (other than inventory) are assessed at the end of each year to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated. For the purpose of the impairment test, assets are grouped into smaller groups that generate cash flows from continuing use and are largely independent of the cash flows generated by other assets or cash-generating units. The recoverable amount of an asset or a cash-generating unit is the higher of its value in use and its fair value less costs to sell. Value in use is based on estimated future cash flows 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 or cash-generating unit. Impairment losses are recognized if the carrying amount of the asset or cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of profit or loss, and an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed its recoverable amount, net of any depreciation or amortization that would have been recognized had the impairment loss not been recognized.

2-5-2 When applying the Company accounting policies, the management made the following judgments and estimates, which are important to the financial statements:

A- Determining the lease term for leases that include renewal options

The lease term is defined as the non-cancellable term of the lease, plus any periods covered by a lease extension option if it is reasonably certain that this option will be exercised, or any periods covered by a lease termination option if it is certain that it will not be exercised. The Company applies the provisions when assessing whether it is reasonably certain that the lease renewal or termination option will be exercised. That is, it considers all relevant factors that would create an economic incentive to exercise the renewal or termination option. After the lease commencement date, the lease term is remeasured if any significant event or change in circumstances occurs that is within its control and affects its ability to exercise (or not exercise the option to renew or terminate the contract).

2- BASIS OF PREPARATION (CONTINUED);

2-5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED);

2-5-2 When applying the Company accounting policies, the management made the following judgments and estimates, which are important to the financial statements (CONTINUED);

B- Measurement of Lease Liabilities

The implicit borrowing rate is used to measure lease liabilities. The implicit borrowing rate is the interest rate the company would have to pay to borrow the necessary financing over a similar term and with the same collateral to acquire an asset of the same value as the “right-of-use” asset in a similar economic environment. Therefore, the implicit borrowing rate reflects what “the company would have to pay,” which requires estimation when observable rates are not available or when they need to be adjusted to reflect the terms and conditions of the lease. The implicit borrowing rate is estimated using observable inputs (such as market interest rates) when available, and this requires making certain estimates.

C- Significant Judgements in the application IFRS 15

Determining the transaction price

The company is required to determine the transaction price in respect of each of its contracts with customers. In making such judgement the company assesses the impact of any variable consideration within the contract. In determining the variable consideration, the company uses the “most-likely amount” method whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts.

Determining the timing of satisfaction of performance obligations

The company has concluded that revenues for goods and other services are to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the company.

Revenue from Production and the sale of goods are recognized at a point in time because the customer does not simultaneously receive and consume the benefits provided by the company. In practice the Company records revenues when we deliver the goods. The change of control over goods is satisfied when we deliver goods to customers accordingly the risk of defect and loss is transferred to customer at that point in time.

Determination of whether the company is acting as a principal or agent.

The principles of IFRS 15 revenue from customer contracts are applied by identifying each specific good or service pledged to the customer in the contract and assessing whether the company retains control over the specified good or service before transferring it to the customer. This evaluation requires significant judgment based on specific facts and circumstances.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these financial statements are in accordance with the International Financial Reporting Standards as adopted in the kingdom of Saudi Arabia and other standards and others issued by the Saudi Organization of Chartered and professional Accountants.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED);

3-1 New Standards and Amendments to Standards and Interpretations

3-1-1 NEW AND AMENDED STANDARDS THAT DON'T HAVE A MATERIAL IMPACT ON THE FINANCIAL STATEMENTS

The following are the recent changes to IFRS that must be applied in annual periods beginning on January 1, 2025.

- Amendments to International Financial Reporting Standard (16) Lease Liabilities in Sale and Leaseback Transactions:

These amendments include requirements for sale and leaseback transactions in International Financial Reporting Standard 16 to clarify how an entity accounts for sale and leaseback transactions after the transaction date. Sale-and-leaseback transactions in which some or all lease payments are treated as variable lease payments depend on an index or rate that is highly likely to be affected.

- Amendments to International Accounting Standard (1) Non-current Liabilities and Commitments and the Classification of Liabilities as Current or Non-current:

These amendments clarify how compliance with conditions that an entity must satisfy within twelve months after the reporting period affects the classification of liabilities.

- Amendments to International Accounting Standard (7) and International Financial Reporting Standard (7) Vendor Financing Arrangements:

These amendments require disclosures to enhance transparency regarding supplier financing arrangements and their effects on an entity's liabilities, cash flows, and exposure to liquidity risk.

The application of the amended standards had no material impact on the amounts recognized in the current year and prior years.

3-1-2 STANDARDS ISSUED BUT NOT YET EFFECTIVE

- Amendments to IAS 27 – Lack of exchangeability:

An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose.

- Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;

- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion.
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
- make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

- IFRS 18, Presentation and Disclosure in Financial Statements'

This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

These above standards' amendments are not expected to have a material impact on the Company's financial statements.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED);

3-3 PROPERTY, PLANT, AND EQUIPMENT

3-3-1 Recognition and measurement

- Property, plant, and equipment owned for use in the production or supply of goods or services, or for use for administrative purposes, are stated at cost after deducting accumulated depreciation and/or accumulated impairment losses, if any. Land is shown at cost and is not depreciated.
- Cost includes the cost of replacing parts of property, machinery, and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes these parts as individual assets with specific useful lives that are depreciated accordingly. All other repair and maintenance costs are included in the income statement when incurred as period expenses.
- Properties under construction for production, supply, or administrative purposes are stated at cost less any recognized impairment losses. The cost includes professional fees and, for qualifying assets, borrowing costs are capitalized. Such property is classified into the appropriate category of property, machinery, and equipment when it is completed and prepared for the specific use.

3-3-2 Derecognition

- Any item of property and equipment is derecognized when it is sold or when future economic benefits are not expected to flow from its use or sale. Gains or losses arising from derecognition of an item of property and equipment are included in the statement of profit or loss and other comprehensive income.
- The residual value, useful lives, and methods of depreciation of property, machinery, and equipment are reviewed at the end of each fiscal year and amended with future effect, if appropriate.

3-3-3 Post-acquisition costs

The cost of replacing a component of an item of property and equipment is recognized at the carrying amount of the item when it is probable that future economic benefits will flow to the company and that their cost can be measured reliably and the carrying value of the replaced component is derecognized. The cost of providing day-to-day service for property and equipment is taken to the statement of profit or loss as incurred.

3-3-4 Depreciation

- Depreciation on these assets begins when the assets become ready for their intended use.
- Depreciation is recorded in the statement of profit or loss using a straight-line method over the estimated useful life of each component of an item of property and equipment. Depreciation methods, useful lives and residual value are examined at the date of each financial position and adjusted whenever appropriate .
- Depreciation is calculated on a straight-line basis over the estimated useful life of the assets at the following annual rates:

| Item | Depreciation Percentage | Item | Depreciation Percentage |
|----------------------------|--------------------------------|--------------------------|--------------------------------|
| Buildings and construction | 3% - 5% | Furniture's and fixtures | 10% - 20% |
| Machinery and equipment | 5% - 15% | Office equipment | 15% |
| Injection molds | 10% | Motor vehicles | 25% |
| office equipment | 10% - 20% | Security devices | 5% |

- Depreciation for buildings constructed on land leased from the Qassim 1st. Industrial City "MODON" in Al-Qassim is calculated based on the depreciation rates mentioned above, rather than on the lease terms of the contracts, as the Company's management has no intention of terminating these contracts and intends to renew the leases for a period longer than the current term.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED);

3-3 PROPERTY, PLANT, AND EQUIPMENT (CONTINUED);

3-3-4 Depreciation (CONTINUED);

- Regular maintenance and repair expenses that do not materially prolong the estimated useful life of an asset are included in the statement of profit or loss when incurred. Major renovations and improvements, if any, are capitalized, and any assets that have been replaced are excluded from the books.

3-4 INTANGIBLE ASSETS

- Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses (if any). Intangible assets are amortized on a straight-line basis over their economic life at a rate of 10%.
- Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company and the expenditure can be measured reliably.
- The residual values of intangible assets, their useful lives and impairment indicators are reviewed at the end of each financial year and adjusted prospectively when necessary.

3-5 LEASE CONTRACTS

3-5-1 Right of use assets:

The company recognizes the right to use the assets on the date of commencement of the lease contract (the date the underlying asset becomes available for use).

The right-of-use assets are measured at cost, less accumulated impairment losses and aggregate depreciation, and adjusted for any re-evaluation of the lease liability. The cost of the right-of-use assets includes the amount of the lease liability recognized, initial direct costs incurred, and lease payments made on or before the commencement date minus any lease incentives received. Unless the company is reasonably certain that ownership of the leased asset will be acquired at the end of the lease term. The right to use the assets recognized on a straight-line basis is amortized over the estimated useful life or the lease term, whichever is shorter. The right to use assets is subject to impairment reviews.

3-5-2 Lease liabilities

On the lease commencement date, the Company recognizes lease liabilities at the present value of the lease payments due over the lease term. Lease payments include fixed payments (which include payments that are, in substance, fixed lease payments) net of lease incentives and variable lease payments that are based on indices or rates agreed upon in accordance with the terms of the contract, and amounts expected to be collected under residual value guarantees.

