National Gas and Industrialization Company
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

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Independent auditor's report to the shareholders of National Gas and Industrialization Company

Report on the audit of consolidated financial statements

Our Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of National Gas and Industrialization Company (the "Company") and its subsidiaries (together the "Group") as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2023;
- The consolidated statement of comprehensive income for the year then ended;
- The consolidated statement of changes in equity for the year then ended;
- The consolidated statement of cash flows for the year then ended; and
- The notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Our audit approach

Overview

Key audit matters	• Revenue recognition • Valuation of unquoted financial assets at fair value through other comprehensive income ("FVOCI")

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our Audit approach (continued)

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Revenue recognition	
For the year ended 31 December 2023, the Group's revenue is SR 2,458 million (2022: SR 2,080 million). Revenue recognition is considered a key audit matter in view of the significance of the amounts involved, the susceptibility of such revenue to misstatement and fraud risk and the fact that the Group's management focuses on revenue as one of key performance measures and a driver for the business. *Refer to note 2 for the accounting policy related to revenue recognition and note 23 for the relevant disclosures.*	Our audit procedures for revenue testing, among other audit procedures, included the following: • Obtained an understanding of the nature of revenue contracts with customers and distributors to determine significant revenue streams; • Obtained an understanding of the various significant revenue streams and identified and evlauated the relevant controls; • Considered the appropriateness and tested the consistency of the Group's revenue recognition policies; • Assessed the compliance of such policies with the applicable IFRS that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA; • Inspected a sample of sales contracts and transactions to confirm that the related revenue recognition is compliant with IFRS 15 requirements and to obtain evidence that such transactions occurred; • Inspected a sample of sales transactions recorded before and after the year-end to assess the appropriateness of revenue recognition in their corresponding period; • Tested, on a sample basis, journal entries posted to the revenue accounts to identify unusual or irregular postings; and • Assessed the adequacy of the disclosures in the Group's consolidated financial statements in accordance with IFRS.

Our Audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Valuation of unquoted financial assets held at fair value through other comprehensive income As at 31 December 2023, the Group has investments in unquoted equity instruments amounted to SR 626.7 million (2022: SR 591.7 million) which were classified as financial assets held at fair value through other comprehensive income (FVTOCI). We considered the valuation of these financial assets as a key audit matter due to the significance of the amounts and the complexity and judgment involved in the determination of their fair values. *Refer to note 2 for the accounting policy and note 11.1(a) for the relevant disclosures.*	Our audit procedures included, among others, the following: • Obtained an understanding of the business process for the valuation of the Group's unquoted financial assets held at fair value through other comprehensive income and checked the design and implementation of key controls over such process; • Evaluated management's independent professional valuer's competence, capabilities and objectivity; • Tested, on a sample basis, the accuracy and reasonableness of the input data provided by the management to its independent professional valuer; • Involved our valuation expert to assist us in assessing the valuation methodologies and key assumptions used by the management's independent professional valuer; and • Assessed the adequacy of disclosures around the valuation basis and tested, on a sample basis, the inputs and judgements used in the fair value measurement as detailed in the consolidated financial statements.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Group's Annual Report, but does not include the consolidated financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Group's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Independent auditor's report to the shareholders of National Gas and Industrialization Company (continued)

Responsibilities of the Board of Directors and those charged with governance for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, 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 the Board of Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Independent auditor's report to the shareholders of National Gas and Industrialization Company (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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, actions taken to eliminate threats or safeguards applied.

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

PricewaterhouseCoopers

Ali Alotaibi
License No. 379

17 March 2024

PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
Lic No. 323/11/25/1
C.R. 4030289002

National Gas and Industrialization Company
(A Saudi Joint Stock Company)
Consolidated Statement of Financial Position
(All amounts presented in Saudi Riyals unless otherwise stated)

	Note	31 December 2023	31 December 2022*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	**835,228,050**	787,307,203
Intangible assets	7	**38,555,141**	36,478,800
Investment properties	8	**33,442,174**	33,442,174
Right-of-use assets	9.1	**17,853,616**	19,723,178
Investments in associates	10	**89,407,944**	89,759,775
Financial assets held at fair value through other comprehensive income (FVTOCI)	11.1-a	**685,726,828**	654,995,718
Financial assets held at amortised cost	11.1-c	**240,872,536**	184,016,184
Prepayments and other assets - Non current portion	14	**30,563,104**	27,850,347
TOTAL NON-CURRENT ASSETS		**1,971,649,393**	1,833,573,379
CURRENT ASSETS			
Financial assets held at fair value through profit or loss (FVTPL)	11.1-b	**122,009,649**	132,356,596
Financial assets held at amortised cost	11.1-c	**10,025,978**	30,000,000
Inventories	12	**207,128,380**	163,392,965
Accounts receivable	13	**34,793,053**	30,774,861
Prepayments and other assets	14	**51,975,175**	32,555,074
Cash and cash equivalents	15	**129,638,298**	175,851,736
TOTAL CURRENT ASSETS		**555,570,533**	564,931,232
TOTAL ASSETS		**2,527,219,926**	2,398,504,611
EQUITY AND LIABILITIES			
EQUITY			
Share capital	16	**750,000,000**	750,000,000
Statutory reserve	17	**225,000,000**	225,000,000
Retained earnings		**372,469,073**	295,832,196
Share of other comprehensive loss from associates		**(480,868)**	-
Unrealised gains from financial assets held at fair value through other comprehensive income (FVTOCI)	11.1-a	**498,705,104**	464,131,324
TOTAL EQUITY		**1,845,693,309**	1,734,963,520
LIABILITIES			
NON-CURRENT LIABILITES			
Term loan	19	**25,053,334**	72,725,235
Lease liabilities	9.2	**12,316,052**	14,956,815
Employees' defined benefits liabilities	20	**116,044,000**	110,957,000
TOTAL NON-CURRENT LIABILITES		**153,413,386**	198,639,050
CURRENT LIABILITES			
Trade payables		**203,202,101**	215,972,941
Lease liabilities	9.2	**7,281,846**	5,250,910
Accrued expenses and other current liabilities	21	**243,851,178**	153,370,586
Term loan	19	**26,500,000**	-
Zakat payable	22	**47,278,106**	90,307,604
TOTAL CURRENT LIABILITES		**528,113,231**	464,902,041
TOTAL LIABILITIES		**681,526,617**	663,541,091
TOTAL EQUITY AND LIABILITIES		**2,527,219,926**	2,398,504,611

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

*Refer to note 37 for changes to comparatives

Mr. Majed Ahmed Qwaider Chief Financial Officer	Eng. Abdulrahman Bin Abdulaziz Bin Sulaiman Chief Executive Officer and Board Member	Eng. Abdulaziz Bin Fahad Al-Khayyal Chairman of Board of Directors

National Gas and Industrialization Company
(A Saudi Joint Stock Company)
Consolidated Statement of Comprehensive Income
(All amounts presented in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31 2023	2022
Revenues	23	**2,457,913,271**	2,080,208,598
Cost of revenues	24	**(2,153,094,704)**	(1,801,579,611)
Gross profit		**304,818,567**	278,628,987
Selling and distribution expenses	25	**(68,327,906)**	(76,617,122)
General and administrative expenses	26	**(107,011,597)**	(98,306,748)
(Provision for) / reversal of expected credit losses	13	**(1,783,473)**	4,260,406
Operating income		**127,695,591**	107,965,523
Investments income	27	**92,688,968**	77,354,142
Finance income		**12,834,221**	10,314,430
Finance costs	28	**(3,935,462)**	(6,201,009)
Share of results from associates	10	**8,004,037**	2,875,224
Other income, net	29	**5,038,289**	36,805,213
Income before zakat		**242,325,644**	229,113,523
Zakat expense	22	**(15,010,401)**	(15,050,000)
Net income for the year		**227,315,243**	214,063,523
Other comprehensive income / (loss)			
Other comprehensive income / (loss) that will not be reclassified to profit or loss in subsequent periods:			
Re-measurement gain on employees' defined benefits liabilities	20	**60,494**	26,586,020
Share of other comprehensive loss from associates		**(480,868)**	-
Change in fair value of financial assets held at fair value through other comprehensive income (FVTOCI)	11-a	**33,834,920**	(46,839,699)
Total other comprehensive income / (loss) for the year		**33,414,546**	(20,253,679)
Total comprehensive income for the year		**260,729,789**	193,809,844
Earnings per share			
Weighted average number of outstanding shares		**75,000,000**	75,000,000
Basic and diluted earnings per share	30	**3.03**	2.85

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

Mr. Majed Ahmed Qwaider Chief Financial Officer	Eng. Abdulrahman Bin Abdulaziz Bin Sulaiman Chief Executive Officer and Board Member	Eng. Abdulaziz Bin Fahad Al-Khayyal Chairman of Board of Directors

National Gas and Industrialization Company
(A Saudi Joint Stock Company)
Consolidated Statement of Changes in Equity
(All amounts presented in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Share of other comprehensive loss from associates	Unrealised gains from financial assets held at fair value through other comprehensive income (FVTOCI)	Total equity
Balance at 1 January 2023	**750,000,000**	**225,000,000**	**295,832,196**	-	**464,131,324**	**1,734,963,520**
Net income for the year	-	-	**227,315,243**	-	-	**227,315,243**
Other comprehensive income / (loss)	-	-	**60,494**	**(480,868)**	**33,834,920**	**33,414,546**
Total comprehensive income / (loss) for the year	-	-	**227,375,737**	**(480,868)**	**33,834,920**	**260,729,789**
Realised loss transferred to retained earnings	-	-	**(738,860)**	-	**738,860**	-
Declared dividends (Note 31)	-	-	**(150,000,000)**	-	-	**(150,000,000)**
Balance as at 31 December 2023	**750,000,000**	**225,000,000**	**372,469,073**	**(480,868)**	**498,705,104**	**1,845,693,309**
Balance at 1 January 2022	750,000,000	225,000,000	250,182,653	-	510,971,023	1,736,153,676
Net income for the year	-	-	214,063,523	-	-	214,063,523
Other comprehensive income / (loss)	-	-	26,586,020	-	(46,839,699)	(20,253,679)
Total comprehensive income / (loss) for the year	-	-	240,649,543	-	(46,839,699)	193,809,844
Declared dividends (Note 31)	-	-	(195,000,000)	-	-	(195,000,000)
Balance as at 31 December 2022	750,000,000	225,000,000	295,832,196	-	464,131,324	1,734,963,520

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

Mr. Majed Ahmed Qwaider Chief Financial Officer	Eng. Abdulrahman Bin Abdulaziz Bin Sulaiman Chief Executive Officer and Board Member	Eng. Abdulaziz Bin Fahad Al-Khayyal Chairman of Board of Directors

National Gas and Industrialization Company
(A Saudi Joint Stock Company)
Consolidated Statement of Cash Flows
(All amounts presented in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31 2023	2022
Cash flows from operating activities			
Income before zakat		**242,325,644**	229,113,523
Adjustments to reconcile profit before zakat to net cash flows:			
Depreciation of property, plant and equipment	6	**94,459,606**	97,917,227
Amortization of intangible assets	7	**13,061,655**	11,227,110
Depreciation of right-of-use assets	9.1	**5,231,144**	5,929,340
Finance costs of lease liabilities	28	**789,690**	802,958
Share of results from associates	10	**(8,004,037)**	(2,736,244)
Gain on disposal of property, plant and equipment	29	**(3,658,961)**	(30,868,003)
Provision for / (reversal of) expected credit losses	13	**1,783,473**	(4,260,406)
(Reversal of) / provision for other receivables	14	**(103,085)**	792,180
Provision for employees defined benefits liabilities		**14,623,969**	14,307,000
Amortization of prepaid upfront fees on term loan	28	**1,828,099**	3,381,067
Follow up fees on term loan	28	**1,317,673**	2,016,984
(Reversal of)/ provision for slow moving inventories	12.b	**(503,461)**	3,036,309
Provision for replacing cylinders and others	12.c	**3,195,721**	2,930,479
Change in fair value of financial assets held at fair value through profit or loss (FVTPL)	11-b	**(31,068,780)**	3,935,885
Dividends income received from financial assets held at fair value through other comprehensive income (FVTOCI)	27	**(49,413,378)**	(68,168,601)
Finance income		**(12,834,221)**	(10,314,430)
		273,030,751	259,042,378
Changes in working capital:			
Inventories	12	**(46,427,675)**	(7,313,684)
Accounts receivable	13	**(5,801,665)**	(966,294)
Prepayments and other assets	14	**(13,029,773)**	(1,534,071)
Financial assets held at fair value through profit or loss (FVTPL)		**41,415,727**	62,861,652
Trade payables		**(12,770,840)**	82,190,263
Accrued expenses and other current liabilities	21	**15,849,663**	28,404,180
		252,266,188	422,684,424
Zakat paid	22	**(58,039,899)**	(12,437,744)
Employees defined benefits liabilities paid	20	**(9,625,506)**	(17,364,622)
Net cash flows generated from operating activities		**184,600,783**	392,882,058