Lease payments also include the amount due upon exercise of a purchase option that the Company is certain to exercise and the amount of lease termination penalties, if the Company intends to exercise the termination option in accordance with the terms of the lease.

Variable lease payments that depend on agreed-upon indices or rates in accordance with the terms of the contract are recognized as expenses in the period in which the event or condition giving rise to such payments occurs.

When calculating the present value of lease payments, the Company uses the borrowing rate at the inception of the lease to discount future lease payments if the implied interest rate in the lease agreement cannot be determined. Subsequently, lease liabilities are increased by the amount of accrued interest and reduced by the amount of actual lease payments. In addition, the carrying amount of lease liabilities is remeasured if there is any modification or change to the lease term, or if there is any change to the payments that are considered fixed lease payments, or if there is a change in the valuation related to the acquisition of the asset.

The main assumptions used for the purposes of computing the present value of lease payments are as follows:

| | |
|-------------------------------|-------|
| Discount rate for cash flows: | 6.90% |
|-------------------------------|-------|

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED);

3-5 LEASE CONTRACTS (CONTINUED);

3-5-3 Short-term leases

The company applies the exemption granted on short-term leases to such leases (that is, those leases whose lease term is 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as an expense on a straight-line basis over the term of the lease.

3-5-4 Significant judgements in determining the lease term for contracts that include renewal options

When determining the lease term, management considers all facts and circumstances that would provide an economic incentive to exercise an extension option, or when exercising a termination option, an extension option (or periods following termination options) are included in the lease term only if the lease is certain. (or not terminated).

The Company evaluates at the beginning of the lease whether it is reasonably certain to exercise the extension option.

The Company reassess whether it is reasonably certain to exercise options if there is a major event or significant change in circumstances that can be controlled.

Company as a lessor

When the company is a lessor, it determines, at the commencement of the lease, whether the lease is a finance lease or operating lease.

To classify each lease, the company performs an overall assessment of whether the lease substantially transfers all risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, otherwise it is an operating lease. As part of this assessment, the company considers specific indicators such as whether the lease term is for the majority of the economic life of the underlying asset.

If an arrangement contains lease and non-lease components, then the company applies IFRS 15 to allocate consideration in the contract.

The company recognizes lease payments received under operating leases as income on a straight- line basis over the lease term in the statement of profit or loss.

3-6 PROJECTS UNDER CONSTRUCTION

The cost of capital work-in-progress consists of the contract value and costs directly attributable to developing and bringing the project assets to the location and condition necessary to enable them to operate and for the purpose for which they were acquired. Project costs in progress are transferred to the classifications of tangible assets and non-current intangible assets when they reach operating condition and are available for their intended purpose. The book value of projects under implementation is reviewed to determine whether there is a decline in their value when events or changes in circumstances indicate that the book value may not be recoverable. If such an indication exists and when the carrying value exceeds the estimated recoverable amount, the value of the assets is written down to the recoverable amount.

3-7 INVENTORY

The value of inventory is estimated at cost or net realizable value, whichever is lower, and the cost of inventory is determined using the weighted average method. Net realizable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs to sell. The cost of finished goods and work-in-progress includes raw materials, direct labor, other direct costs, and related general production expenses, and is shown for net inventory after deducting an allowance for idle goods (the allowance is calculated after conducting a study of the components of the whole inventory).

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED);

3-8 IMPAIRMENT IN THE VALUE OF INVENTORY

Management makes provision for obsolete and slow-moving inventories. Estimates of the net recoverable value of inventories are based on the most reliable evidence at the time the estimates were used. These estimates take into account fluctuations in prices or costs directly related to events occurring after the date of the statement of financial position to the extent that the conditions of these events exist as at the end of the year.

3-9 CASH AND CASH EQUIVALENTS

Includes cash and cash equivalents to cash at banks, cash in hand and other short-term deposits with maturities of three months or less, and which are subject to an insignificant risk of change in value.

3-10 TRADE RECEIVABLES

Trade receivables are stated at the original invoice amount less the allowance for impairment of doubtful trade receivables. An estimate of the allowance for impairment of doubtful trade receivables is made by applying the simplified approach for presenting expected credit losses specified in IFRS 9, which allows the use of a loss allowance. Expected lifetime for all trade receivables. To measure expected credit losses, trade receivables are classified based on common credit risk characteristics and delays in collection. Moreover, expected credit losses also include forward-looking information.

3-11 PAYABLES

Liability is recognized for amounts to be paid in the future for services or goods received, whether invoiced by the supplier.

3-12 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the underlying asset.

All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurred in connection with the borrowing of funds.

3-13 INTEREST LOANS

All term borrowings are initially recognized at the fair value of the consideration received plus transaction costs directly attributable to them. Commission-bearing term loans are subsequently measured at amortized cost using the prevailing commission rate method. Loan facility arrangement expense is recognized as the transaction cost of the loan to the extent that it is probable that some or all the facility will be drawn down.

3-14 FINANCIAL ASSETS

3-14-1 Initial recognition and measurement

Financial assets are initially recognized at fair value plus transaction costs directly attributable to the purchase of the financial asset, in the case of financial assets not carried at fair value through profit or loss.

3-14-2 Subsequent measurement

Financial assets are subsequently measured at fair value through profit or loss at amortized cost or fair value through other comprehensive income. The classification is based on two criteria: the Company's business model for managing the assets and whether the contractual cash flows of the instruments represent "exclusive payments of principal and interest" on the principal outstanding (the exclusive payments of principal and interest).

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED);

3-14 FINANCIAL ASSETS (CONTINUED);

3-14-3 Financial assets carried at amortized cost

This category is the most important for the company. The Company measures a financial asset at amortized cost that is held within a business model for the purpose of owning the financial assets to collect contractual cash flows that meet the criterion of exclusive payments of principal and interest. This category includes trade and other receivables of the company, and loans included in other non-current financial assets.

3-14-4 Derecognizing

Recognition of financial assets (or, where applicable, part of a financial asset or part of a company of similar financial assets) (ie removed from the company's statement of financial position) depends primarily on when:

- The rights to receive cash flows from the asset have expired or
- The Company transfers its rights to receive cash flows from the asset or assumes an obligation to pay the received cash flows in full without material delay to a third party under “spot arrangements”, when:
 - A. The Company has transferred substantially all the risks and rewards of the asset.
 - B. The Company has not transferred or retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the company transfers its rights to receive cash flows from an asset or enters a stand by arrangement, it evaluates whether and to what extent the company has retained the risks and rewards associated with ownership. When the Company does not transfer or retain substantially the risks and rewards of the asset or transfer control of the asset, the Company continues to recognize the transferred asset to the extent that it continues to deal with it. In that case, The Company also acknowledges the associated liability. The transferred assets and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained. Continuation of dealing in the form of a guarantee over the transferred asset is measured by the original book value of the asset or the maximum amounts that the company may be required to pay, whichever is less.

3-14-5 Impairment of financial assets

IFRS 9 requires the company to record an allowance for expected credit losses for all loans and other debtor financial assets not carried at FVTPL.

Expected credit losses are calculated based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, then discounting the deficit close to the original effective interest rate of the asset.

With regard to trade and other receivables, the company applied the simplified standard method, and calculated future credit losses based on lifetime expected credit losses.

The Company has set aside a provision schedule that is based on the Company's past experience of credit loss and is adjusted for the specific expected elements of debtors and the economic environment.

For other debtor financial assets, the expected credit loss is calculated based on the 12-month expected credit loss. 12-month ECL is the portion of lifetime ECL that arises from defaults on a financial instrument contingent within 12 months after the date of the financial statements. However, when there has been a significant increase in credit risk since its inception, the provision will be calculated based on lifetime ECL.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED);

3-15 FINANCIAL LIABILITIES

3-15-1 Initial recognition and measurement

Financial liabilities are classified, upon initial recognition, as financial liabilities at fair value through profit or loss and loans and accounts payable as appropriate. All financial liabilities are initially recognized at fair value and, in the case of loans and accounts payable, net of directly related transaction costs.

The company's financial liabilities include trade payables and other credit balances and loans.

3-15-2 Subsequent measurement

The financial liability is subsequently measured at amortized cost.

3-15-3 Derecognizing

The recognition of financial liabilities ceases when the obligation under the liability is discharged, canceled or expires. When another financial liability is replaced by an existing one from the same lender on substantially different terms, or the terms of the existing obligations are substantially modified, such change or modification is considered to be the derecognition of the original liability and the recognition of a new liability. The difference in the carrying amounts is recognized in the statement of profit or loss and other comprehensive income.

3-15-4 Financial Instruments Clearing

Financial assets and financial liabilities are offset, and the net amounts are in the statement of financial position when there is a current legally enforceable right to set off the recognized amounts.

3-15-5 Contingent Liabilities

Contingent liabilities are Disclosure when the company has a contingent liability as a result of a past event whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not entirely within the control of the company, or the company has present legal or constructive obligations arising from events precedent, However, it is not likely that an outflow of resources embodying economic benefits will be required to settle the obligation or that the amount of the obligation cannot be measured reliably enough.

3-15-6 Impairment of non-financial assets

The Company assesses at each reporting date whether there is any indication that non-financial assets may be impaired. If there is such an indication, or when it is necessary to examine the impairment of the asset annually, the company estimates the recoverable value of the asset. An asset's recoverable amount is the higher of the assets or cash-generating unit's fair value less costs to sell or value in use, and is determined for each asset separately, unless the asset does not generate cash inflows that are largely independent of the cash inflows of other assets or company 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 value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation method is used. These accounts are verified using valuation multiples, quoted share prices for publicly traded entities, or any other available fair value indicators.

Impairment losses from continuing operations are recognized in profit or loss within expense categories consistent with the function of the impaired assets.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED);

3-15 FINANCIAL LIABILITIES (CONTINUED);

3-15-6 Impairment of non-financial assets (CONTINUED);

For assets other than goodwill, an assessment is made at each reporting date whether there is any indication that previously recorded impairment losses may no longer exist or have decreased in value. If any such indication exists, the company estimates the recoverable amount of the asset or cash-generating unit. A previously recognized impairment loss is not reversed unless there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. This reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or the book value that would have been determined, after deducting depreciation, had no impairment loss been calculated for the asset during previous years. This reversal is included in the profit or loss. Impaired non-financial assets other than goodwill are reviewed for possible reversal of the impairment at the end of each reporting period.

3-16 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to settle a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. When estimating the fair value of assets or liabilities, the company considers the characteristics of the assets or liabilities if market participants take these characteristics into account when pricing the assets or liabilities on the measurement date. The fair value for measurement or disclosure purposes, or both, is determined in these financial statements on this basis, with the exception of share-based payment transactions that fall within the scope of IFRS No. (2).and lease transactions that fall within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as the net realizable value in IAS 2 or the value used in IAS No. 36.

In addition, for the purposes of financial reporting, fair value measurements are categorized into the first, second, or third level based on the degree of observation of the inputs to the fair value measurements, and the importance of the inputs to the fair value measurement in their entirety, which are described as follows:

- Level one inputs are prices (unadjusted) that are traded in active markets for identical assets or liabilities that the entity has access to at the measurement date.
- The second level inputs are the inputs - other than the current prices listed in the first level - that are observed for assets or liabilities, whether directly or indirectly.
- Level 3 inputs are the unobserved inputs for assets or liabilities.

3-17 PROVISIONS

Provisions are recognized when the company has a present obligation (legal or constructive) arising from past events, and it is likely that it will lead to an outflow of resources that include economic benefits that will be required to settle the obligation, and the amount of the obligation can be estimated reliably. Some or all of any provision, compensation is recognized as a separate asset only if the compensation is actually certain. Expenses related to any provision are presented in the income statement, net after deducting any compensation.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED);

3-18 EMPLOYEE BENEFITS

The company's employee benefits include monthly contributions to the General Organization for Social Insurance and an end-of-service bonus program in accordance with the requirements of regulations in the Kingdom of Saudi Arabia.

3-18-1 General Organization for Social Insurance (GOSI)

The monthly contributions of the General Organization for Social Insurance (independent entity) are classified as a defined contribution program. The company recognizes its share of the fixed contributions to the General Organization for Social Insurance every month as expenses. The Company has no legal or constructive obligation to pay any other contributions, and its only obligation is to pay the contributions as they are due.

3-18-2 Defined benefit obligations for employees

The Company's end-of-service benefits program is classified as a defined benefit plan. This program is considered unfunded, and the liability recognized in the statement of financial position related to the defined benefit end-of-service benefit program is represented by the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by an independent actuary using the unit estimation method.

Actuarial gains and losses arising from actuarial assumptions are recognized in the statement of other comprehensive income in the period in which they arise. Past service costs, current service costs and net interest are recognized immediately in the income statement.

3-19 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenues from sales are recognized when the goods are delivered, and services are provided to customers. The company recognizes revenue from contracts with customers according to IFRS 15, using the following five-steps model:

| | |
|---|---|
| Step 1: Identify the contract with the customer | A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met |
| Step 2: Identify the performance obligations | A performance obligation is 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 | 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: Revenue recognition | The company recognizes revenue (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract |

3-19-1 Identify the contract with the customer

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

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED);
3-19 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED);

3-19-2 Identifying the performance obligations

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

3-19-3 Determine the transaction price

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

The amount of consideration is fixed based on the transaction price agreed with the customers and there are no other promised obligations in the contract with the customers that are determined as separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the services, the Company considered the effects of variable considerations, the existence of significant financing components, noncash consideration and considerations payable to the customer (if any) and has concluded that there are no such considerations included in the transaction price.

Contract modifications, e.g. variation orders, are accounted for as part of the existing contract, with a cumulative catch up adjustment to revenue. For material contract modifications a separate contract may be recognised, based on management's assessment of the following factors:

- The scope of the contract increases because of the addition of agreed goods or services that are distinct; and
- The price of the contract increases by an amount of consideration that reflects the company stand-alone selling prices of the additional agreed goods or services and any appropriate adjustments to that price reflect the circumstances of the particular contract

There were no material amendments to the contracts during the fiscal year ended December 31, 2025.

3-19-4 Allocation of transaction price

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

3-19-5 Revenue recognition

The company recognizes revenue in accordance with the terms and conditions contained in the contracts concluded with customers to the extent that performance obligations related to customer contracts are fulfilled.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED);

3-20 ZAKAT AND INCOME TAX

3-20-1 Zakat

The Company is subject to Zakat in accordance with the regulation issued by the General Authority of Zakat and Income Tax (ZATCA). Zakat provision is calculated according to the Zakat base of the Company and its directly or indirectly wholly owned subsidiaries. Zakat is levied at a fixed rate of 2.5% on the higher of adjusted zakat profit or zakat base. The management establishes provisions where appropriate based on amounts expected to be paid to the ZATCA and periodically evaluates positions taken in zakat returns in case of any differences. Additional Zakat liability, if any, related to prior years' assessments arising from ZATCA are accounted for in the period in which the assessments are finalized. The provision for income tax is charged to the statement of profit or loss.

3-20-2 Value Added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, except:

- Where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- Receivables and payables are stated with the amount of VAT included.

The net amount of value added tax (VAT) recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

3-21 SEGMENT REPORTING

The business segments

A business segment is a company of assets, operations, or entities that:

1. It engages in revenue generating activities,
2. The management analyses the results of its operations in order to make decisions regarding resource allocation and performance assessment.
3. Financial information is independently available on it.

The geographical sector

A geographic segment is a Company of assets, operations, or establishments that carry out revenue-generating activities in a specific economic environment that are subject to risks and returns that are different from those operating in other economic environments.

3-22 TRANSLATION TRANSACTIONS IN FOREIGN CURRENCIES

Transactions in foreign currencies are converted into Saudi Riyals according to the prevailing exchange rate on the date of the transactions. Monetary assets and liabilities in foreign currencies are converted into Saudi riyals according to the exchange rates prevailing at the reporting date. Differences resulting from the settlement or translation of cash items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates ruling at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates ruling at the date the fair value was determined. The gain or loss arising from the translation of non-monetary items measured at fair value is treated in accordance with the recognition of gain or loss arising from a change in the fair value of the item.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED);

3-23 EXPENSES

3-23-1 Cost of sales

Cost of sales represents all expenses directly attributable or incidental to the core production activities of the Company .

3-23-2 Selling, marketing and administrative expenses

Selling and marketing expenses are costs arising from the Company's efforts underlying marketing activities and function. All other expenses are classified as administrative expenses. The allocation of common expenses between cost of sales, selling and administrative expenses, where required, is made on a reasonable basis with regards to the nature and circumstances of the common expenses.

3-24 CURRENT VERSUS NON-CURRENT CALSSIFICATION

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

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realized within 12 months after the reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current assets.

A liability is current when it is:

- Expected to be settled in the normal operating cycle.
- Held primarily for the purpose of trading.
- Due to be settled within 12 months after the reporting period; or
- When there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current liabilities.

3-25 RELATED PARTY TRANSACTIONS

The disclosure is made in relation to the commercial transactions between the parties who were identified as related parties according to the International Accounting Standard No. (24) - disclosure of the related party as approved by the Saudi Organization for chartered and professional Accountants.

3-26 SUBSEQUENT EVENT AFTER THE STATEMENT OF FINANCIAL REPORTING DATE

All significant events that occur after the date of the statement of financial position, and where appropriate, amendments or disclosures made in the relevant notes to the financial statements are considered.