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

Mr. Majed Ahmed Qwaider Chief Financial Officer	Eng. Abdulrahman Bin Abdulaziz Bin Sulaiman Chief Executive Officer and Board Member	Eng. Abdulaziz Bin Fahad Al-Khayyal Chairman of Board of Directors

National Gas and Industrialization Company
(A Saudi Joint Stock Company)
Consolidated Statement of Cash Flows (continued)
(All amounts presented in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31 2023	2022
Cash flows from investing activities			
Additions to property, plant and equipment	6	**(142,582,561)**	(169,744,583)
Additions to intangible assets	7	**(16,587,304)**	(15,786,791)
Purchase of financial assets held at amortized cost		**(45,882,330)**	(43,949,150)
Proceeds from disposal of financial assets held at amortized cost		**-**	77,500,000
Proceeds from disposal of financial assets held at fair value through other comprehensive income (FVTOCI)		**3,103,810**	-
Proceeds from disposal of property, plant and equipment		**5,459,408**	32,933,366
Dividends income received from associates	10	**7,875,000**	875,000
Dividends income received from financial assets at fair value through other comprehensive income (FVTOCI)	27	**49,413,378**	68,168,601
Finance income received		**12,834,221**	10,314,430
Net cash used in investing activities		**(126,366,378)**	(39,689,127)
Cash flows from financing activities			
Dividends paid	31	**(75,369,071)**	(191,860,264)
Principal element of lease payments	9.2	**(4,054,756)**	(3,067,463)
Finance cost element of lease payments	9.2	**(706,343)**	(764,933)
Loan repayment	19	**(23,000,000)**	(43,000,000)
Follow up fees on term loan paid	28	**(1,317,673)**	(2,016,984)
Net cash used in financing activities		**(104,447,843)**	(240,709,644)
Net change in cash and cash equivalents		**(46,213,438)**	112,483,287
Cash and cash equivalents at the beginning of the year		**175,851,736**	63,368,449
Cash and cash equivalents at the end of the year	15	**129,638,298**	175,851,736
Non-cash transactions:			
Dividends payable		**74,630,929**	3,139,736
Change in fair value of financial assets held at fair value through other comprehensive income (FVTOCI)	11-a	**33,834,920**	(46,839,699)
Intangible assets transferred to property, plant and equipment		**1,449,308**	-
Additions to the right-of-use assets and the corresponding lease liabilities	9.1	**3,361,582**	24,157,538
Re-measurement gain on employees' defined benefits liabilities	20	**60,494**	26,586,020
Share of other comprehensive loss from associates		**(480,868)**	-
Lease liabilities transferred to trade payables	9.2	**-**	(3,361,195)
Current service cost charge to capital work in progress	20	**149,031**	113,377

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

Mr. Majed Ahmed Qwaider Chief Financial Officer	Eng. Abdulrahman Bin Abdulaziz Bin Sulaiman Chief Executive Officer and Board Member	Eng. Abdulaziz Bin Fahad Al-Khayyal Chairman of Board of Directors

1 CORPORATE INFORMATION

a) ESTABLISHMENT OF THE COMPANY

National Gas and Industrialization Company (the "Company") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010002664 dated 22 Rajab 1383H (corresponding to 9 December 1963). The share capital of the Company amounts to SR 750 million and is divided into 75 million shares of SR 10 each. As at 31 December 2023, Mr. Abdulaziz Abdulrahman Al-Mohsen owns 6.66% (2022: 6.66%) and the Public Investment Fund owns Nil (2022: 10.91%) of the total Company's shares and the remaining shares are publicly traded.

The Company was established in accordance with the Royal Decree No. 713 dated 03/12/1380H (corresponding to 18 May 1961), to merge the Saudi Gas and Manufacturing Company and National Gas Company with the approval of the General Assembly of both companies, under the letter of H.H. the Minister of Commerce No. 2843/H dated 01/01/1381H (corresponding to 15 June 1961), and the actual merge commenced in 1383H. Later to this date, on 13/06/1384H (corresponding to 19 October 1964), the Council of Ministers Decree No. 820 was issued to merge all the entities involved in gas activities in the Kingdom of Saudi Arabia into the National Gas and Industrialization Company. The Council of Ministers resolution No. 1615 dated 14/11/1395H (corresponding to 14 January 1975) determined the Company's share capital and the commencement of its activities on 01/01/1396H (corresponding to 3 January 1976) under the industrial license issued by the Ministry of Industry and Electricity No. 659/S dated 09/07/1417H (corresponding to 20 November 1996).

b) GROUP ACTIVITIES

The activities of the Company and its subsidiaries (the "Group") include carrying out all works related to the exploitation, manufacturing and marketing of all kinds of gas and its derivatives and industrial gases inside and outside the Kingdom of Saudi Arabia, selling, manufacturing and maintaining cages, cylinders, tanks and accessories, maintenance of gas networks and accessories, carrying out all work related to the manufacturing, transporting and marketing of petroleum, chemical, petrochemical and glass products, establishment or participation in the production of energy, water treatment and environmental services, in addition to the acquisition of real estate and purchase of land for the construction of buildings thereon and investing it through sale or lease in favor of the Group. Also, the Group is incorporated to provide technical and engineering consulting services and training related to all gas and energy works. In addition, The Group is specialized in establishing, building and maintenance of liquefied petroleum gas (LPG) networks and tanks, developing LPG products and solution. Currently the Group is engaged in selling gas and its derivatives and industrial gases inside the Kingdom of Saudi Arabia and maintaining cages, cylinders, tanks and accessories, maintenance of gas networks and accessories.

The registered address of the Group is P.O. Box 564, Riyadh 11421, Kingdom of Saudi Arabia.

1 CORPORATE INFORMATION (continued)

b) GROUP ACTIVITIES (continued)

The Group has the following branches as of 31 December 2023 and 2022:

Branch	*Commercial registration number*	*Issuing date*
1- Riyadh	1010429687	23/03/1436 H
2- Riyadh	1010672639	23/04/1442 H
3- Riyadh	1010828231	25/02/1444 H
4- Riyadh	1010672640	23/04/1442 H
5- Riyadh	1010672641	23/04/1442 H
6- Riyadh	1010681388	04/06/1442 H
7- Riyadh	1126106951	25/02/1444 H
8- Dammam	2050001551	07/08/1383 H
9- Buraidah	1131004089	06/04/1402 H
10- Al-Madinah Al-Munawwarah	4650006707	18/03/1402 H
11- Jeddah	4030032503	19/02/1402 H
12- Yanbu	4700003177	07/08/1409 H
13- Khamis Mushait	5855004366	25/12/1402 H
14- Taif	4032007367	20/09/1402 H

The assets, liabilities and results of operations of these branches are included in these consolidated financial statements.

The Group has the following subsidiaries:

Subsidiary	*Commercial registration number*	*Nature of activities*	*Country of incorporation*	*Effective shareholding percentage*	
				2023	*2022*
1- Gas Solutions Company	1010693275	Gas networks	Saudi Arabia	100%	100%
2- Best Gas Distributor Company (a)	1010851646	Distribution	Saudi Arabia	100%	-
3- National Carrier Transportation Company (a)	1010851708	Transportation	Saudi Arabia	100%	-
4- National Gas Supply Company (b)	1010882359	Retail sales	Saudi Arabia	100%	-
5- National Storage Company for storage	1010924126	Storage and filling	Saudi Arabia	100%	-

a) In January 2023, the Group completed the formal procedures of the newly established subsidiaries which have been established based on the Board of Directors' approval in its meeting held on 10 November 2022.

b) In June 2023, the Group completed the formal procedures of the newly established subsidiary which has been established based on the Board of Directors' approval in its meeting held on 20 June 2023.

c) In September 2023, the Group completed the formal procedures of the newly established subsidiary which has been established based on the Board of Directors' approval in its meeting held on 20 June 2023.

As of the approval date of these consolidated financial statements, the newly established subsidiaries during 2023 have not started their operations yet, except for National Carrier Transportation Company and Natural Gas Supply Company.

2 MATERIAL ACCOUNTING POLICIES

a) Basis of preparation

i) Statement of compliance

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") ("IFRS as endorsed in KSA").

ii) Historical cost convention

The consolidated financial statements are prepared under the historical cost convention, except for financial instruments which are measured at fair value at the end of each reporting period and employees defined benefit liability, which is measured using the projected unit credit. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services at the time of the transaction.

iii) Basis of measurement

These consolidated financial statements are presented in Saudi Riyal ("SR"), which is the Group's functional and presentation currency, and all values are rounded to the nearest SR, except when otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its wholly owned subsidiaries as at 31 December 2023. The financial year of the subsidiaries is from January to December which is same as the Parent Company. Control is achieved when the Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee),

- Exposure, or rights, to variable returns from its involvement with the investee,

- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee,
- Rights arising from other contractual arrangements,
- The Group's voting rights and potential voting rights,

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

2 MATERIAL ACCOUNTING POLICIES (continued)

a) Basis of preparation (continued)

iii) Basis of measurement (continued)

***Basis of consolidation** (continued)*

Profit or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

b) Summary of material accounting policies

The accounting policies used in the preparation of these consolidated financial statements, except for those disclosed in (note 3), are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2022. Based on the adoption of new standards (note 3) and in consideration of the current economic environment, the following accounting policies are applicable effective 1 January 2023 replacing, amending, or adding to the corresponding accounting policies set out in 2022 annual consolidated financial statements.

i) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

2 MATERIAL ACCOUNTING POLICIES (continued)

b) Summary of material accounting policies (continued)

i) Business combinations (continued)

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

ii) Current versus non-current classification

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

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in its normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting year; or
- It does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting year.

The Group classifies all other liabilities as non-current.

2 MATERIAL ACCOUNTING POLICIES (continued)

b) Summary of material accounting policies (continued)

iii) Fair value measurement

The Group measures financial instruments such as investments at FVTOCI and investments at FVTPL, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is based on the presumption that the transaction takes place either in the principle market or, in its absence, the most advantageous market for the asset and liability to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

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

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in these consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

External valuers are involved for valuation of significant assets, such as investment properties and unquoted financial assets. Involvement of external valuers is determined annually by the management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated regularly. The investment team verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions (Note 5)
- Quantitative disclosures of fair value measurement hierarchy (Note 35)
- Investment properties (Note 8)
- Financial instruments (including those carried at amortised cost) (Note 34)

2 MATERIAL ACCOUNTING POLICIES (continued)

b) Summary of material accounting policies (continued)

iv) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Projects in progress are stated at cost. When commissioned, projects in progress are transferred to the appropriate property, plant and equipment asset category and depreciated in accordance with the Group's policies. Spare parts and capitalized machines, meeting the definition of property, plant and equipment, are accounted as per the principles of IAS 16 with respect to property, plant and equipment.

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

The cost less estimated residual value of remaining property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets, effective from the date when it was available for use, as follows:

Category of property, plant and equipment	*Useful lives*
Buildings	20
Motor vehicles and trucks	5-10
Machines and equipment	10
Furniture and fixtures	10
Devices and equipment	5
Cages	5
Tools and equipment	10

An item of property, plant and equipment is derecognized upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the asset is derecognized. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

v) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles are not capitalized, and the related expenditure is reflected in statement of profit or loss in the year in which the expenditure is incurred. The estimated useful lives of intangible assets are as follows:

Category of intangible assets	*Useful life*
Software	5 years

Intangible assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

2 MATERIAL ACCOUNTING POLICIES (continued)

b) Summary of material accounting policies (continued)

v) Intangible assets (continued)

Intangible assets with finite lives are amortized on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization useful life and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization useful life or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis

An intangible asset is derecognized upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the intangible asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income.

vi) Investment properties

Investment properties are initially measured at cost, including transaction cost. Subsequent to initial recognition, these are carried at cost less any accumulated depreciation and accumulated impairment losses.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of comprehensive income in the year of derecognition. Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment's properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of assets less their residual values for the properties, except lands, over their useful lives, using the straight-line method based on the following depreciation years:

Category of investment properties	*Useful life*
Buildings	20

Any gain or loss arising from sale or disposal of the investment properties which represents the difference between the net disposal proceeds and the carrying amount of the asset are recognized in the consolidated statement of comprehensive income in the year where the sale or disposal occurs. The rent revenue from the operating lease contracts for the investment properties is recognised in the consolidated statement of comprehensive income using the straight-line method over the contract year. The fair value for the investment properties is disclosed in Note 8.

2 MATERIAL ACCOUNTING POLICIES (continued)

b) Summary of material accounting policies (continued)

vii) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or cash generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU 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 of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to other comprehensive income "OCI". For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the assets or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase within OCI.

viii) Financial instruments

Accounts receivable issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes party to the contractual provisions of the instrument. A financial asset (unless it is accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Accounts receivable without a significant financing component is initially measured at the transaction price.

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

The classification of debt financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

2 MATERIAL ACCOUNTING POLICIES (continued)

b) Summary of material accounting policies (continued)

viii) Financial instruments (continued)

In order for a financial asset to be measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at the instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchase or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date i.e. the date that the Group commits to purchase or sell the asset.

The Group has implemented following classifications for its financial assets:

Financial statement line item	*IFRS 9 classification*
Accounts receivable	Amortised cost
Cash and cash equivalents	Amortised cost
Financial assets held at amortised cost	Amortised cost
Financial assets at FVTOCI	Fair value
Financial assets at FVTPL	Fair value

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (debt instrument)

- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instrument)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes accounts receivable and bonds receivables.

2 MATERIAL ACCOUNTING POLICIES (continued)

b) Summary of material accounting policies (continued)

viii) Financial instruments *(continued)*

Financial assets designated at fair value through other comprehensive income

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its investment in equity instruments and under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of comprehensive income .

This category includes equity and debt instruments. Dividends from these investments are also recognised as income in statement of profit or loss when the right of payment has been established.

Finance Income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified at FVOCI, Finance income is recognised using the effective interest rate (EIR) method.

Dividends

Dividends are recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Reclassifications

Financial assets are not reclassified after their initial recognition, except in the year after the Group changes its business model for managing financial assets.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flow from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

2 MATERIAL ACCOUNTING POLICIES (continued)

b) Summary of material accounting policies (continued)

viii) Financial instruments *(continued)*

Impairment of financial assets

The Group assesses all information available, including a forward-looking basis for the expected credit loss associated with its assets carried at amortised cost and debt instruments measured at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring at the asset as at the reporting date with the risk of default at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information. The Group considers a financial asset in default when contractual payments are 90 days past due.

For debt instruments measured at FVOCI, impairment gains or losses are recognised in the consolidated statement of comprehensive income.

Expected credit loss assessment for accounts receivable

For accounts receivable only, the Group recognises expected credit losses on simplified approach under IFRS 9. The simplified approach to the recognition of expected credit losses does not require the Group to track the changes in credit risk; rather, the Group recognises a loss allowance based on lifetime expected credit losses at each reporting date from the date of the accounts receivable.

The expected loss rates are based on the payment profiles of receivables over a period of 36 months and corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified GDP of Kingdom of Saudi Arabia (the country in which it renders the services) to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Write-off and control

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

Classification of financial liabilities

The Group classifies its financial liabilities including long term borrowings, and trade and other payables, all financial liabilities ae recognized initially at fair value and in the cost of loans and borrowings and payables net of transactions cost.

Accounts and other payables represent liabilities for goods or services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured. These are recognised initially at fair value.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

2 MATERIAL ACCOUNTING POLICIES (continued)

b) Summary of material accounting policies (continued)

viii) Financial instruments *(continued)*

Modifications of financial assets and financial liabilities

Financial assets

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

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

Financial liability

The Group derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability distinguished and the new financial liability with modified terms is recognised in the consolidated statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and cash with portfolio manager. For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents consist of cash at banks and cash with portfolio manager, as defined above, net of outstanding bank overdrafts (if any) as they are considered an integral part of the Group's cash management.

ix) Leases

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

(a) *<u>Group as a lessee</u>*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2 MATERIAL ACCOUNTING POLICIES (continued)

b) Summary of material accounting policies (continued)

ix) Leases *(continued)*

(a) Group as a lessee (continued)

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments).

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

(b) Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in investments income in the consolidated statement of comprehensive income due to its operating nature.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as investments income in the year in which they are earned.

x) Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

2 MATERIAL ACCOUNTING POLICIES (continued)

b) Summary of material accounting policies (continued)

x) Investments in associates (continued)

The Group's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of comprehensive income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after Zakat.

The financial statements of the associate are prepared for the same reporting year as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss within "Share of results from associates" in consolidated statement of comprehensive income.

xi) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost is determined on a weighted average cost method. The cost includes the expenditures incurred in the acquisition of inventory and the expenditures incurred to deliver the inventory to the related place and current status. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

xii) Dividends distribution

The Group establishes the obligations related to paying the cash dividends to the Group's shareholders when approving the distribution. According to the Regulations for Companies, dividends are approved upon approval by the Shareholders at the Annual General Assembly or based on the delegation from the General Assembly to the board of directors to distribute interim dividends. The corresponding amount is directly recognized in equity.

xiii) Employees' benefits

Employee defined benefit liabilities

The Group operates a defined benefit scheme for its employees in accordance with labor regulations applicable in the Kingdom of Saudi Arabia. Employee's end of service benefits provision is calculated annually by actuaries in accordance with the projected unit credit method. Actuarial gains and losses are recognized in full in the year in which they occur in other comprehensive income. Re-measurements are not reclassified to profit and loss in subsequent years.

2 MATERIAL ACCOUNTING POLICIES (continued)

b) Summary of material accounting policies (continued)

xiii) Employees' benefits *(continued)*

Employee defined benefit liabilities (continued)

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

- The date of the plan amendment or curtailment, and
- The date on which the Group recognizes related restructuring costs

Finance charges is calculated by applying the discount rate to the net defined benefit liability. The Group recognizes the following changes in the net defined benefit obligation under 'cost of revenue, 'general and administrative expenses' and 'selling and distribution expenses' in the consolidated statement of comprehensive income (by function).

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, and

- Net finance charges or income

Other short and long -term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave in the year in which the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Early retirement plan

During 2020, the Group adopted new short term employee's early retirement plan, the plan costs are provided for in accordance with the Group's employee benefit policies which is based mainly on the current salary, years of service and the years of service until the normal retirement age. As the termination benefits are expected to be settled wholly before twelve months after the end of the annual reporting year in which the termination benefit is recognized, the Group applies the requirements for short-term employee benefits. The provision is accounted for once the approval is made by the employee for the plan.

xiv) Provisions

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

If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract. An onerous contract is a contract under which the unavoidable costs (i.e. the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e. both incremental costs and an allocation of costs directly related to contract activities).

2 MATERIAL ACCOUNTING POLICIES (continued)

b) Summary of material accounting policies (continued)

xv) Contingent assets and liabilities

Contingent assets are not recognised in these consolidated financial statements but are disclosed when an inflow of economic benefits is probable. Contingent liabilities are probable obligations arising from past events whose existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly under the control of the Group. Financial guarantee given against a loan on behalf of an associate will be recorded in case of liquidation of the associate or whenever there are any indicators of default from the associate.

xvi) Borrowing costs

Borrowing costs that are directly attributed to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial year to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the year in which they occur. Borrowing costs consist of finance and other costs that an entity incurs in connection with the borrowing of funds.

Transaction cost is an upfront fee relating to the arrangements and administrative fees for obtaining of banks borrowings to be used for the Group's capital expenditures. The amounts are deducted from the total facilities upfront. These fees are amortised over the year of the loan agreement, borrowing cost incurred during the year of the construction is capitalised over the capital work on progress, and charged to profit and loss once these assets start its operations.

xvii) Revenue recognition

The Group is in the business of carrying out all work related to the manufacture and marketing of LPG of all kinds and its derivatives and industrial gases. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The Group satisfies a performance obligation and recognises revenue over time, if the following criteria is met:

a The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.

b The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

c The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

For the performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised services it creates a contract-based asset on the amount of the consideration earned by the performance. Where the amount consideration received from a customer exceeds the amounts of services recognised, this gives rise to the contract liabilities.

2 MATERIAL ACCOUNTING POLICIES (continued)

b) Summary of material accounting policies (continued)

xvii) Revenue recognition *(continued)*

Specific recognition criteria

Specific recognition criteria described below must also be met before revenue is recognised.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in investments income in the consolidated statement of comprehensive income due to its operating lease.

Revenue from sale of gas, cylinders, tanks and installation services

Revenue from sale of gas, cylinders, tanks and installation services are recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods and services at the Group's location. Selected customers are given 30 to 90 days credit terms upon delivery.

In determining the transaction price for the sale of gas, cylinders and tanks and extensions, the Group considers the effects of variable consideration, existence of a significant financing component, noncash consideration, and consideration payable to the customer (if any).

Variable consideration

None of the performance obligation is subject to variable consideration.

Significant financing component

The Group applies the practical expedient for short-term advances received from customers. That is, the promised amount of consideration is not adjusted for the effects of a significant financing component if the period between the transfer of the promised good or service and the payment is one year or less.

Installation services

The Group provides installation services that are either sold separately or bundled together with the sale of tanks to a customer. The installation services do not significantly customise or modify the gas tanks.

Contracts for bundled sales of tank and installation services are comprised of two performance obligations because the tank and installation services are both sold on a stand-alone basis and are distinct within the context of the contract. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the tank and installation services.

Installation services are performed over a short period of time and there is no material impact between recognising the revenue from those services at a point in time or over time, the Group recognises revenue from installation services at point of time i.e. in the accounting period when the service is rendered.

Contract assets

A contract asset is initially recognised for revenue earned from installation services because the receipt of consideration is conditional on successful completion of the installation. Upon completion of the installation and acceptance by the customer, the amount recognised as contract assets is reclassified to accounts receivable.

2 MATERIAL ACCOUNTING POLICIES (continued)

b) Summary of material accounting policies (continued)

xvii) Revenue recognition *(continued)*

Accounts receivable

A receivable is recognised if an amount of consideration that is unconditional due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is recognised if a payment is received from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e. transfers control of the related goods or services to the customer).

xviii) Zakat and tax

Zakat

The Group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Provision for zakat for the Group is charged to the statement of profit or loss. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Withholding taxes

The Group withhold taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Value added tax "VAT"

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value of added tax incurred on a purchase of assets or services is not recoverable from the ZATCA, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and

- When receivables and payables are stated with the amount of value added tax included.

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

xix) Foreign currencies

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at these consolidated financial statements reporting date for the Group. All differences arising on settlement or translation of monetary items are taken to the consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of a gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognized in OCI and P&L within the consolidated statement of other comprehensive income, respectively).

2 MATERIAL ACCOUNTING POLICIES (continued)

b) Summary of material accounting policies (continued)

xix) Foreign currencies (continued)

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

xx) Selling and distribution, general and administrative expenses

Selling and distribution, general and administrative expenses include direct and indirect costs not specifically part of cost of revenues. Allocations between cost of revenues and selling and distribution, general and administrative expenses, when required, are made on a consistent basis.

xxi) Income from Islamic financing contracts

Income from Islamic financing contracts (Sukuk and Murabaha) measured at amortised cost is recognized in profit or loss using the effective yield method, by applying the Effective Profit Rate ("EPR"), on the outstanding balance over the term of the contract.

The effective profit rate is the rate that exactly discounts estimated future cash receipts through the expected life of the investment in Islamic financing contracts to their gross carrying amounts.

The calculation of EPR includes transaction costs and processing fees income received that represent an integral part of the EPR. Transaction costs include incremental costs that are directly attributable to the acquisition of the financial assets, such as costs pertaining to evaluation of customers' credit worthiness, sales commission etc. Processing fees is charged in respect of processing of Islamic financing contracts.

xxii) Costs of revenues

Represent the costs of services incurred during the year, which include the cost of inventories, direct labor, and other overheads related to the revenues recognized.

3 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2023:

1. IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).
2. Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
3. Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
4. Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
5. Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).
6. Transition option to insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

4 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED BY THE GROUP

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2024 or later, and which the Group has not early adopted. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

1. Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).

2. Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024).

3. Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements: (effective for annual periods beginning on or after 1 January 2024).

4. Amendments to IAS 21 - Lack of Exchangeability: (effective for annual periods beginning on or after 1 January 2025).

5 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Capital management (Note 34);
- Financial instruments risk management and policies (Note 34); and
- Sensitivity analyses disclosures (Note 34).

a) Judgements

In the process of applying Group's accounting policies, management has made the following judgement, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Determining the lease term of contracts with renewal and termination options – Group as lessee

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or years after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Lease contracts for land are over a period of around 99 years. For machines, management has considered their estimated useful lives in assessing whether it is reasonably certain or not to exercise the extension option.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

5 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses of accounts receivable

The Group uses a provision matrix to calculate ECLs for accounts receivable. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type and customer type). The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in specific sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Fair valuation of investment properties

The Group carries its investment properties at cost less accumulated depreciation and impairment. For investment properties, a valuation methodology based on comparable market data was used, the Group determines the property fair value by relevance to transaction involving the properties of similar nature location and conditions. The Group engaged an independent valuation specialist to assess the fair values as at 31 December 2023 and 2022 (Note 8).

Impairment of inventories

Inventories are measured at lower of cost and net realizable value. Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of necessary to make the sale. Adjustments to reduce the cost of inventories to net realizable value, if required, are made at the product level for estimated excess, obsolescence or damages. Factors influencing these adjustments include change in demand, product pricing, physical deterioration and quality issues.

Actuarial estimate

Provision for employees' end of service benefits is made in accordance with the projected unit credit method as per IAS 19 taking into consideration the labor law of the respective country in which the Group operates. The provision is recognized based on the present value of the defined benefit liabilities. The present value of the defined benefit liabilities is calculated using assumptions on the average annual rate of increase in salaries, average year of employment and an appropriate discount rate. The assumptions used are calculated on a consistent basis for each year and reflect management's best estimate. The discount rates are set in line with the best available estimate of market yields currently available at the reporting date with reference to Saudi Arabian government bond index interest rate swap curve or other basis, if applicable.