ALWASAIL INDUSTRIAL COMPANY (A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31,2025
(All Amounts are in Saudi Riyals unless otherwise stated)

4. PROPERTY, PLANT & EQUIPMENTS, NET

| | Land | Buildings and construction | Machinery & Equipments | Injection Molds | Tools | Furnitures and fixtures | Office Equipment | Vehicles | Security devices | Total |
|---------------------------------------|-------------------|----------------------------|------------------------|-------------------|-------------------|-------------------------|-------------------|-------------------|------------------|--------------------|
| Cost: | | | | | | | | | | |
| Balance as at January 1, 2025 | 53,302,500 | 64,759,715 | 180,038,543 | 26,131,717 | 10,755,093 | 3,276,634 | 9,505,716 | 35,103,058 | 2,042,142 | 384,915,118 |
| Additions during the year | - | 1,816,296 | 8,514,899 | 3,031,447 | 68,873 | 78,570 | 242,939 | 490,324 | - | 14,243,348 |
| Transferred from PUC (Note 5) | - | 2,500,566 | 1,640,000 | 2,216,000 | 38,595 | - | 316,500 | 26,000 | - | 6,737,661 |
| Transferred from Inventory | - | - | 948,713 | - | 357,787 | - | - | - | - | 1,306,500 |
| Disposals during the year | (14,992) | (600,000) | (574,361) | - | - | - | (3,123) | (81,400) | - | (1,273,876) |
| Balance as at December 31,2025 | 53,287,508 | 68,476,577 | 190,567,794 | 31,379,164 | 11,220,348 | 3,355,204 | 10,062,032 | 35,537,982 | 2,042,142 | 405,928,751 |
| Accumulated Depreciation: | | | | | | | | | | |
| Balance as at January 1, 2025 | - | 33,104,296 | 128,824,105 | 23,750,316 | 8,937,216 | 3,117,431 | 7,445,746 | 29,008,028 | 1,268,334 | 235,455,472 |
| Depreciation during the year | - | 1,657,846 | 5,725,364 | 564,104 | 373,368 | 42,869 | 529,105 | 1,965,312 | 86,342 | 10,944,310 |
| Disposals during the year | - | (108,015) | (430,667) | - | - | - | (3,123) | (79,200) | - | (621,005) |
| Balance as at December 31,2025 | - | 34,654,127 | 134,118,802 | 24,314,420 | 9,310,584 | 3,160,300 | 7,971,728 | 30,894,140 | 1,354,676 | 245,778,777 |
| Net book value: | | | | | | | | | | |
| As at December 31,2025 | 53,287,508 | 33,822,450 | 56,448,992 | 7,064,745 | 1,909,764 | 194,904 | 2,090,304 | 4,643,842 | 687,466 | 160,149,974 |

Depreciation expenses have been classified between cost of revenues and general and administrative, selling and distribution expenses as follows:

| | Note | 31 December 2025 | 31 December 2024 |
|-------------------------------------|------|-------------------|-------------------|
| Cost of sales | 19 | 8,459,863 | 8,842,214 |
| Selling and distribution expenses | 20 | 1,876,498 | 1,116,046 |
| General and administrative expenses | 21 | 607,949 | 660,619 |
| Total | | 10,944,310 | 10,618,879 |

Certain items of property, plant, and equipment, excluding land, with a book value of 28 million Saudi Riyal as at December 31, 2025 (35 million Saudi Riyals as at December 31, 2024), are pledged as collateral for loans (Note 15-1).

ALWASAIL INDUSTRIAL COMPANY (A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31,2025
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4- PROPERTY, PLANT & EQUIPMENTS, NET (CONTINUED)

| | <u>Land</u> | <u>Buildings and construction</u> | <u>Machinery & Equipments</u> | <u>Injection Molds</u> | <u>Tools</u> | <u>Furnitures and fixtures</u> | <u>Office Equipment</u> | <u>Vehicles</u> | <u>Security devices</u> | <u>Total</u> |
|---------------------------------------|-------------------|-----------------------------------|-----------------------------------|------------------------|-------------------|--------------------------------|-------------------------|-------------------|-------------------------|--------------------|
| Cost: | | | | | | | | | | |
| Balance as at January 1, 2024 | 53,302,500 | 63,986,515 | 174,693,463 | 25,103,571 | 10,452,167 | 3,200,767 | 8,034,064 | 33,173,054 | 2,042,142 | 373,988,243 |
| Additions during the year | - | 773,200 | 5,345,080 | 1,028,146 | 302,926 | 75,867 | 1,495,160 | 1,930,004 | - | 10,950,383 |
| Disposals during the year | - | - | - | - | - | - | (23,508) | - | - | (23,508) |
| Balance as at December 31,2024 | 53,302,500 | 64,759,715 | 180,038,543 | 26,131,717 | 10,755,093 | 3,276,634 | 9,505,716 | 35,103,058 | 2,042,142 | 384,915,118 |
| Accumulated Depreciation: | | | | | | | | | | |
| Balance as at January 1, 2024 | - | 31,478,230 | 123,080,105 | 23,418,436 | 8,517,099 | 3,056,386 | 7,207,236 | 26,922,009 | 1,180,259 | 224,859,760 |
| Depreciation during the year | - | 1,626,066 | 5,744,000 | 331,880 | 420,117 | 61,045 | 261,677 | 2,086,019 | 88,075 | 10,618,879 |
| Disposals during the year | - | - | - | - | - | - | (23,167) | - | - | (23,167) |
| Balance as at December 31,2024 | - | 33,104,296 | 128,824,105 | 23,750,316 | 8,937,216 | 3,117,431 | 7,445,746 | 29,008,028 | 1,268,334 | 235,455,472 |
| Net book value: | | | | | | | | | | |
| As at December 31,2024 | 53,302,500 | 31,655,419 | 51,214,438 | 2,381,401 | 1,817,877 | 159,203 | 2,059,970 | 6,095,030 | 773,808 | 149,459,646 |

5. PROJECTS UNDER CONSTRUCTION

| | 31 December 2025 | 31 December 2024 |
|--|-----------------------------|-----------------------------|
| Buildings and Construction (Al-Yarmouk Plant) | 3,287,232 | 2,126,205 |
| Buildings and Construction (Administration Building) | 486,578 | 212,867 |
| Machinery and Equipment (Comfort Factory) | - | 4,237,095 |
| Financial and Administrative Programs | - | 1,754,030 |
| Factory Building D | - | 1,485,737 |
| | <u>3,773,810</u> | <u>9,815,934</u> |

The movement of projects under Construction is as follows:

| | | |
|---|-------------------------|-------------------------|
| Balance at the beginning of the year | 9,815,934 | 5,896,274 |
| Additions during the year | 3,888,462 | 3,919,660 |
| Transfers to machinery and equipment (Note 4) * | (6,737,661) | - |
| Transfers to Spare parts Inventory (Note 6) ** | (3,192,925) | - |
| Balance at the end of the year | <u>3,773,810</u> | <u>9,815,934</u> |

* Amount of SAR 4.2 million was transferred from the Projects Under Construction related to Comfort Factory to the "Property, Machinery and Equipment" upon the commencement of actual machinery operation at the end of September 2025.

Amount of SAR 2.5 million was transferred from the Projects Under Construction related to Plant D to the Buildings and Construction after the full repayment of the loan from the Saudi Industrial Development Fund for this building (formerly Nawakhth Factory).

** Amount of SAR 3.19 million was transferred from the Projects Under Construction related Microsoft Dynamics 365 and HR Solvait software to the Intangible Assets.

6. INTANGIBLE ASSETS, NET

Intangible assets are represented in Microsoft Dynamics software for accounting and warehouse management and other supporting programs, hardware and servers.

| | 31 December 2025 | 31 December 2024 |
|--|-----------------------------|-----------------------------|
| Cost: | | |
| Balance at the beginning of the year | 3,921,556 | 3,906,491 |
| Transferred from projects under construction | 3,192,925 | - |
| Additions during the year | 7,696 | 15,065 |
| Balance at the end of the year | <u>7,122,177</u> | <u>3,921,556</u> |
| Amortization: | | |
| Balance at the beginning of the year | 2,775,175 | 2,448,099 |
| Amortization during the year | 408,535 | 327,076 |
| Balance at the end of the year | <u>3,183,710</u> | <u>2,775,175</u> |
| | <u>3,938,467</u> | <u>1,146,381</u> |

The amortization of intangible assets was classified as administrative and general expenses of SAR 406,770 as of December 31, 2025 (compared to SAR 327,076 for the year ended December 31, 2024) and the cost of revenue of SAR 1,765 as of December 31, 2025 (for the year ended December 31, 2024: none).

7. LEASE CONTRACTS

7.1 Right of use Assets, net

| | <u>31 December 2025</u> | <u>31 December 2024</u> |
|---------------------------------------|-----------------------------|--------------------------|
| Cost: | | |
| Balance at the beginning of the year | 14,733,811 | 12,708,772 |
| Additions during the year | 1,344,474 | 2,046,143 |
| Adjustment | 76,804 | 95,726 |
| Disposals during the year | (498,785) | (116,830) |
| Balance at the end of the year | <u>15,656,304</u> | <u>14,733,811</u> |
| Accumulated Depreciation: | | |
| Balance at the beginning of the year | 9,741,701 | 7,739,345 |
| Charged during the year | 1,877,743 | 2,002,356 |
| Balance at the end of the year | <u>11,619,444</u> | <u>9,741,701</u> |
| Net book value | <u>4,036,860</u> | <u>4,992,110</u> |

Amortization expenses for right-of-use assets were classified as selling and distribution expenses in the amount of SAR 1,681,959 as of December 31, 2025 (compared to SAR 2,002,356 for the year ended December 31, 2024) and as cost of revenue in the amount of SAR 195,784 for the year ended December 31, 2025 (for the year ended December 31, 2024: nil).

7.2 Lease Liabilities

| | <u>31 December 2025</u> | <u>31 December 2024</u> |
|--|-----------------------------|-----------------------------|
| Balance at the beginning of the year | 4,584,190 | 4,279,559 |
| Additions during the year | 1,344,474 | 2,046,143 |
| Adjustment | 74,071 | 80,726 |
| Lease liabilities paid during the year | (2,081,265) | (2,028,661) |
| Finance expenses | 204,098 | 244,940 |
| Disposals during the year | (671,888) | (38,517) |
| Balance at the end of the year | <u>3,453,680</u> | <u>4,584,190</u> |

Right-of-use assets consist of exhibition and warehouse leases, and the amortization rates are calculated for each contract separately based on the lease term. Lease liabilities as of year-end are presented in the statement of financial position as follows:

| | <u>31 December 2025</u> | <u>31 December 2024</u> |
|---|-----------------------------|-----------------------------|
| Lease liabilities - Current portion | 1,394,105 | 1,820,597 |
| Lease liabilities - Non current portion | 2,059,575 | 2,763,593 |
| | <u>3,453,680</u> | <u>4,584,190</u> |

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8. INVENTORY, NET

| | <u>31 December 2025</u> | <u>31 December 2024</u> |
|--|-----------------------------|-----------------------------|
| Finished goods | 150,684,495 | 140,405,999 |
| Work in progress | 7,129,372 | 5,049,217 |
| Raw materials | 33,562,688 | 52,807,613 |
| Spare parts & Packaging materials | 8,121,854 | 7,989,706 |
| | <u>199,498,409</u> | <u>206,252,535</u> |
| Less: impairment in value of inventory | <u>(11,502,814)</u> | <u>(10,502,814)</u> |
| | <u>187,995,595</u> | <u>195,749,721</u> |

Movement in the impairment in value of inventory is as follows:

| | | |
|---------------------------------------|--------------------------|--------------------------|
| Balance at the beginning of the year | 10,502,814 | 10,502,814 |
| Charged during the year | 1,000,000 | - |
| Balance at the end of the year | <u>11,502,814</u> | <u>10,502,814</u> |

9. TRADE RECEIVABLES, NET

| | <u>31 December 2025</u> | <u>31 December 2024</u> |
|--|-----------------------------|-----------------------------|
| Trade Receivables | 163,287,583 | 130,855,350 |
| Less: Impairment in value of trade receivables | <u>(32,060,017)</u> | <u>(30,675,714)</u> |
| | <u>131,227,566</u> | <u>100,179,636</u> |

Movement of the impairment in value of trade receivable were as follows:

| | | |
|---------------------------------------|--------------------------|--------------------------|
| Balance at the beginning of the year | 30,675,714 | 25,647,101 |
| Charged during the year | 2,688,331 | 11,562,980 |
| Used during the year | <u>(1,304,028)</u> | <u>(6,534,367)</u> |
| Balance at the end of the year | <u>32,060,017</u> | <u>30,675,714</u> |

The aging of Trade receivables were as follows:

| | | |
|---------------------------------------|---------------------------|---------------------------|
| 1–90 days | 81,889,018 | 65,837,708 |
| 91–180 days | 25,816,076 | 25,860,278 |
| 181–270 days | 10,149,266 | 7,815,516 |
| 271–360 days | 24,411,895 | 6,808,063 |
| More than 360 days | <u>21,021,328</u> | <u>24,533,785</u> |
| Balance at the end of the year | <u>163,287,583</u> | <u>130,855,350</u> |

The Company is recording the impairment in value of trade receivables based on the aging of overdue receivables, and this provision increases when the receivables become more overdue and where historical experience indicates that the possibility of an increase in the irrecoverable amounts with the increase in the Aging of receivables.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31,2025
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10. PREPAYMENTS AND OTHER DEBIT BALANCES, NET

| | <u>31 December 2025</u> | <u>31 December 2024</u> |
|---|---------------------------------|---------------------------------|
| Accrued Revenue * | 18,080,909 | 23,427,144 |
| Advances to Suppliers | 6,437,630 | 9,526,512 |
| Employees' loans | 4,793,886 | 3,537,440 |
| Petty cash | 3,800,846 | 7,469,817 |
| Letters of credit | 523,764 | 921,430 |
| Checks under collection | 466,785 | 466,785 |
| Prepaid Expenses | 263,880 | - |
| Letters of Guarantee | 211,689 | 1,199,350 |
| Other | 148,923 | 148,923 |
| | <u>34,728,312</u> | <u>46,697,401</u> |
| Less: Impairment in value of other debit balances | (680,681) | (444,348) |
| Less: Impairment in value of cheques under collection | (466,785) | (464,137) |
| | <u><u>33,580,846</u></u> | <u><u>45,788,916</u></u> |

*Accrued discount revenue represents discounts received by the company from one of its major suppliers upon reaching a specified purchase volume during the year, in accordance with the terms of the contract between the two parties.

10-1 The movement of impairment in the value of other debit balances is as follows:

| | <u>31 December 2025</u> | <u>31 December 2024</u> |
|---------------------------------------|-----------------------------|-----------------------------|
| Balance at the beginning of the year | 444,348 | 3,395,331 |
| Charged during the year | 236,333 | 635,428 |
| Used during the year | - | (3,586,411) |
| Balance at the end of the year | <u>680,681</u> | <u>444,348</u> |

10-2 The movement of impairment in the value of cheques under collection is as follows:

| | <u>31 December 2025</u> | <u>31 December 2024</u> |
|---------------------------------------|-----------------------------|-----------------------------|
| Balance at the beginning of the year | 464,137 | 500,000 |
| Charged during the year | 2,648 | 450,000 |
| Used during the year | - | (485,863) |
| Balance at the end of the year | <u>466,785</u> | <u>464,137</u> |

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11. RELATED PARTIES

In the course of its ordinary business, the Company conducts transactions with related parties, which are companies owned or represented by members of the Company's Board of Directors or in which such members hold a controlling interest (affiliated companies), including the provision of mutual services. These transactions were conducted on commercial terms and with the approval of the company's board of directors. The balances shown are not subject to commission, and there are no specific terms and conditions.

DUE FROM RELATED PARTIES, (NET):

The material transactions with related parties during the year are as follows:

| Related party | Relationship | Nature of Transactions | 31 December 2025 | | 31 December 2024 | |
|-------------------------------------|-------------------|-------------------------|------------------|------------|------------------|------------|
| | | | Debit | Credit | Debit | Credit |
| Thaqib Plastic Company (LLC) | Affiliate company | Commercial transactions | 12,609,199 | 13,322,260 | 11,650,944 | 12,452,018 |
| Alwasail Construction company (LLC) | Affiliate company | Expenses paid on behalf | 160,962 | - | 258,291 | 7,607,747 |

The outstanding balance due from related parties is as follows:

| | 31 December 2025 | 31 December 2024 |
|---------------------------------------|------------------|------------------|
| Thaqib Plastic Company (LLC) | - | 823,061 |
| Alwasail Construction company (LLC) | 198,555 | 37,593 |
| Balance at the end of the year | 198,555 | 860,654 |

The movement of impairment in the value of due from related parties is as follows:

| | 31 December 2025 | 31 December 2024 |
|---------------------------------------|------------------|------------------|
| Balance at the beginning of the year | - | 5,904,480 |
| Charged during the year | - | 1,703,267 |
| Used during the year | - | (7,607,747) |
| Balance at the end of the year | - | - |

These transactions with related parties consist of commercial transactions related to sales and purchases (specifically involving the recycling of materials used in production) with Thaqib Plastic Co., in addition to legal fees paid on behalf of Al-Wasael Construction.

Transactions with Board and Executives Members:

Transactions with related parties consist primarily of rent, salaries, allowances, and bonuses paid to members of the Board of Directors and senior executives, who are the individuals who exercise authority and responsibility in planning, directing, and overseeing the Company's activities, either directly or indirectly:

| Transactions with | Nature of Transactions | 31 December 2025 | 31 December 2024 |
|----------------------------|--|------------------|------------------|
| Board members & committies | Salaries Remuneration for Board members and committees (Note 22) | 2,746,500 | 2,115,042 |
| Board members | Rent (Warehouse and Tuwaiq Branch) | 179,690 | 179,690 |

12. CASH AND CASH EQUIVALENTS

| | <u>31 December 2025</u> | <u>31 December 2024</u> |
|---------------|-----------------------------|-----------------------------|
| Cash at Banks | 7,198,792 | 8,525,491 |
| | <u>7,198,792</u> | <u>8,525,491</u> |

13. SHARE CAPITAL

The Company's capital was set as at 31 December 2023 In the amount of 250,000,000 Saudi riyals (two hundred and fifty million Saudi riyals), divided into 250 million shares of equal value, each share being 1 Saudi riyals.

On 15/06/1443 (01/18/2022), 10% (2,500,000 shares) of the company's shares were listed and started trading in the Saudi secondary market "Nomu" under the code (9525), according to the Capital Market Authority's approval decision. On the application for listing the company on 03/28/1443. Corresponding to 11/3/2021.