5 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

b) Estimates and assumptions (continued)

Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the Discounted Cash Flow (DCF) model and market method. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Leases - Estimating the incremental borrowing rate

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

Zakat

As disclosed in Note 22, the Group has open assessments for Zakat for number of years. Management estimates the final amounts to be paid based on independent expert advice in addition to previous experience and adjusts the provision held accordingly.

6 PROPERTY, PLANT AND EQUIPMENT

	Land * SR	Buildings SR	Motor vehicles and trucks SR	Machines and equipment SR	Furniture and fixtures SR	Devices and equipment SR	Cages SR	Tools and equipment SR	Capital work in progress ** SR	Total SR
Cost:										
At 1 January 2023	**25,663,183**	**502,281,791**	**492,967,423**	**643,376,928**	**16,791,054**	**30,294,665**	**97,604,230**	**5,461,564**	**262,069,065**	**2,076,509,903**
Additions	**-**	**4,135,386**	**40,380,499**	**4,529,961**	**4,619,090**	**2,730,014**	**173,237**	**443,273**	**85,571,101**	**142,582,561**
Transferred from Intangible assets (Note 7)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,449,308**	**1,449,308**
Transfers	**-**	**5,122,536**	**10,854,165**	**4,670,784**	**1,256,519**	**3,162,536**	**1,241,565**	**-**	**(26,308,105)**	**-**
Disposals	**(198,000)**	**(21,195,581)**	**(28,948,828)**	**(20,641,494)**	**(1,592,248)**	**(1,854,686)**	**(3,702,766)**	**(577,314)**	**-**	**(78,710,917)**
At 31 December 2023	**25,465,183**	**490,344,132**	**515,253,259**	**631,936,179**	**21,074,415**	**34,332,529**	**95,316,266**	**5,327,523**	**322,781,369**	**2,141,830,855**
Accumulated depreciation:										
At 1 January 2023	**-**	**336,039,629**	**380,433,774**	**441,894,933**	**10,363,369**	**22,177,403**	**94,636,858**	**3,656,734**	**-**	**1,289,202,700**
Charge for the year	**-**	**15,255,630**	**40,752,381**	**31,129,727**	**1,769,982**	**3,011,154**	**2,191,160**	**349,572**	**-**	**94,459,606**
Disposals	**-**	**(20,210,478)**	**(28,769,563)**	**(20,536,820)**	**(1,492,071)**	**(1,817,901)**	**(3,702,763)**	**(529,905)**	**-**	**(77,059,501)**
At 31 December 2023	**-**	**331,084,781**	**392,416,592**	**452,487,840**	**10,641,280**	**23,370,656**	**93,125,255**	**3,476,401**	**-**	**1,306,602,805**
Net book value:										
At 31 December 2023	**25,465,183**	**159,259,351**	**122,836,667**	**179,448,339**	**10,433,135**	**10,961,873**	**2,191,011**	**1,851,122**	**322,781,369**	**835,228,050**

* Land includes two plots of land with value of SR 2.7 million (2022: SR 2.7 million) are pledged to the Saudi Industrial Development Fund (SIDF) and the process of pledging the remaining five lands as per terms of the loan is in process (Note 19).

** Capital work in progress mainly represents projects to develop the Group’s stations and its capacity and the development of the production lines in accordance with the Group’s needs and the public safety standards.

6 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land SR	Buildings SR	Motor vehicles and trucks SR	Machines and equipment SR	Furniture and fixtures SR	Devices and equipment SR	Cages SR	Tools and equipment SR	Capital work in progress SR	Total SR
Cost:										
At 1 January 2022	25,663,183	474,209,281	582,359,490	633,647,001	17,468,097	26,793,002	98,966,144	5,999,457	191,939,513	**2,057,045,168**
Additions	-	7,247,828	24,922,145	15,208,475	566,764	3,691,716	-	399,956	117,707,699	**169,744,583**
Transfers	-	28,000,699	1,682,850	17,442,383	386,000	66,215	-	-	(47,578,147)	-
Disposals	-	(7,176,017)	(115,997,062)	(22,920,931)	(1,629,807)	(256,268)	(1,361,914)	(937,849)	-	**(150,279,848)**
At 31 December 2022	**25,663,183**	**502,281,791**	**492,967,423**	**643,376,928**	**16,791,054**	**30,294,665**	**97,604,230**	**5,461,564**	**262,069,065**	**2,076,509,903**
Accumulated depreciation:										
At 1 January 2022	-	327,105,907	458,144,067	426,563,424	10,860,076	19,984,807	92,581,358	4,260,319	-	**1,339,499,958**
Charge for the year	-	15,076,634	38,171,208	37,411,059	1,125,553	2,389,983	3,417,411	325,379	-	**97,917,227**
Disposals	-	(6,142,912)	(115,881,501)	(22,079,550)	(1,622,260)	(197,387)	(1,361,911)	(928,964)	-	**(148,214,485)**
At 31 December 2022	-	**336,039,629**	**380,433,774**	**441,894,933**	**10,363,369**	**22,177,403**	**94,636,858**	**3,656,734**	-	**1,289,202,700**
Net book value:										
At 31 December 2022	**25,663,183**	**166,242,162**	**112,533,649**	**201,481,995**	**6,427,685**	**8,117,262**	**2,967,372**	**1,804,830**	**262,069,065**	**787,307,203**

6 PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation charge for the years ended 31 December was allocated as follows:

	2023 SR	2022 SR
Cost of revenues (Note 24)	**82,883,316**	84,169,214
Selling and distribution expenses (Note 25)	**6,606,849**	10,565,624
General and administrative expenses (Note 26)	**4,969,441**	3,182,389
	94,459,606	97,917,227

7 INTANGIBLE ASSETS

2023	**Software SR**	**Projects in progress SR**	**Total SR**
Cost			
At 1 January	**50,497,203**	**18,250,365**	**68,747,568**
Additions	**1,856,588**	**14,730,716**	**16,587,304**
Transferred to property, plant and equipment (Note 6)	**-**	**(1,449,308)**	**(1,449,308)**
Transfers	**6,752,170**	**(6,752,170)**	**-**
At 31 December	**59,105,961**	**24,779,603**	**83,885,564**
Accumulated amortization			
1 January	**32,268,768**	**-**	**32,268,768**
Charge for the year	**13,061,655**	**-**	**13,061,655**
31 December	**45,330,423**	**-**	**45,330,423**
Net book value			
At 31 December 2023	**13,775,538**	**24,779,603**	**38,555,141**

2022	**Software SR**	**Projects in progress SR**	**Total SR**
Cost			
At 1 January	50,343,618	2,617,159	52,960,777
Additions	153,585	15,633,206	15,786,791
At 31 December	50,497,203	18,250,365	68,747,568
Accumulated amortization			
1 January	21,041,658	-	21,041,658
Charge for the year	11,227,110	-	11,227,110
31 December	32,268,768	-	32,268,768
Net book value			
At 31 December 2022	18,228,435	18,250,365	36,478,800

a) As at 31 December 2023, projects in progress amounting to SR 24.8 million (2022: SR 18.3 million) represent the expenditure on software. The projects are expected to be completed in the year 2024.

b) Amortization charged for the year was allocated as follows:

	2023 SR	2022 SR
Cost of revenues (Note 24)	**6,335,583**	4,820,799
Selling and distribution expenses (Note 25)	**3,325,240**	3,347,840
General and administrative expenses (Note 26)	**3,400,832**	3,058,471
	13,061,655	11,227,110

8 INVESTMENT PROPERTIES

Investment properties represent land and buildings, some of which are leased to external parties on an operating lease contract, and they comprise of the following:

	Land SR	Buildings SR	Total SR
Cost:			
At the beginning of the year	33,594,172	13,676,164	47,270,336
At the end of the year	33,594,172	13,676,164	47,270,336
Accumulated depreciation and impairment:			
At the beginning of the year	152,001	13,676,161	13,828,162
At the end of the year	152,001	13,676,161	13,828,162
Net book value			
At 31 December 2023	33,442,171	3	33,442,174
At 31 December 2022	33,442,171	3	33,442,174

On 10 June 2018, the Group signed a contract to lease one plot of land owned by the Group. The total lease value of the contract amounts to SR 242.5 million for 20 years, in addition to a grace period of 27 months. On 29 May 2019, the Group finalized all legal formalities related to the contract, as such, the contract was effective starting on that date. During the year ended 31 December 2023, the Group recognized SR 10,712,757 (2022: SR 10,712,757) as income from the land lease. The total income from the investment properties leases amounted to SR 12,206,810 (2022: SR 12,952,648) (Note 27).

Fair value measurement for the Group's investment properties

The valuation for investment properties which has been performed by a real estate valuer, Barcode Company for assets valuation (License number 1210000001) accredited by the Saudi Authority for Accredited Valuers (TAQEEM) by using accredited valuation techniques such as Market Method (Comparison Approach), amounted to SR 335 million (2022: SR 326 million). The fair value was allocated between the buildings and the lands as follows:

	31 December 2023 SR	31 December 2022 SR
Lands	**333,683,776**	324,136,116
Buildings	**1,773,700**	2,239,583
	335,457,476	326,375,699

Description of significant observable inputs to valuation

The significant unobservable inputs used in the fair value measurements of investment properties categorized within Level 3 of the fair value hierarchy as at 31 December 2023, and 2022 are as follows:

Investment property	Valuation technique	Significant unobservable inputs	Description of valuation technique
Lands	Market Method	Price by square meter	Using this method, the market survey is done by valuer for similar land plots founded in the surrounding area and similar to targeted land by area size and in the same district. An increase in the price per square meter would increase the fair value.

8 INVESTMENT PROPERTIES (continued)

Description of significant observable inputs to valuation (continued)

Sensitivity analysis

Description	Fair value at 31 December 2023 SR	2022 SR	Unobservable inputs	Range of inputs 2023	2022	Sensitivity
Lands	**333,683,776**	324,136,116	Price by square meter	SR 100 to SR 17,000	SR 100 to SR 20,000	Change by +/-1% will result in an increase/decrease of FV by SR 3.3 million (2022: SR 3.2 million).

9 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Group as a lessee

The Group has lease contracts for various plots of lands. Leases of land generally have lease terms between 3 and 99 years. The Group's obligations under its leases are secured by the lessor's title to the leased lands. Generally, the Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

9.1 Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year:

	31 December 2023 SR	31 December 2022 SR
1 January	**19,723,178**	1,494,980
Additions during the year	**3,361,582**	24,157,538
Depreciation charge for the year	**(5,231,144)**	(5,929,340)
31 December	**17,853,616**	19,723,178

9.2 Lease liabilities

Set out below are the carrying amounts of lease liabilities recognized and the movements during the year:

	31 December 2023 SR	31 December 2022 SR
1 January	**20,207,725**	2,440,820
Additions during the year	**3,361,582**	24,157,538
Paid during the year	**(4,761,099)**	(3,832,396)
Finance costs for the year (Note 28)	**789,690**	802,958
Transfer to trade payables*	**-**	(3,361,195)
31 December	**19,597,898**	20,207,725
Current portion	**(7,281,846)**	(5,250,910)
Non-current portion	12,316,052	14,956,815

* The amount represents amounts overdue to lessor but not yet paid, therefore reclassified to payables.

9 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

9.2 *Lease liabilities(continued)*

The following are the amounts recognized in the consolidated statements of comprehensive income:

	2023 SR	2022 SR
Depreciation expense of right-of-use assets	**5,231,144**	5,929,340
Finance costs on lease liabilities (Note 28)	**789,690**	802,958
Expense relating to short-term leases	**689,668**	676,871
Total amount recognized in profit or loss	**6,710,502**	7,409,169

The below is the undiscounted lease payments schedule:

	2023 SR	2022 SR
Within the next 12 months	**7,281,846**	5,250,910
Between 2 and 5 years	**12,952,922**	16,122,460
Beyond 5 years	**1,962,820**	2,077,810
	22,197,588	23,451,180

The Group has a lease contract that include extension options. This option is negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether this extension option is reasonably certain to be exercised.

Group as a lessor

The Group has entered into operating leases on lands. These are long term leases. Rental income recognized by the Group during the year is SR 12,206,810 (2022: SR 12,952,648).