According to on the Board of Directors minutes of meeting held on September 20, 2023 (corresponding to Rabi' al-Awwal 5, 1445), it was approved to split the nominal value of the share from 10 Saudi riyals per share to 1 Saudi Riyal per share, while keeping the company's capital unchanged, so that the number of company shares became 250,000,000 shares instead of 25,000,000 shares.

| <u>Shareholder's name</u> | <u>Number of Shares</u> | <u>Share Value</u> | <u>Value</u> | <u>Percentage</u> |
|--|-----------------------------|------------------------|---------------------------|--------------------|
| Honorable/ Saleh Abdullah Abdul Aziz Al-Mushakih | 39,058,532 | 1 | 39,058,532 | 15.62% |
| Honorable/ Abdul Aziz Abdullah Abdul Aziz Al- Mushakih | 29,306,128 | 1 | 29,306,128 | 11.72% |
| Honorable/ Abdul Rahman Abdullah Abdul Aziz Al- Mushakih | 24,447,611 | 1 | 24,447,611 | 9.78% |
| Honorable/ Abdul Aziz Saleh Suliman Al Omary | 17,969,242 | 1 | 17,969,242 | 7.19% |
| Honorable/ Abdul Qadir Abdullah Abdul Aziz Al- Mushakih | 17,950,000 | 1 | 17,950,000 | 7.18% |
| Honorable/ Nasser Abdullah Abdul Aziz Al- Mushakih | 17,747,426 | 1 | 17,747,426 | 7.10% |
| Other Shareholders | 103,521,061 | 1 | 103,521,061 | 41.41% |
| | <u>250,000,000</u> | | <u>250,000,000</u> | <u>100%</u> |

14. LOANS

14-1 LONG-TERM LOANS:

The movement in long-term loans during the year is as follows:

| | <u>31 December 2025</u> | <u>31 December 2024</u> |
|---------------------------------------|-----------------------------|-----------------------------|
| Balance at the beginning of the year | 17,502,473 | 18,363,630 |
| Proceeds during the year | 4,264,886 | 3,138,843 |
| Payments during the year | (3,657,359) | (4,000,000) |
| Balance at the end of the year | <u>18,110,000</u> | <u>17,502,473</u> |

Long-term loans are presented in the statement of financial statement as follows:

| | | |
|--------------------------------------|--------------------------|--------------------------|
| Long term Loans – noncurrent portion | 14,810,000 | 13,102,473 |
| Long term Loans – current portion | 3,300,000 | 4,400,000 |
| | <u>18,110,000</u> | <u>17,502,473</u> |

14 – LOANS (CONTINUED)

Loan from Saudi Industrial Development Fund (SIDF):

In 2022, the Company obtained a long-term financing facility from the Saudi Industrial Development Fund in the amount of SAR 34.9 million to finance the Alwasail Industrial Company’s factory branch in the First Industrial City in Al-Qassim, secured by a mortgage on the property, machinery, and equipment of the factory branch (Note 4) In addition to promissory notes, the loan is to be repaid in 13 escalating semi-annual installments starting in early 2024. Successive installments totaling 25,767,358 Saudi riyals were received between 2022 and 2024, and it was agreed to terminate further drawdowns on the loan and to settle for the amounts already collected. The outstanding portion, amounting to SAR 19,767,359, has been rescheduled into 10 installments beginning on August 9, 2025, and ending on December 31, 2029.

Financial debit Covenants - Loan from Saudi Industrial Development Fund:

The loan agreement with the Saudi Industrial Development Fund includes certain covenants with the Fund under the terms of this agreement, to which the Company was committed as of the date of the accompanying financial statements. Management monitors these covenants periodically, and in the event of any potential breach, management takes the necessary actions.

14-2 SHORT-TERM LOANS:

| | <u>31 December 2025</u> | <u>31 December 2024</u> |
|---------------------------------------|-----------------------------|-----------------------------|
| Balance at the beginning of the year | 991,250 | - |
| Proceeds during the year | 19,379,881 | 1,586,000 |
| Payments during the year | <u>(15,381,504)</u> | <u>(594,750)</u> |
| Balance at the end of the year | <u>4,989,627</u> | <u>991,250</u> |

The company entered into a credit facility agreement with Al-Bilad Bank to obtain financing for the purpose of opening domestic and international documentary credits, financing invoices related to the factory’s operations, and financing the purchase of vehicles, in the amount of 16.5 million Saudi riyals at an interest rate of 5.15%. The amount drawn down during 2024 was 1,586,000 Saudi riyals, and the amount repaid during 2024 was 594,750 Saudi riyals. Additionally, 793,000 Saudi riyals were repaid during 2025. The credit facility agreement is secured by personal and joint guarantees from the founding shareholders.

The Company obtained a credit facility agreement with Saudi Awwal Bank to secure financing for the purpose of opening domestic and international documentary credits and financing the issuance of letters of guarantee, with a total value of 47 million Saudi riyals at an annual interest rate of 7.31%. The facility agreement is secured by a promissory note. Amounts of SAR 14,588,504 and SAR 4,791,377 were drawn down, and paid amount of 14,588,504 Saudi riyals in 2025.

15. EMPLOYEES' DEFINED BENEFITS OBLIGATIONS

The Company engaged the services of actuarial experts to perform an actuarial valuation of its defined benefit obligations in accordance with International Accounting Standard 19. For this purpose, an independent actuary was appointed to provide an actuarial valuation of the Company's employee benefits as follows:

| | <u>31 December 2025</u> | <u>31 December 2024</u> |
|--|-----------------------------|-----------------------------|
| Balance at the beginning of the year | 15,460,436 | 12,972,827 |
| Current expenses charged to profit or loss | 2,222,496 | 2,371,336 |
| Interest charged to profit or loss | 618,417 | 518,913 |
| Actuarial remeasurement gains (losses) charged to other comprehensive income | (594,745) | 471,632 |
| Adjustments | (618,417) | - |
| Paid during the year | <u>(1,406,757)</u> | <u>(874,272)</u> |
| Balance at the end of the year | <u>15,681,430</u> | <u>15,460,436</u> |

Main actuarial defaults:

| | <u>31 December 2025</u> | <u>31 December 2024</u> |
|----------------------|-----------------------------|-----------------------------|
| Discount rate used | 4,80% | 4,90% |
| Salary increase rate | 3,00% | 3,00% |

Sensitivity analysis:

The sensitivity analysis described below is based on potential changes in assumptions that could occur by the end of the financial statement period, with all other assumptions remaining constant. Positive values represent an increase in liability, and negative values represent a decrease in the liability:

| | <u>31 December 2025</u> | <u>31 December 2024</u> |
|-----------------------------------|-----------------------------|-----------------------------|
| Increase in discount rate by 1% | (1,509,660) | (1,493,680) |
| Decrease in discount rate by 1% | 1,629,624 | 1,601,100 |
| Long-term salaries increase by 1% | (1,630,109) | (1,601,534) |
| Long-term salaries decrease by 1% | 1,508,095 | 1,492,279 |

16. ACCRUED EXPENSES AND OTHER CREDIT BALANCES

| | <u>31 December 2025</u> | <u>31 December 2024</u> |
|-------------------------|-----------------------------|-----------------------------|
| Advances from customers | 10,386,583 | 15,347,718 |
| Employees Accruals | 5,976,985 | 6,598,397 |
| Accrued expenses | 2,115,534 | 2,559,078 |
| Value-added tax | 1,881,332 | 3,088,799 |
| Other accrued expenses | <u>133,551</u> | <u>103,087</u> |
| | <u>20,493,985</u> | <u>27,697,079</u> |

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17. ZAKAT PROVISION

| | 31 December 2025 | 31 December 2024 |
|---|-----------------------------|-----------------------------|
| Calculation of Zakat | | |
| Profit Before Zakat for the Year | 40,077,338 | 45,419,816 |
| Adjustments to Profit | 834,582 | 4,004 |
| Adjusted Net Profit | 40,911,920 | 45,423,820 |
| Additional items | 426,687,761 | 371,725,597 |
| Deducted items | (180,020,965) | (173,404,044) |
| Zakat base resulting from the difference in the number of days in the Gregorian year from the Hijri year | 246,666,796 | 243,745,373 |
| Accrued zakat 2.5% of the adjusted net profit or the zakat base, whichever is greater | 6,358,290 | 6,282,985 |

During the 2nd quarter of fiscal year 2025, the company submitted its 2024 zakat return with Zakat, Tax and Customs Authority, in the amount of 5,918,344.63 Saudi riyals, which was paid in full; as a result, the company received a final zakat certificate.

By the end of May 2025, the Zakat, Tax and Customs Authority had completed its inspection of the years 2019–2023. and submitted final returns for all those years. The inspection results revealed zakat differences in the 2019 zakat return amounting to 244,858 Saudi riyals and a tax deduction of 47,992 Saudi riyals, which the company paid in full. Meanwhile, the inspection of the results for the other years (2020–2023) with no significant discrepancies. Consequently, the company has settled all outstanding matters with the General Authority for Zakat, Income, and Customs till the end of 2023.

The movements in the Zakat provision is as follows:

| | 31 December 2025 | 31 December 2024 |
|---------------------------------------|-----------------------------|-----------------------------|
| Balance at the beginning of the year | 6,282,985 | 7,537,035 |
| charges during the year | 6,358,290 | 6,282,985 |
| Payments during the year | (5,918,345) | (7,537,035) |
| Adjustments from prior years | (364,640) | - |
| Balance at the end of the year | 6,358,290 | 6,282,985 |

18. REVENUE

| | 31 December 2025 | 31 December 2024 |
|-------------------------|-----------------------------|-----------------------------|
| Pipes sales | 340,978,637 | 337,867,089 |
| Fittings sales | 70,717,064 | 75,329,749 |
| Rubber sales | 15,602,832 | 16,613,792 |
| Import sales | 12,443,408 | 13,855,341 |
| Electricity pipes sales | 5,085,927 | 5,149,306 |
| Other | 16,469,460 | 11,290,588 |
| | 461,297,328 | 460,105,865 |

The revenues listed above are revenues recognized at a specific point in time.

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19. COST OF SALES

| | 31 December 2025 | 31 December 2024 |
|------------------------|-----------------------------|-----------------------------|
| Material cost | 284,693,975 | 274,307,324 |
| Labor cost | 30,822,083 | 32,683,544 |
| Manufacturing expenses | 29,943,349 | 29,459,507 |
| | <u>345,459,407</u> | <u>336,450,375</u> |

20. SELLING AND DISTRIBUTION EXPENSES

| | 31 December 2025 | 31 December 2024 |
|---|-----------------------------|-----------------------------|
| Shipping, transportation and handling | 18,228,420 | 18,594,195 |
| Wages and salaries | 9,855,165 | 11,761,631 |
| Sales commissions | 6,610,571 | 5,619,334 |
| Depreciation of property, plant and equipment | 1,876,498 | 1,116,046 |
| Amortization of right-of-use assets | 1,681,959 | 2,002,356 |
| Advertising and promotion | 1,619,688 | 744,493 |
| Defined benefit employee obligations | 1,028,011 | 1,240,819 |
| Government fees | 707,025 | 426,323 |
| Vacation and travel tickets | 703,456 | 2,172,392 |
| Medical insurance | 564,636 | 558,753 |
| Maintenance and spare parts | 451,437 | 1,848,474 |
| Hospitality and cleaning | 318,041 | 271,145 |
| Electricity and water | 476,224 | 233,770 |
| Postage and telephone | 182,595 | 205,202 |
| Stationery and printing | 82,863 | 170,280 |
| Other | 3,724,133 | 1,330,082 |
| | <u>48,110,722</u> | <u>48,295,295</u> |

21. GENERAL AND ADMINISTRATIVE EXPENSES

| | 31 December 2025 | 31 December 2024 |
|---|-----------------------------|-----------------------------|
| Wages and salaries | 7,951,854 | 9,069,517 |
| Government fees | 2,683,273 | 2,145,459 |
| Remuneration for Board members and committees | 2,746,500 | 2,115,042 |
| Professional fees | 1,689,373 | 1,971,090 |
| Vacation and travel expenses | 634,889 | 1,657,910 |
| Defined benefit obligations for employees | 776,747 | 830,746 |
| Depreciation of property, plant and equipment | 607,949 | 660,619 |
| Medical insurance | 719,105 | 560,199 |
| Maintenance and insurance expenses | 401,222 | 541,789 |
| IT services | 1,215,128 | 529,142 |
| Amortization of intangible assets | 406,770 | 327,076 |
| Postage and telephone | 679,294 | 193,221 |
| Business mission | 226,115 | 130,556 |
| Stationery and printing | 58,829 | 115,989 |
| Other | 1,672,423 | 616,212 |
| | <u>22,469,471</u> | <u>21,464,567</u> |

22. FINANCE EXPENSES

| | <u>31 December 2025</u> | <u>31 December 2024</u> |
|----------------|-----------------------------|-----------------------------|
| Bank charges | 1,830,340 | 3,475,748 |
| Debit interest | 1,347,528 | 485,719 |
| | <u>3,177,868</u> | <u>3,961,467</u> |

23. GAINS ON SALE OF INVESTMENTS IN SUBSIDIARIES

According to the minutes of the Board of Directors meeting held on June 12, 2023 (corresponding to Dhul-Iqdah 23, 1444), it was approved to sign the acquisition agreement for the entire ownership shares of Shawcor Composite Pipe Systems Middle East Limited, with a total transaction value amounting to 2 million SAR.

On May 13,2024, the company completed the purchase agreement with the partners of Shukor Composite Pipe Systems Middle East Ltd, for the full acquisition of the company, and on June 27,2024, the company announced the sale of 100% of its stake in the Shukor Composite Pipe Systems Middle East Ltd. plant located in Al-Khobar to Marjan Fiberglass Products Factory in Dammam-Second Industrial City, at a value of SAR 12 million and resulted in a capital gain amounted of SAR 9.6 million.

24. BASIC EARNINGS PER SHARE

Basic earnings per share are calculated based on net income attributable to common shareholders and the weighted average number of outstanding common shares. Earnings per share for the year ended December 31, 2025, were calculated based on the weighted-average number of outstanding shares during the year.

| | <u>31 December 2025</u> | <u>31 December 2024</u> |
|--|-----------------------------|-----------------------------|
| Net Profit for the year | 33,781,506 | 39,136,831 |
| Weighted average number of shares outstanding during the year (number) | 250,000,000 | 250,000,000 |
| Basic earnings per share from net profit for the year | <u>0.14</u> | <u>0.16</u> |

25. DIVIDENDS

At its meeting held on April 28, 2025, the Extraordinary General Assembly resolved to approve the recommendation of the Company's Board of Directors, made at its meeting held on March 16, 2025, to distribute a cash dividend to the Company's shareholders for the second half of the 2024 fiscal year, in the amount of 12,500,000 Saudi riyals distributed over 250,000,000 shares, with a per-share distribution of 0.05 Saudi riyals per share, representing a distribution ratio of 5% of the par value. Note that the dividends will be distributed starting on May 12, 2025.

During 2024, the Company distributed dividends based on the resolution of the Ordinary General Assembly held on September 24, 2024, authorizing the Board of Directors to distribute cash dividends for the financial period ending June 30, 2024, at a rate of 5% of the capital, equivalent to (0.05 Saudi riyals per share), for a total amount of 12.5 million Saudi riyals, provided that shareholders holding shares on the record date and registered in the company's shareholder register at the Depository Center are eligible.

26. CONTINGENT LIABILITIES

There are financial commitments against documentary credits and contingent liabilities against letters of guarantee as of the balance sheet date, as follows:

| | <u>Commitments</u> | <u>Value</u> | <u>Insurance</u> |
|-----------------------------|--------------------|--------------|------------------|
| letters of guarantee | | | |
| 31 December 2025 | 2,742,601 | 2,954,291 | 211,689 |
| 31 December 2024 | 3,270,478 | 4,469,828 | 1,199,350 |
| letters of credits | | | |
| 31 December 2025 | 8,415,844 | 8,939,608 | 523,764 |
| 31 December 2024 | 5,740,527 | 6,661,957 | 921,430 |

27. SEGMENTAL INFORMATION

Management continuously analyzes the results of its operations in order to make decisions regarding resource allocation and performance assessment. The company presents its basic financial statements regarding sales.

27-1 GEOGRAPHIC INFORMATION

A geographic segment is a group of assets or operations that engage in revenue-generating activities within a specific economic environment subject to risks and returns that differ from those operating in other economic environments. Alwasail Industrial Company conducts its production activities and distributes its products throughout the various provinces and cities of the Kingdom, with its branches spread across a single geographic area within the Kingdom of Saudi Arabia through its factories in Al-Qassim and Buraydah.

| Statement | For the year ended 31-Dec-25 | | | For the year ended 31-Dec-2024 | | |
|----------------|------------------------------|----------------------|--------------------|--------------------------------|----------------------|--------------------|
| | Sales | Cost of sales | Gross profit | Sales | Cost of sales | Gross profit |
| Central Region | 213,797,800 | (152,226,286) | 61,571,514 | 191,190,596 | (138,995,818) | 52,194,778 |
| Western Region | 82,418,505 | (63,964,267) | 18,454,238 | 85,734,735 | (62,951,852) | 22,782,883 |
| Eastern Region | 73,445,165 | (57,137,953) | 16,307,212 | 90,762,717 | (66,643,713) | 24,119,004 |
| South Region | 53,032,762 | (41,833,251) | 11,199,511 | 53,684,120 | (39,418,268) | 14,265,852 |
| North Region | 27,184,173 | (20,880,715) | 6,303,458 | 19,665,180 | (14,439,416) | 5,225,764 |
| Export sales | 11,418,923 | (9,416,935) | 2,001,988 | 19,068,517 | (14,001,308) | 5,067,209 |
| Total | 461,297,328 | (345,459,407) | 115,837,921 | 460,105,865 | (336,450,375) | 123,655,490 |

27-2 GEOGRAPHIC OPERATION

The Company operates within a single operating segment, and management monitors the results of the Company's operations as a whole for the purpose of making decisions regarding resource allocation and performance evaluation. Accordingly, information on operating segments is not presented separately.

28. FINANCIAL RISK MANAGEMENT

The Company's activities are exposed to the following financial risks arising from its use of financial instruments. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to mitigate potential adverse effects on the Company's financial performance.