The below is the undiscounted lease payments schedule:

	2023 SR	2022 SR
Within the next 12 months	**10,488,663**	10,270,000
Year 2	**9,615,000**	10,015,000
Year 3	**13,615,000**	9,515,000
Year 4	**13,295,000**	13,195,000
5 years and above	**186,725,000**	195,875,000
	233,738,663	238,870,000

10 INVESTMENTS IN ASSOCIATES

The table below outlines the Group's investments in associates:

Associates	Ownership %	Place of business	Nature of activities	31 December 2023	31 December 2022
Saudi Gas Cylinder Factory Company	37.57%	Saudi Arabia	Manufacturing of gas cylinders	**37,768,954**	35,979,005
Natural Gas Distribution Company	35%	Saudi Arabia	Gas distribution	**20,339,988**	19,966,262
East Gas Company	35%	Saudi Arabia	Gas distribution	**31,299,002**	33,814,508
				89,407,944	89,759,775

The movement of investments in associates is as follows:

	Saudi Gas Cylinder Factory Company	Natural Gas Distribution Company	East Gas Company	Total	Saudi Gas Cylinder Factory Company	Natural Gas Distribution Company	East Gas Company	Total
	For the year ended 31 December 2023				For the year ended 31 December 2022			
As at 1 January	**35,979,005**	**19,966,262**	**33,814,508**	**89,759,775**	38,602,581	19,804,311	29,491,639	87,898,531
Amount recognized in P&L								
Current year share of results	**2,142,286**	**1,323,865**	**4,487,037**	**7,953,188**	(2,623,576)	1,175,931	4,322,869	2,875,224
Prior year adjustment	**71,818**	**(21,914)**	**945**	**50,849**	-	(138,980)	-	(138,980)
	2,214,104	**1,301,951**	**4,487,982**	**8,004,037**	(2,623,576)	1,036,951	4,322,869	2,736,244
Amount recognized in OCI								
Share of other comprehensive loss	**(424,155)**	**(53,225)**	**(3,488)**	**(480,868)**	-	-	-	-
Dividends declared	**-**	**(875,000)**	**(7,000,000)**	**(7,875,000)**	-	(875,000)	-	(875,000)
As at 31 December 2023	**37,768,954**	**20,339,988**	**31,299,002**	**89,407,944**	35,979,005	19,966,262	33,814,508	89,759,775

10 INVESTMENTS IN ASSOCIATES (continued)

10.1 Summarized financial information of associates

The tables below provide summarized financial information of the Group's associates. The information disclosed reflects the amounts presented in the available financial statements of the relevant investee and not GASCO's share of those amounts.

	Saudi Gas Cylinder Factory Company	**Natural Gas Distribution Company**	**East Gas Company**	**Total**
	As at 31 December 2023			
Non-current assets	42,730,577	59,415,414	59,611,703	
Current assets	81,763,493	28,939,914	50,151,498	
Non-current labilities	11,122,682	4,778,955	2,408,796	
Current labilities	10,698,810	25,462,123	17,918,719	
Net assets	102,672,578	58,114,250	89,425,721	
Reconciliation:				
Group's share	37.57%	35.00%	35.00%	
Group's share in associate	38,568,954	20,339,988	31,299,002	90,207,944
Elimination of upstream transactions*	(800,000)	-	-	(800,000)
Carrying amount	**37,768,954**	**20,339,988**	**31,299,002**	**89,407,944**
	For the year ended 31 December 2023			
Revenue	95,075,287	91,914,347	99,044,117	
Gross profit	14,059,533	8,770,759	34,785,397	
Zakat expense	1,884,134	369,996	977,444	
Net profit for the year	7,832,519	3,782,470	12,820,106	
Reconciliation:				
Group's share	37.57%	35.00%	35.00%	
Group's share in associate	2,942,286	1,323,865	4,487,037	8,753,188
Elimination of upstream transactions*	(800,000)	-	-	(800,000)
Group's share of results	**2,142,286**	**1,323,865**	**4,487,037**	**7,953,188**
	For the year ended 31 December 2023			
Other comprehensive loss	(1,129,124)	(152,071)	(9,965)	
Reconciliation:				
Group's share	37.57%	35.00%	35.00%	
Group's share in associate	(424,155)	(53,225)	(3,488)	(480,868)
Group's share of OCI for the year	**(424,155)**	**(53,225)**	**(3,488)**	**(480,868)**

* Represents the Group share in the unrealized profit of unsold inventory from the relevant investee.

10 INVESTMENTS IN ASSOCIATES (continued)

10.1 Summarized financial information of associates (continued)

	Saudi Gas Cylinder Factory Company	**Natural Gas Distribution Company**	**East Gas Company**	**Total**
		As at 31 December 2022		
Non-current assets	40,244,892	63,643,934	64,694,153	
Current assets	90,555,147	22,700,662	51,863,352	
Non-current labilities	9,776,091	5,545,952	2,448,993	
Current labilities	25,245,950	23,752,180	17,495,632	
Net assets	95,777,999	57,046,464	96,612,880	
Reconciliation:				
Group's share	37.57%	35.00%	35.00%	
Group's share in associate	35,979,005	19,966,262	33,814,508	89,759,775
Carrying amount	35,979,005	19,966,262	33,814,508	89,759,775
		For the year ended 31 December 2022		
Revenue	51,455,785	91,004,756	100,534,147	
Gross profit	4,297,360	7,967,168	20,013,657	
Zakat expense	1,544,348	306,996	873,842	
Net (loss) / profit for the year	(6,984,097)	3,359,803	12,351,053	
Reconciliation:				
Group's share	37.57%	35.00%	35.00%	
Group's share in associate	(2,623,576)	1,175,931	4,322,869	2,875,224
Group's share of results	(2,623,576)	1,175,931	4,322,869	2,875,224

11 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

11.1 FINANCIAL ASSETS

	31 December 2023 SR	31 December 2022 SR
Financial assets at fair value through other comprehensive income (A)	**685,726,828**	654,995,718
Financial assets at fair value through profit or loss (B)	**122,009,649**	132,356,596
Financial assets held at amortized cost (C)	**250,898,514**	214,016,184
	1,058,634,991	1,001,368,498

11 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

11.1 FINANCIAL ASSETS (continued)

A Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise the following:

	31 December 2023 SR	31 December 2022 SR
Investment in equity instruments – unquoted (notes a, b and c)	626,707,246	**591,682,552**
Closed REITs	41,310,000	**44,295,900**
Investments in equity instruments – quoted	17,709,582	**15,660,563**
Public traded REITs	-	3,356,703
	685,726,828	**654,995,718**

a) The above investments in equity instruments which are unquoted have been evaluated by management through an independent expert valuer, who issued a report on the valuation of investments in the National Industrial Gases Company and Arabian United Floating Glass Company as of 31 December 2023, using the similar companies' method (Market Method) and the discounted cash flow method (Income Method), respectively.

b) During 2023, the General Assembly of National Industrial Gases Company, approved distribution of dividends to the partners amounting to SR 540 million (2022: SR 750 million). The Group's share is 9%, equivalent to SR 48.6 million (2022: SR 67.5 million).

c) The significant unobservable inputs used in the fair value measurement of equity instruments categorized within Level 3 of the fair value hierarchy as at 31 December 2023 and 2022 are as follows:

11 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

11.1 FINANCIAL ASSETS (continued)

A Financial assets at fair value through other comprehensive income (continued)

Unquoted equity investment	Valuation technique	Significant unobservable inputs	Description of valuation technique
National Industrial Gases Company	Market Method	Comparable entities Discount factor	This approach establishes value by comparison to recent sales of comparable assets or other multiple such as expected value over earnings before interest, tax, depreciation and amortization (EV/EBITDA). The market approach is a general way of determining the value of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.
Arabian United Floating Glass Company	Income Method	Weighted average cost of capital (WACC) Growth rate	This approach is based on discounting future amounts of cash flow to present value, where under the discounted cash flow (DCF) method, the forecasted cash flow is discounted back to the valuation date, resulting in a present value of the asset.

11 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

11.1 FINANCIAL ASSETS (continued)

A Financial assets at fair value through other comprehensive income (continued)

Sensitivity analysis

Description	Fair value at 31 December **2023**	2022	Unobservable inputs	Range of inputs **2023**	2022	Sensitivity
National Industrial Gases Company	**547,624,176**	523,724,000	EV/EBITDA	10.4X	10.55X	Change by +/-0.1 X, will change FV increase/decrease by SR 6.1 million (2022: SR 6 million).
			Discount factor	10%	10%	Change by +/-1% will change FV decrease/increase by SR 7 million (2022: SR 6.6 million).
Arabian United Floating Glass Company	**79,083,070**	67,958,552	WACC	13%	12%	Change by +/-1% will change FV by decrease of SR 7.5 million / increase of SR 9 million (2022: decrease of SR 7.8 million / increase of SR 9.6 million).
			Growth rate	2%	2%	Change by +/-1% will change FV by increase of SR 6.9 million / decrease of SR 5.8 million (2022: increase of SR 7.6 million / decrease of SR 6.1 million).
	626,707,246	591,682,552				

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

11 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

11.1 FINANCIAL ASSETS (continued)

A Financial assets at fair value through other comprehensive income (continued)

The movement in investments in equity instruments held at fair value through other comprehensive income is as follows:

	31 December 2023 SR	31 December 2022 SR
1 January	**654,995,718**	701,835,417
Disposal during the year	**(3,103,810)**	-
Changes in fair value	**33,834,920**	(46,839,699)
31 December	**685,726,828**	654,995,718

The movement in unrealized gain from financial assets held at fair value through other comprehensive income is as follows:

	31 December 2023 SR	31 December 2022 SR
1 January	**464,131,324**	510,971,023
Realised loss transferred to retained earnings	**738,860**	-
Change in fair value	**33,834,920**	(46,839,699)
31 December	**498,705,104**	464,131,324

B Financial assets at fair value through profit or loss

Financial assets at fair value through profit and loss comprises the following:

	31 December 2023 SR	31 December 2022 SR
Portfolio of traded securities	**122,009,649**	93,328,074
Fixed income debt instruments	**-**	12,542,317
Jadwa Saudi Riyal Murabaha Fund	**-**	26,486,205
	122,009,649	132,356,596

The above represents financial assets held for trading.

The movement in carrying amount were as follows:

	31 December 2023 SR	31 December 2022 SR
1 January	**132,356,596**	199,154,133
Disposals during the year	**(41,415,727)**	(62,861,652)
Changes in fair value (note 27)	**31,068,780**	(3,935,885)
31 December	**122,009,649**	132,356,596

11 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

11.1 FINANCIAL ASSETS (continued)

C Financial assets held at amortized cost

Financial assets held at amortized cost comprise the following:

	31 December 2023 SR	31 December 2022 SR
Investments at amortized cost		
Sukuk (Note a)	**250,898,514**	175,016,184
Murabaha fund (Note b)	**-**	39,000,000
	250,898,514	214,016,184
Less: current portion	**(10,025,978)**	(30,000,000)
Non-current portion	**240,872,536**	184,016,184
Other financial assets at amortized cost		
Accounts receivable (Note 13)	**34,793,053**	30,774,861
Cash and cash equivalents (Note 15)	**129,638,298**	175,851,736
	164,431,351	206,626,597

a) The above represents investments in Sukuk issued by local banks in Saudi Arabia with various maturity dates ending 2034.

b) The above represents the investments in two of the local Murabaha funds having a term of 1 and 3 years and having a profit rate of 4.25% and 6.5% per annum respectively.

c) The fair value of the investments at amortized cost amounted to SR 247,139,334 (2022: SR 210,457,233), which was valued as at 31 December 2023 as per the trading price in the capital market at the end of the reporting period.

11 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

11.2 FINANCIAL LIABILITIES

Financial liabilities held at amortized cost

	Effective Interest rate	*Maturity*	**2023 SR**	2022 SR
Current interest free liabilities				
Trade payables	*Interest free*	*Less than 1 year*	**203,202,101**	215,972,941
Accrued expenses and other current liabilities	*Interest free*	*Less than 1 year*	**243,851,178**	153,370,586
Current interest-bearing liabilities				
Lease liabilities	*5.8%*	*Less than 1 year*	**7,281,846**	5,250,910
Term loan	*Upfront fee + follow-up charges*	*Less than 1 year*	**26,500,000**	-
Non-current interest-bearing liabilities				
Lease liabilities	*5.8%*	*More than 1 year*	**12,316,052**	14,956,815
Term loan	*Upfront fee + follow-up charges*	*2022-2025*	**25,053,334**	72,725,235

Changes in liabilities arising from financing activities:

	1 January 2023 SR	**Cash flows SR**	**Dividend Declared SR**	**Finance cost SR**	**Transfer SR**	**Additions SR**	**31 December 2023 SR**
Dividends payable (Note 21)	**43,637,296**	**(75,369,071)**	**150,000,000**	**-**	**-**	**-**	**118,268,225**
Term loans, net (Note 19)	**72,725,235**	**(23,000,000)**	**-**	**1,828,099**	**-**	**-**	**51,553,334**
Lease liabilities (Note 9.2)	**20,207,725**	**(4,761,099)**	**-**	**789,690**	**-**	**3,361,582**	**19,597,898**
Total	**136,570,256**	**(103,130,170)**	**150,000,000**	**2,617,789**	**-**	**3,361,582**	**189,419,457**

	1 January 2022 SR	Cash flows SR	Dividend Declared SR	Finance cost SR	Transfer SR	Additions SR	31 December 2022 SR
Dividends payable (Note 21)	40,497,560	(191,860,264)	195,000,000	-	-	-	43,637,296
Term loans, net (Note 19)	112,344,168	(43,000,000)	-	3,381,067	-	-	72,725,235
Lease liabilities (Note 9.2)	2,440,820	(3,832,396)	-	802,958	(3,361,195)	24,157,538	20,207,725
Total	155,282,548	(238,692,660)	195,000,000	4,184,025	(3,361,195)	24,157,538	136,570,256

12 INVENTORIES

	31 December 2023 SR	31 December 2022 SR
Gas	**28,172,858**	24,715,800
Gas cylinders	**110,956,307**	80,481,376
Tanks	**9,052,621**	5,647,451
Spare parts and other materials	**81,550,788**	87,610,627
	229,732,574	198,455,254
Provision for slow moving and obsolete items	**(20,932,996)**	(33,251,235)
Provision for replacing cylinders and others	**(1,671,198)**	(1,811,054)
	207,128,380	163,392,965

a) The cost of revenues in the statement of comprehensive income for the year ended 31 December 2023 includes an inventory cost amounted to SR 1,688,520,814 (2022: SR 1,402,909,593).

b) The movement in provision for slow moving inventories during the year is as follows:

	31 December 2023 SR	31 December 2022 SR
1 January	**33,251,235**	30,214,926
Charge for the year (Note 24)	**2,665,102**	3,036,309
Reversal (Note 24)	**(3,168,563)**	-
Write-off	**(11,814,778)**	-
31 December	**20,932,996**	33,251,235

c) The movement in provision for replacing cylinders and others during the year is as follows:

	31 December 2023 SR	31 December 2022 SR
1 January	**1,811,054**	1,652,013
Charge for the year (Note 24)	**3,195,721**	2,930,479
Write-off	**(3,335,577)**	(2,771,438)
31 December	**1,671,198**	1,811,054

13 ACCOUNTS RECEIVABLE

	31 December 2023 SR	31 December 2022 SR
Trade receivables	**41,695,169**	34,089,837
Non-trade receivables	**1,652,172**	3,455,839
	43,347,341	37,545,676
Provision for expected credit losses	**(8,554,288)**	(6,770,815)
	34,793,053	30,774,861

13 ACCOUNTS RECEIVABLE (continued)

Terms and conditions of the above financial assets:

Accounts receivable are non-interest bearing and are generally on terms of 15 days from the end of the month. The Group obtained collateral over certain receivables amounted to SR 8,161,031 (2022: SR 8,194,698).

a) The movement in provision for expected credit loss on accounts receivable is as follows:

	31 December 2023 SR	31 December 2022 SR
1 January	**6,770,815**	14,783,749
Charge for the year	**1,783,473**	333,019
Reversal	**-**	(4,593,425)
Write off during the year	**-**	(3,752,528)
31 December	**8,554,288**	6,770,815

The Group measures the loss allowance for accounts receivable at an amount equal to lifetime expected credit losses ("ECL") using the simplified approach. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date

b) Accounts receivable account compromise into three categories which are as follows:

- Trading Customers
- Governmental Customers
- Non-Trading Customers

Below is the summary of each type of accounts receivable balance and the expected credit loss amount:

	Trading customers	**Governmental customers**	**Non-Trading customers**	**Total SR**
2023				
Accounts receivable	**35,923,465**	**5,771,704**	**1,652,172**	**43,347,341**
Expected credit loss	**(7,530,728)**	**(130,670)**	**(892,890)**	**(8,554,288)**
	28,392,737	**5,641,034**	**759,282**	**34,793,053**
2022				
Accounts receivable	27,972,388	6,117,449	3,455,839	37,545,676
Expected credit loss	(5,083,041)	(146,643)	(1,541,131)	(6,770,815)
	22,889,347	5,970,806	1,914,708	30,774,861

13 ACCOUNTS RECEIVABLE (continued)

Terms and conditions of the above financial assets: (continued)

b) Accounts receivable account compromise into three categories which are as follows: (continued)

The aging analysis of each type of accounts receivable is as follows:

		Days past due				
	Not past due SR	**1-90 day SR**	**91-180 day SR**	**181-365 day SR**	**Above 365 day SR**	**Total SR**
At 31 December 2023						
Trading Customers	**24,021,215**	**4,728,792**	**2,847,963**	**1,022,011**	**3,303,484**	**35,923,465**
Expected loss rate % (rounded)	**15.7%**	**3.7%**	**5.1%**	**24.3%**	**96.9%**	
Expected credit loss	**3,761,884**	**173,272**	**145,347**	**248,773**	**3,201,452**	**7,530,728**
At 31 December 2022						
Trading Customers	11,320,795	6,504,040	2,355,814	1,087,041	6,704,698	27,972,388
Expected loss rate % (rounded)	0.83%	5.73%	14.03%	48.40%	56.08%	
Expected credit loss	94,082	372,385	330,404	526,169	3,760,001	5,083,041

13 ACCOUNTS RECEIVABLE (continued)

Terms and conditions of the above financial assets: (continued)

b) *Accounts receivable account compromise into three categories which are as follows: (continued)*

			Days past due			
	Not past due SR	**1-90 day SR**	**91-180 day SR**	**181-365 day SR**	**Above 365 day SR**	**Total SR**
At 31 December 2023						
Governmental Customers	**901,699**	**1,661,115**	**1,000,917**	**278,009**	**1,929,964**	**5,771,704**
Expected loss rate % (rounded)	**0.06%**	**0.26%**	**1.38%**	**3.45%**	**5.31%**	
Expected credit loss	**516**	**4,255**	**13,854**	**9,595**	**102,450**	**130,670**
At 31 December 2022						
Governmental Customers	1,141,146	1,117,726	610,155	634,264	2,614,158	6,117,449
Expected loss rate % (rounded)	0.06%	0.47%	1.42%	3.01%	4.32%	
Expected credit loss	733	5,283	8,662	19,091	112,874	146,643

			Days past due			
	Not past due SR	**1-90 day SR**	**91-180 day SR**	**181-365 day SR**	**Above 365 day SR**	**Total SR**
At 31 December 2023						
Non-Trading Customers	**121,950**	**14,750**	**766,667**	**-**	**748,805**	**1,652,172**
Expected loss rate % (rounded)	**5.98%**	**8.6%**	**17.68%**	**-**	**100%**	
Expected credit loss	**7,295**	**1,269**	**135,521**	**-**	**748,805**	**892,890**
At 31 December 2022						
Non-Trading Customers	-	1,113,754	980,208	145,713	1,216,164	3,455,839
Expected loss rate % (rounded)	0 %	8%	17%	50%	100%	
Expected credit loss	-	88,927	162,617	73,424	1,216,163	1,541,131

14 PREPAYMENTS AND OTHER ASSETS

	31 December 2023 SR	31 December 2022 SR
Accrued rent*	**30,563,104**	27,850,347
Dividends receivable	**875,000**	-
Receivable from financial institutions	**9,000,000**	-
Advances to suppliers and contractors	**15,225,554**	10,711,081
Prepaid expenses	**9,806,798**	5,884,917
Value added tax receivable	**7,090,264**	7,518,337
Employees' receivable	**4,758,345**	4,035,716
Insurance claims	**206,270**	154,984
Others	**5,702,039**	5,042,219
	83,227,374	61,197,601
Provision for expected credit loss on other receivables	**(689,095)**	(792,180)
	82,538,279	60,405,421
Less: non-current accrued rent*	**(30,563,104)**	(27,850,347)
	51,975,175	32,555,074

*Refer to note 37 for changes to comparatives.

The movement in provision for other receivables is as follows:

	31 December 2023 SR	31 December 2022 SR
1 January	**792,180**	-
Reversal	**(103,085)**	-
Charge for the year	**-**	792,180
31 December	**689,095**	792,180

15 CASH AND CASH EQUIVALENTS

	31 December 2023 SR	31 December 2022 SR
Bank balances	**126,044,149**	112,863,178
Cash with portfolio managers	**3,594,149**	62,988,558
	129,638,298	175,851,736

16 SHARE CAPITAL

As at 31 December 2023 and 2022, authorized, issued and fully paid capital comprises 75 million shares of SR 10 each.

17 STATUTORY RESERVE

As required by Company's bylaws, the Company must set aside 10% of its net profit, the Company may resolve to discontinue such transfer when it has built up a reserve equal 30% of the capital. This having been achieved, the Company has resolved to discontinue such transfer. The reserve is not currently available for distribution.

18 OPERATING SEGMENTS

For management purposes, the Group is organized into business units based on its geographical regions within Kingdom of Saudi Arabia, as follows:

	Central region SR	Western region SR	Eastern region SR	Southern region SR	Elimination SR	Total SR
2023						
Revenues-external	**968,208,622**	**829,614,749**	**396,731,101**	**282,249,997**	**(18,891,198)**	**2,457,913,271**
Cost of revenues	**(800,302,438)**	**(705,917,810)**	**(328,667,287)**	**(242,648,324)**	**18,891,198**	**(2,058,644,661)**
Depreciation and amortization	**(39,195,945)**	**(40,631,245)**	**(13,575,766)**	**(14,118,305)**	**-**	**(107,521,261)**
Depreciation of right-of-use assets	**(2,111,123)**	**(1,838,894)**	**(646,213)**	**(634,914)**	**-**	**(5,231,144)**
Selling and distribution	**(26,154,932)**	**(18,182,096)**	**(8,155,299)**	**(5,903,490)**	**-**	**(58,395,817)**
General and administrative	**(41,408,130)**	**(31,473,971)**	**(15,051,207)**	**(10,708,016)**	**-**	**(98,641,324)**
Provision for expected credit losses	**(1,509,092)**	**(118,048)**	**(136,161)**	**(20,172)**	**-**	**(1,783,473)**
Operating income	**57,526,962**	**31,452,685**	**30,499,168**	**8,216,776**	**-**	**127,695,591**
Total assets	**965,156,541**	**286,557,941**	**63,592,382**	**96,150,361**	**(65,722,408)**	**1,345,734,817**
Total liabilities	**(442,717,582)**	**(121,753,705)**	**(47,375,066)**	**(36,571,232)**	**65,722,408**	**(582,695,177)**
2022						
Revenues-external	805,727,195	702,848,867	248,463,671	334,667,135	(11,498,270)	2,080,208,598
Cost of revenues	(646,267,304)	(588,138,297)	(210,987,373)	(272,765,554)	11,498,270	(1,706,660,258)
Depreciation and amortization	(37,766,942)	(43,001,849)	(14,462,582)	(13,912,964)	-	(109,144,337)
Depreciation of right-of-use assets	(1,510,651)	(2,497,908)	(781,450)	(1,139,331)	-	(5,929,340)
Selling and distribution	(27,267,759)	(20,757,566)	(7,173,610)	(7,504,723)	-	(62,703,658)
General and administrative	(36,488,007)	(30,111,569)	(10,426,641)	(15,039,671)	-	(92,065,888)
Provision for expected credit losses	1,734,815	1,115,977	176,427	1,233,187	-	4,260,406
Operating income	**58,161,347**	**19,457,655**	**4,808,442**	**25,538,079**	**-**	**107,965,523**
Total assets	868,803,062	246,711,148	89,011,983	73,626,999	(4,219,028)	1,273,934,164
Total liabilities	(296,575,663)	(123,399,587)	(37,481,320)	(47,270,710)	4,219,028	(500,508,252)

18 OPERATING SEGMENTS (continued)

The top management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit and is measured consistently with operating profit in the consolidated financial statements. Also, the Group's financing including finance costs, salaries and benefits of the management, directors, finance and IT departments, legal and HR departments, administrative and support department, other expenses and other income and Zakat are managed on a Group basis and are not allocated to operating segments.

The revenue information above is based on the regional location of the customers. Segment revenue reported above represents revenue generated from external customers. No single customer contributed 10% or more to the Group's revenues. zakat payable, term loan, investments in associates, investment properties and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

Inter-company revenues are eliminated upon consolidation and reflected in the elimination's column. All other adjustments and eliminations are part of detailed reconciliations presented further below:

Reconciliation of profit

	2023 **SR**	2022 SR
Segment profit	**127,695,591**	107,965,523
Share of results from associates	**8,004,037**	2,875,224
Investments income	**92,688,968**	77,354,142
Finance income	**12,834,221**	10,314,430
Finance costs	**(3,935,462)**	(6,201,009)
Other income, net	**5,038,289**	36,805,213
Zakat	**(15,010,401)**	(15,050,000)
Profit after zakat	**227,315,243**	214,063,523

Reconciliation of assets

	31 December 2023 **SR**	31 December 2022 SR
Segment operating assets	**1,345,734,817**	1,273,934,164
Investments in associates	**89,407,944**	89,759,775
Financial assets held at fair value through other comprehensive income (FVTOCI)	**685,726,828**	654,995,718
Financial assets held at amortised cost	**250,898,514**	214,016,184
Financial assets held at fair value through profit or loss (FVTPL)	**122,009,649**	132,356,596
Investment properties	**33,442,174**	33,442,174
Total assets	**2,527,219,926**	2,398,504,611

Reconciliation of liabilities

	31 December 2023 **SR**	31 December 2022 SR
Segment operating liabilities	**582,695,177**	500,508,252
Term loan	**51,553,334**	72,725,235
Zakat payable	**47,278,106**	90,307,604
Total liabilities	**681,526,617**	663,541,091

19 TERM LOAN

	31 December 2023 SR	31 December 2022 SR
Principal amount at 1 January	**76,000,000**	119,000,000
Less: repayment	**(23,000,000)**	(43,000,000)
Principal amount at 31 December	**53,000,000**	76,000,000
Less: Un-amortized portion of transaction cost	**(1,446,666)**	(3,274,765)
Net amount	**51,553,334**	72,725,235
Less: current portion	**(26,500,000)**	-
The non-current portion	**25,053,334**	72,725,235

On 17 Muharram 1440 H (corresponding to 27 September 2018), the Group signed an agreement to obtain a loan from Saudi Industrial Development Fund (SIDF) amounting to SR 203 million. The loan is for the purpose of developing the filling plants and distribution of gas in all regions with a production capacity of 1,648 thousand tons in all branches of the Group. The terms of the loan span over a tenure of 5 years. The loan carries only an upfront fee amount of SR 16.2 million that was paid at the start of the loan and incur to follow-up charges which are paid on semi-annual basis over the term of the loan. Further, this loan carries certain conditions / covenants, such as maintaining required current asset ratios during the term of the loan and a specific ratio of liabilities to net tangible value. The agreement also contains undertaking pledges of seven plots of land with a cost of SR 17.6 million; of which the Group has pledged two plots as at the reporting period (Note 6), and the process of pledging the remaining five plots of lands is under process.