28-1 FINANCIAL INSTRUMENTS BY CATEGORY:

| | 31 December 2025 | 31 December 2024 |
|-------------------------------------|-----------------------------|-----------------------------|
| FINANCIAL ASSETS: | | |
| Cash and cash equivalents | 7,198,792 | 8,525,491 |
| Trade receivables | 163,287,583 | 130,855,350 |
| Other debit balances | 28,066,802 | 37,170,889 |
| Due from related parties | 198,555 | 860,654 |
| | <u>198,751,732</u> | <u>177,412,384</u> |
| FINANCIAL LIABILITIES: | | |
| | 31 December 2025 | 31 December 2024 |
| Long-term loans | 18,110,000 | 17,502,473 |
| Short-term loans | 4,989,627 | 991,250 |
| Lease obligations | 3,453,680 | 4,584,190 |
| Trade payables | 79,941,196 | 82,804,070 |
| Accrued expenses and other payables | 8,226,070 | 9,260,562 |
| | <u>114,720,573</u> | <u>115,142,545</u> |

Management believes that the carrying amounts of the financial instruments included in the financial statement approximate their fair values.

28-2 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES:

The company reviews and aligns its policies for managing each of these risks, which are summarized as follows:

28-2-1 CREDIT RISK MANAGEMENT:

Credit risk is the risk that a counterparty will be unable to meet its contractual obligations, resulting in a financial loss to the company. Potential concentrations of credit risk consist primarily of trade receivables and amounts due from related parties. Details on how credit risk related to trade receivables are managed are disclosed in Note 9. Amounts due from related parties are monitored, and provisions are made as necessary for any uncollectible amounts. Cash is deposited with banks having high credit ratings.

Credit risks in trade receivables were as follows:

| | Weighted average loss rate | Total book value | Provision for credit losses |
|-------------------------------|-----------------------------------|-----------------------------|--|
| As at 31 December 2025 | | | |
| 1-90 days | 2.18% | 81,889,018 | 1,784,953 |
| 91-180 days | 7.98% | 25,816,076 | 2,058,851 |
| 181-270 days | 19.40% | 10,149,266 | 1,968,696 |
| 271-360 days | 42.02% | 24,411,895 | 10,258,822 |
| More than 360 days | 76.06% | 21,021,328 | 15,988,695 |
| | | <u>163,287,583</u> | <u>32,060,017</u> |

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28 FINANCIAL RISK MANAGEMENT (CONTINUED);

28-2 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED);

28-2-1 CREDIT RISK MANAGEMENT (CONTINUED);

| | <u>Weighted average loss rate</u> | <u>Total book value</u> | <u>Provision for credit losses</u> |
|-------------------------------|-----------------------------------|---------------------------|------------------------------------|
| As at 31 December 2024 | | | |
| 1–90 days | 3.28% | 65,837,708 | 2,158,290 |
| 91–180 days | 4.76% | 25,860,278 | 1,232,038 |
| 181–270 days | 12.09% | 7,815,516 | 944,626 |
| 271–360 days | 26.54% | 6,808,063 | 1,806,977 |
| More than 360 days | 100.00% | 24,533,785 | 24,533,785 |
| | | <u>130,855,350</u> | <u>30,675,714</u> |

Cash and Cash Equivalents

Credit risks arising from balances with banks and financial institutions are managed in accordance with the Company's policy. The Company maintains its cash balances primarily with local banks that have strong credit ratings ranging from A+ to BBB+ according to external credit rating agencies such as Moody's and Fitch, and the Company does not consider itself exposed to bank-related risks given its strong financial position.

28-2-2 LIQUIDITY RISK MANAGEMENT:

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management plan to address the Company's short-, medium-, and long-term requirements and liquidity management needs. The Company manages liquidity risk by maintaining adequate reserves, bank facilities, and standby loan facilities through continuous monitoring of expected and actual cash flows and matching the maturity dates of financial assets and liabilities. Management believes that the carrying amount does not differ materially from contractual cash payments.

| | <u>Less than 3 months</u> | <u>From 3 months to 1 year</u> | <u>1 – 2 years</u> | <u>More than 2 years</u> | <u>Total</u> |
|-------------------------------------|---------------------------|--------------------------------|--------------------------|--------------------------|---------------------------|
| As at 31 December 2025 | | | | | |
| Long-term loans | 1,650,000 | 1,650,000 | 9,950,000 | 4,860,000 | 18,110,000 |
| Short-term loans | 198,250 | 4,791,377 | - | - | 4,989,627 |
| Lease obligations | 278,821 | 1,115,284 | 1,201,554 | 858,021 | 3,453,680 |
| Trade payables | 58,822,531 | 21,118,665 | - | - | 79,941,196 |
| Accrued expenses and other payables | 4,061,080 | 2,352,994 | 1,811,996 | - | 8,226,070 |
| | <u>65,010,682</u> | <u>31,028,320</u> | <u>12,963,550</u> | <u>5,718,021</u> | <u>114,720,573</u> |
| As at 31 December 2024 | | | | | |
| Long-term loans | 1,638,996 | 1,657,359 | 7,000,000 | 7,206,118 | 17,502,473 |
| Short-term loans | 198,250 | - | 793,000 | - | 991,250 |
| Lease obligations | 364,119 | 1,456,478 | 1,394,105 | 1,369,488 | 4,584,190 |
| Trade payables | 72,135,196 | 10,668,874 | - | - | 82,804,070 |
| Accrued expenses and other payables | 4,451,787 | 2,455,781 | 2,352,994 | - | 9,260,562 |
| | <u>78,788,348</u> | <u>16,238,492</u> | <u>11,540,099</u> | <u>8,575,606</u> | <u>115,142,545</u> |

28 FINANCIAL RISK MANAGEMENT (CONTINUED);

28-2 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED);

28-2-3 MARKET RISK (INCLUDING INTEREST RATE AND FOREGIN EXCHANGE RATE RISKS):

MARKET RISK:

During the period under review, the Company was exposed to market risks in the form of interest rate and foreign currency risks, as described below. There have been no changes in these circumstances since the previous year.

INTEREST RATE RISKS:

Sensitivity analysis was performed based on interest rate exposure for non-derivative instruments at the end of the financial reporting period. For assets and liabilities with fixed interest rates. The analysis is prepared on the assumption that the value of assets or liabilities outstanding at the end of the reporting period is due for the entire year. An increase or decrease of 100 basis points is used when reporting interest rate risk internally to senior management and represents management’s estimate of a reasonably possible change in interest rates.

| | <u>Increase/decrease in basis points for interest rates</u> | <u>Impact on profit for the year</u> |
|-------------------------|---|--------------------------------------|
| 31 December 2025 | + 100 | (230,966) |
| | - 100 | 230,966 |
| 31 December 2024 | + 100 | (184,937) |
| | - 100 | 184,937 |

FOREGIN CURRENCY RISK MANAGEMENT

The Company’s significant transactions are in Saudi Riyals and US Dollars which are pegged against the Saudi Riyal at a fixed exchange rate. Management monitors fluctuations in foreign exchange rates and manages their effect on the financial statements accordingly. The Company did not have any significant foreign currency denominated monetary assets or liabilities at the reporting date for which it was exposed to foreign currency fluctuations. Consequently, no foreign currency sensitivity analysis has been presented.

28-2-4 CAPITAL RISK MANAGEMENT

The Company’s objectives in capital management are to maintain its ability to continue as a going concern, thereby enabling it to continue providing returns to shareholders and benefits to other stakeholders, and to maintain an optimal capital structure to minimize the cost of capital. In order to maintain or adjust its capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or obtain or repay financing from or to financial institutions.

In line with other industrial companies, the Company manages capital risks by monitoring its debt levels and liquid assets while taking into account future investment requirements and shareholder expectations. Debt is calculated as total long-term financing and short-term loans. Total capital consists of shareholders’ equity, as shown in the consolidated balance sheet under “Capital and Reserves,” and net debt (net cash and cash equivalents).

28 FINANCIAL RISK MANAGEMENT (CONTINUED);

28-2 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED);

28-2-4 CAPITAL RISK MANAGEMENT (CONTINUED);

The key information regarding the Company's capital risk management as of December 31, 2025, and 2024 is as follows:

| | 31 December 2025 | 31 December 2024 |
|------------------------------|---------------------------|---------------------------|
| Total Debt | 23,099,627 | 18,493,723 |
| Less: Cash and Bank Balances | <u>(7,198,792)</u> | <u>(8,525,491)</u> |
| Net Debt | 15,900,835 | 9,968,232 |
| Total Equity | 383,054,837 | 361,196,006 |
| Total Capital Employed | <u>398,955,672</u> | <u>371,164,238</u> |
| Debt Ratio | 4% | 3% |

29. SUBSEQUENT EVENTS

On March 11, 2026, the Company's Board of Directors resolved to recommend to the Company's General Assembly the distribution of a cash dividend to the Company's shareholders for the fiscal year 2025 in the amount of 18,750,000 Saudi riyals, distributed among 250,000,000 shares, The dividend per share is SAR 0.075, representing a payout ratio of 7.5% of the par value.

30. COMPARATIVE FIGUERS

Certain comparative figures have been reclassified to conform with the current year presentation for the year ended 31 December 2025.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Company's Board of Directors on 11 March 2025, (corresponding to 22 Ramadan 1447H).