During 2020, the Group received the full facility amounting to SR 186.8 million, after deduction upfront fees of SR 16.2 million, according to the facility agreement. The repayment of the financing has been scheduled in ten semi-annual unequal installments starting from 15 Safar 1442H (corresponding to 2 October 2020).

As at 31 December 2023, the Group had available unused credit facilities from local banks amounting to SR 377.8 million (31 December 2022: SR 109.6 million).

20 EMPLOYEES DEFINED BENEFITS LIABILITIES

The Group grants employee defined benefit liabilities ("benefit plan") to its employees taking into consideration the local labor law requirements in the Kingdom of Saudi Arabia. The benefits provided by this benefit plan is a lump sum based on the employees' final salaries and allowances and their cumulative years of service at the date of termination of employment.

The benefit liability recognized in the consolidated statement of financial position in respect of the employee defined benefit liabilities is the present value of the defined benefit obligation at the reporting date. The most recent actuarial valuation was performed by an independent, qualified actuary using the projected unit credit method.

20 EMPLOYEES DEFINED BENEFITS LIABILITIES (continued)

a) The movement of employee defined benefit liabilities for the two years ended 31 December is as follows:

	31 December 2023 SR	31 December 2022 SR
1 January	**110,957,000**	140,600,642
Amount recognized in profit or loss		
Current service cost	**9,146,969**	9,736,623
Finance charge	**5,477,000**	4,457,000
Amount recognized in other comprehensive income		
Re-measurements gain on employees defined benefit liabilities	**(60,494)**	(26,586,020)
Current service cost charge to work in progress	**149,031**	113,377
Paid during the year	**(9,625,506)**	(17,364,622)
	116,044,000	110,957,000

b) The principal assumptions used for the purposes of the actuarial valuation were as follows:

	31 December 2023 SR	31 December 2022 SR
Discount rate	**5.0 %**	4.9%
Future salary increases	**4%**	4%
Retirement age	**60**	60

c) All movements in the employee defined benefit liabilities are recognized in profit or loss except for the actuarial gain which is recognized in other comprehensive income are as follows:

	31 December 2023 SR	31 December 2022 SR
Actuarial gains on employees defined benefits liabilities		
Gain due to change in financial assumptions	**(1,538,000)**	(24,679,166)
Loss / (gain) due to change in experience adjustment	**1,477,506**	(1,906,854)
	(60,494)	(26,586,020)

d) Sensitivity analysis

The sensitivity analyses presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting year, while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability:

	31 December 2023 SR	31 December 2022 SR
Discount rate		
Increase 1%	**(10,749,000)**	(10,469,000)
Decrease 1 %	**12,570,000**	11,923,000
The future increase in the salaries		
Increase 1%	**12,570,000**	11,910,000
Decrease 1%	**(10,940,000)**	(10,645,000)

20 EMPLOYEES DEFINED BENEFITS LIABILITIES (continued)

e) The following are the expected payments or contributions to the employees in future years:

	31 December 2023 SR	31 December 2022 SR
Within the next 12 months	**9,678,000**	10,446,000
Between 2 and 5 years	**25,418,000**	24,522,000
Beyond 5 years	**80,948,000**	75,989,000
	116,044,000	110,957,000

The average duration of the defined benefit plan obligation at the end of the reporting period is 10 years (2022: 10 years).

21 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	31 December 2023 SR	31 December 2022 SR
Dividends payable	**118,268,225**	43,637,296
Accrued expenses	**44,731,120**	39,890,563
Advance from customers	**44,263,897**	41,924,643
Accrued employees' benefits	**26,712,384**	17,111,930
Board of Directors and committees' remunerations	**2,986,481**	3,505,057
Security deposits from customers	**3,635,846**	2,960,775
Others	**3,253,225**	4,340,322
	243,851,178	153,370,586

22 ZAKAT PAYABLE

a) The charge for the year is calculated based on the following:

	31 December 2023 SR	31 December 2022 SR
Equity	**1,578,896,429**	1,479,036,025
Opening provisions and other adjustments	**271,656,049**	377,405,959
Book value of long-term assets	**(1,820,914,959)**	(1,690,216,088)
	29,637,519	166,225,896
Adjusted net income for the year	**264,965,743**	243,758,654
Zakat base	**294,603,262**	409,984,550

The differences between the financial and zakatable results are mainly due to provisions, which are not allowed in the calculation of adjusted net income for the year.

b) The movement in zakat provision comprises the following:

	31 December 2023 SR	31 December 2022 SR
At the beginning of the year	**90,307,604**	87,695,348
Charge for the year	**15,010,401**	15,050,000
Paid during the year	**(58,039,899)**	(12,437,744)
At the end of the year	**47,278,106**	90,307,604

22 ZAKAT PAYABLE (continued)

c) *Details of the zakat charge for the year:*

	2023 **SR**	2022 SR
Current year provision	**15,010,401**	15,035,701
Prior year provision	**-**	14,299
Total zakat expense for the year	**15,010,401**	15,050,000

Status of assessments

The Group obtained final assessment for zakat until the end of the year 2010 and for the years 2014 until 2018. Zakat differences related to 2015 have been settled in the subsequent period.

2011 to 2013 status:

The Group did not receive the zakat assessments for the years 2011 until 2013.

2014 to 2018 status:

During the year 2020, the Group received the zakat assessments for the years 2014 to 2018, which resulted in an additional amount of SR 40.3 million. The Group objected to these assessments with the relevant Appeal Committee. During 2021, this case was divided into two different cases:

- The first case No. 38736-2021-z for the years 2014 and 2016 until 2018 (SR 35.5 million). During August 2023, the Group received the final outcome from the Appeal Committee for the mentioned assessments amounted to SR 34.6 million, stating the rejection of the appeal filed by the Group, which resulted in a settlement of the amount.

- The second case No. 58673-2021-z of 2015 (SR 4.8 million), where some of the objected items that were rejected by the Adjudication Committee have been transferred to the Appeal Committee with No. 161998-2022-z to appeal the rejected items. The group received the final decision of the Appeal Committee to pay SR 1.8 million which was paid in the subsequent period.

2019 and 2020 status:

ZATCA issued the zakat assessments to the Group for the years 2019 and 2020, which resulted in an additional amount of SR 11.5 million. The Group has submitted the objection against the assessments with the relevant Appeal Committee and submitted a bank guarantee to the ZATCA of 50% of the total amount in this regard. During 2022 this case was divided into two different cases:

- The first case No. 127671-2022-z for the year 2019, where some of the objected items that were rejected by the Adjudication Committee with total amount of SR 6.8 million and have been transferred to the Appeal Committee with No. 177650-2023-z, which is currently in the appeal stage and subject to legal assessment with The General Secretariat of the Tax Committee.

- The second case No. 127674-2022-z for the year 2020, where some of the objected items that were rejected by the Adjudication Committee with total amount after reduction of SR 2.5 million and have been transferred to the Appeal Committee with No. 180587-2023-z to appeal the rejected items. Which is currently in the appeal stage subject to legal assessment with The General Secretariat of the Tax Committee.

2021 and 2022 status:

The Group has submitted its consolidated zakat returns for the years 2021 and 2022, and the assessments have not yet been raised by ZATCA up to the date of the approval of these consolidated financial statements.

23 REVENUE FROM CONTRACT WITH CUSTOMERS

Type of goods or services

	2023 **SR**	2022 SR
Gas sales	**2,279,347,253**	1,938,393,173
Gas cylinders and tanks, and extension parts' sales	**94,062,204**	99,810,767
Service, transportation and installation revenue	**24,347,710**	16,603,949
Scrap sales	**6,941,202**	16,583,605
Other commercial projects	**53,214,902**	8,817,104
	2,457,913,271	2,080,208,598

Geographical markets

The Group has revenues from a single geographical market which is the Kingdom of Saudi Arabia.

Timing of revenue recognition

	2023 **SR**	2022 SR
Goods and services transferred at a point in time	**2,404,698,369**	2,071,391,494
Services transferred over time	**53,214,902**	8,817,104
	2,457,913,271	2,080,208,598

Contract balances

	2023 **SR**	2022 SR
Accounts receivable (Note 13)	**34,793,053**	30,774,861
Contract liabilities (Note 21)	**44,263,897**	41,924,643

Contract liabilities include short-term advances received to supply gases in tanks and filled gas cylinders to commercial and industrial customers. Those products and services are normally provided after the reporting period, therefore contract liabilities represent advances which were generally received close to year end.

Performance obligations

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

Gas, cylinders, tanks and installation services

The performance obligation is satisfied upon delivery of the related goods / service and payment is generally due upon delivery

Commercial projects

The performance obligation is satisfied over-time and payment is generally due upon completion of installation and acceptance of the customer. In some contracts, short-term advances are required before the installation service is provided.

23 REVENUE FROM CONTRACT WITH CUSTOMERS (continued)

Revenue recognised in relation to contract liabilities:

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year:

	2023 SR	**2022 SR**
Revenue recognised that was included in the contract liability balance at the beginning of the year	**34,990,962**	28,561,270

All contracts are for periods of one year or less are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed. Variable consideration is not applicable due to the Group’s business model.

24 COST OF REVENUES

	2023 SR	2022 SR
Cost of gas sold	**1,576,828,904**	1,298,596,803
Employee costs	**225,560,809**	208,216,514
Cost of gas cylinders and tanks, and extension parts	**104,826,521**	92,813,093
Depreciation of property, plant and equipment (Note 6)	**82,883,316**	84,169,214
Spare parts	**59,066,717**	45,400,068
Cost of other commercial projects	**25,932,134**	2,894,604
Utilities	**10,270,552**	13,402,337
IT costs	**15,212,704**	11,584,582
Insurance expenses	**6,700,142**	6,875,690
Amortization of intangible assets (Note 7)	**6,335,583**	4,820,799
Deprecation of right of use assets	**4,645,238**	5,929,340
Provision for replacing cylinders and others (Note 12)	**3,195,721**	2,930,479
External repairs	**499,740**	86,494
(Reversal)/ provision for slow moving inventories (Note 12)	**(503,461)**	3,036,309
Other expenses	**31,640,084**	20,823,285
	2,153,094,704	1,801,579,611

25 SELLING AND DISTRIBUTION EXPENSES

	2023 SR	2022 SR
Employee costs	**39,352,972**	43,911,186
Depreciation of property, plant and equipment (Note 6)	**6,606,849**	10,565,624
IT cost	**5,070,902**	4,413,400
Amortization of intangible assets (Note 7)	**3,325,240**	3,347,840
Fuel	**2,924,660**	2,765,594
Advertising	**2,244,164**	3,085,019
Insurance	**387,020**	451,244
(Reversal) / provision for other receivables	**(103,085)**	792,180
Others	**8,519,184**	7,285,035
	68,327,906	76,617,122

26 GENERAL AND ADMINISTRATIVE EXPENSES

	2023 SR	2022 SR
Employee costs	**71,448,046**	60,065,648
Professional fees *	**7,372,125**	11,115,258
Remuneration of the Board of Directors and committees	**5,336,200**	5,140,701
Technical support and computer application licenses	**5,070,902**	4,055,054
Depreciation of property plant and equipment (Note 6)	**4,969,441**	3,182,389
Amortization of intangible assets (Note 7)	**3,400,832**	3,058,471
Utilities	**1,375,542**	1,545,697
Repair and maintenance	**870,234**	122,463
Bank charges	**849,009**	975,451
Insurance expense	**724,768**	722,662
Visas and licenses fees	**717,078**	1,506,442
Employees legal claims	**23,152**	518,588
Others	**4,854,268**	6,297,924
	107,011,597	98,306,748

* Auditor's remuneration for the statutory audit and quarters reviews of the Group's financial statements for the year ended 31 December 2023 amounted to SR 1,190,000 (2022: SR 919,000) and other related services amounted to SR 104,000 (2022: SR 85,000)

27 INVESTMENTS INCOME

	2023 SR	2022 SR
Dividends income from investment at FVOCI	**49,413,378**	68,168,601
Rent income from investment properties (note 8)	**12,206,810**	12,952,648
Change in fair value of financial assets held at FVTPL (note 11.1.b)	**31,068,780**	(3,935,885)
Finance income from short-term murabaha time deposits	**-**	168,778
	92,688,968	77,354,142

28 FINANCE COSTS

	2023 SR	2022 SR
Unwinding of transaction costs on loans (Note (a) below and Note 19)	**1,828,099**	3,381,067
Follow up fees on term loan	**1,317,673**	2,016,984
Finance cost on lease liabilities (Note 9.2)	**789,690**	802,958
	3,935,462	6,201,009

a) *The movement of unmortised transaction costs including the effects of unwinding of the transaction cost during the year was as follows:*

	2023 SR	2022 SR
At 1 January	**3,274,765**	6,655,832
Less: unwinding of transaction costs on loans	**(1,828,099)**	(3,381,067)
At 31 December	**1,446,666**	3,274,765

29 OTHER INCOME, NET

	2023 **SR**	2022 SR
Gain on disposal of property, plant and equipment, net	**3,658,961**	30,868,003
Foreign currency exchange differences	**(811,423)**	468,972
Others	**2,190,751**	5,468,238
	5,038,289	36,805,213

30 EARNINGS PER SHARE

Earnings per share was calculated based on the weighted average number of shares outstanding. The diluted earnings per share is the same as the basic earnings per share, as the Group has not issued any discounted instruments as at 31 December:

	2023 **SR**	2022 SR
Profit for the year	**227,315,243**	214,063,523
Weighted average number of outstanding shares	**75,000,000**	75,000,000
Basic and diluted earnings per share	**3.03**	2.85

31 DIVIDENDS

The Group's Board of Directors decided on 27 Jumada Al-ula 1445H (corresponding to 11 December 2023), to distribute interim cash dividends to the shareholders for the second half of 2023 of SR 1 per share, amounting to SR 75 million in accordance with the authorization granted by the Ordinary General Assembly. These interim cash dividends were distributed subsequently to the shareholders on 16 Rajab 1445H corresponding to 28 January 2024 (2022: The Group's Board of Directors decided on 17 Jumada Al-ula 1444H (corresponding to 11 December 2022), to distribute interim cash dividends to the shareholders for the second half of 2022 of SR 1 per share, amounting to SR 75 million. These interim cash dividends were distributed to the shareholders in December 2022).

The Group's Board of Directors decided on 2 Dhul-Hijjah 1444H (corresponding to 20 June 2023), to distribute interim cash dividends to the shareholders for the first half of 2023 of SR 1 per share, amounting to SR 75 million, which have been distributed to the shareholders in July 2023 (2022: the Group's Board of Directors decided on 20 Sha'ban 1443H (corresponding to 23 March 2022), to distribute interim cash dividends to shareholders for the second half of 2021 of SR 0.75 per share, amounting to SR 56.3 million, which have been distributed to the shareholders in April 2022 and (the Group's Board of Directors decided on 15 Muharram 1444H (corresponding to 13 August 2022), to distribute interim cash dividends to the shareholders for the first half of 2022 of SR 0.85 per share, amounting to SR 63.75 million, which was distributed to the shareholders in September 2022).

32 COMMITMENTS AND CONTINGENCIES

Contingencies

The Group received a claim for the rent of one of the branches for the period from 9 April 1976 to 13 November 2021 amounting to SR 18.3 million. The legal advisor believes that the expected outcome from this matter will be in favor of the Group and management filed an objection to comply with the basis of the contractual terms.

32 COMMITMENTS AND CONTINGENCIES (continued)

Guarantees and letters of credit

The Group has an outstanding bank guarantee to ZATCA amounting SR 5.7 million, representing 50% of the total amount of zakat assessments for the years 2019 & 2020 (31 December 2022: SR 44.7 million) (Note 22).

The Group has submitted a bank guarantee to Saudi Arabian Oil Company "Saudi Aramco" amounting to SR 280 million (2022: SR 280 million) relating to the supply of liquefied gas products.

The Group has outstanding letters of credit as at 31 December 2023 amounting to SR 15 million (31 December 2022: SR 24.8 million).

The Group has other outstanding letters of guarantees as at 31 December 2023 amounting to SR 8.9 million (31 December 2022: SR 10.9 million).

Guarantees related to an investee

The Group had an outstanding guarantee for a loan granted by the Saudi Industrial Development Fund to Arabian United Floating Glass Company (investee FVTOCI) amounting to SR 8 million as at 31 December 2023 (31 December 2022: SR 21.4 million). Such loan was fully settled in the subsequent period.

Commitments

As at 31 December 2023, the Group has commitments of SR 99.5 million (31 December 2022: SR 146.5 million) related to capital work in progress under property, plant and equipment and intangible assets.

33 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent associated companies, shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management

a) *Transactions with related parties included in the statement comprehensive income are as follows:*

Name	***Relationship***
Saudi Gas Cylinder Factory Company	***Associates***

b) *The significant transactions and related balances for the years ended 31 December are as follows:*

	2023 SR	2022 SR
Purchases of gas cylinders and tanks	**77,432,010**	45,069,897

c) *Amounts due to related parties*

	2023 SR	2022 SR
Saudi Gas Cylinder Factory Company	**9,790,134**	22,055,112

The above balances are unsecured, interest free and have no fixed repayment. Further, these have been disclosed as part of the trade payable.

33 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

d) Key management personnel compensation

Key management personnel of the Group comprise of key members of the management having authority and responsibility for planning, directing and controlling the activities of the Group. The compensation to key management is shown below:

	2023 **SR**	2022 SR
Key management personnel salaries and benefits- short term	**18,761,961**	12,546,288
Board of directors' members remunerations	**5,336,200**	5,140,701
Post-retirement benefits	**1,602,818**	1,323,552
Total	**25,700,979**	19,010,541

The amounts disclosed in the above table are the amounts recognized as an expense during the reporting period related to key management personnel.

34 FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Group's principal financial liabilities, comprise loans and borrowings, lease liabilities and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include accounts receivable, and cash and cash equivalents that derive directly from its operations. The Group also holds investments in debt and equity instruments. The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives which are summarized below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt and equity investments.

Currency risk

Currency risk is the risk that the value of a financial instruments will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals, US Dollars and Euros. Management monitors the fluctuations in currency exchange rates on a regular basis. The Group's exposure to foreign currency changes for US dollars is not material due to the fact that the Saudi Riyals is pegged with US dollars, and the Group does not have any material assets or liabilities in US dollars as at 31 December 2023.

The Group has the following significant financial liability exposures, denominated in foreign currency:

	2023 **SR**	2022 SR
Euro	**1,024,106**	1,899,455

34 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Market risk (continued)

Currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in Euro currency exchange rate. With all other variables held constant, the Group's profit before zakat is affected through the impact on change in Euro currency exchange rate, as follows:

	1% increase SR	1% decrease SR
2023	**(42,423)**	**42,423**
2022	(74,687)	74,687

Equity price risk

The Group's listed and non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to equity investments at fair value listed on the Tadawul was SR 139,719,231 (2022: SR 113,560,084). Given that the changes in fair values of the equity investments held are strongly positively correlated with changes of the Tadawul market index, the Group has determined that an increase/(decrease) of 1% on the Tadawul market index could have an impact of approximately SR 1,397,192 (2022: SR 1,135,601) increase/(decrease) on the income and equity attributable to the Group.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's short-term loans have a short tenure and carry a floating rate of interest and is carried at amortized cost. Accordingly, management believes that the Group is not subject to any significant interest rate risk because it is a practice of the Group to settle all short-term debt obligations at the time of maturity which is generally one month.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before zakat is affected through the impact on floating rate borrowings, as follows:

	45 basis points increase SR	45 basis points decrease SR
2023	**(1,129,043)**	**1,129,043**
2022	(1,056,712)	1,056,712

Liquidity risk

The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. These forecasts are taken into the consideration in the Group's financing plans.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment years. The tables have been compiled based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

34 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Liquidity risk (continued)

	Within one year SR	1-5 years SR	Over 5 years SR	Total SR
At 31 December 2023				
Trade payables	**203,202,101**	**-**	**-**	**203,202,101**
Accrued expenses and other current liabilities	**243,851,178**	**-**	**-**	**243,851,178**
Lease liabilities	**7,281,846**	**10,353,232**	**1,962,820**	**19,597,898**
Term loan	**26,500,000**	**25,053,334**	**-**	**51,553,334**
Employee defined benefits liabilities	**9,678,000**	**25,418,000**	**80,948,000**	**116,044,000**
Financial guarantee	**8,000,000**	**-**	**-**	**8,000,000**
	498,513,125	**60,824,566**	**82,910,820**	**642,248,511**

	Within one year SR	1-5 years SR	Over 5 years SR	Total SR
At 31 December 2022				
Trade payables	215,972,941	-	-	215,972,941
Accrued expenses and other current liabilities	153,370,586	-	-	153,370,586
Lease liabilities	5,250,910	12,908,655	2,048,160	20,207,725
Term loan	-	76,000,000	-	76,000,000
Employee defined benefits liabilities	10,446,000	24,522,000	75,989,000	110,957,000
Financial guarantee	21,368,000	-	-	21,368,000
	406,408,437	113,430,655	78,037,160	597,876,252

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily accounts receivable) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group assumes that the credit risk on financial assets has increased significantly if it is more than 60 days past due.

The Group considers a financial asset to be in default when:

- The customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to action such as realizing security (if any is held); and

- Default of the financial asset for 90 days or more from its maturity date.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have an adverse effect on the estimated future cash flows of the financial asset have occurred.

34 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Credit risk (continued)

Credit-impaired financial assets (continued)

Evidence that a financial asset is of impaired credit includes the following observable data:

- Significant financial difficulty of the customer, such as delay in payment, decline in business…etc.
- A breach of contract such as default or delinquency for a period of more than 90 days.
- It is becoming probable that the customer will enter bankruptcy or other financial restructuring.

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Receivables with low risk of default and have a high ability to meet contractual payments.	Lifetime expected losses
Under-performing	Receivables with high credit risk is considered high when payment is delayed for 45 days.	Lifetime expected losses
Non- performing	Payments are 120 days past due.	Lifetime expected losses
Provision	Payments are more than 360 days past due and there is no reasonable expectation of recovery.	Lifetime expected losses with 100% provision.

Accounts receivable

Customer credit risk is managed by each business unit subject to the Group’s established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance obtained from reputable banks and other financial institutions. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, accounts receivable are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 11.1-C, 13 and 15. The Group holds collateral as security. The cash deposits and other forms of collaterals are considered integral part of accounts receivable and considered in the calculation of impairment. At 31 December 2023, SR 8,161,031 (2022: SR 23,123,355) of the total Groups accounts receivable are covered by cash deposits and other forms of collaterals. These collaterals obtained by the Group resulted in a decrease in the ECL SR 108 thousand as at 31 December 2023 (2022: SR 4.3 million). The Group evaluates the concentration of risk with respect to accounts receivable as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

34 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Credit risk (continued)

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

Debt securities

The Group invests in both quoted and unquoted debt securities with very low credit risk. The Group's debt instruments at fair value through OCI comprised solely of unquoted bonds that are graded in the top investment category (Very Good and Good) from accredited credit rating agency and, therefore, are considered to be low credit risk investments. As at 31 December 2023, the Group calculated the provision for expected credit losses on its debt instruments at amortized cost of SR 65,973 (2022: SR 38,497) which is immaterial for the management.

The credit ratings of investments as at 31 December 2023 and 2022 are as follows:

	31 December 2023 SR	31 December 2022 SR
A1	**220,898,514**	145,016,184
A2	**30,000,000**	130,867,320
Unrated	**-**	9,000,000
	250,898,514	284,883,504

Financial guarantees

The financial guarantee is given against a loan on behalf of one investee at FVOCI and management believes that the guarantee will not be liquidated, the fair value of the liability arising from the guarantee is zero at the time of giving such guarantee. Based on the management's assessment of the investee results and the liquidity of the investee, they believe that this guarantee will not be liquidated against them. The Management reviews the investee results on quarterly basis and whenever there are any indictors of default from the associate, they will record the liability as required. As at 31 December 2023, the Group management assessed the impact of the provision for expected credit losses and it is immaterial.

Accrued rent

Accrued rent comprises of rental income receivable from investment properties. As per the Group's policy, surplus funds are invested in reliable investment opportunities such as real estate, amongst others, only with the approval of the Investment Committee. The Management minimizes the risks of any financial loss through the counterparty's failure to make payments through obtaining bank guarantees or promissory notes from the counterparty which covers the counterparty's next year rent amount. As at 31 December 2023, the Group management assessed the impact of the provision for expected credit losses and it is immaterial.

34 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Credit risk (continued)

Employee receivables

The employees' receivables are advances given to employees which is SR 4,751,073 and at the date of paying such amounts to the employee a schedule for the payments on monthly basis should be signed by the employee, and as per the Group policy all amounts should be recovered in less than one year from the date of paying the advance and should be guaranteed against employee end of service provision of the same employee. Accordingly, all the balances are guaranteed against the employee end of service. As at 31 December 2023, the Group management assessed the impact of the provision for expected credit losses and it is immaterial.

Cash in banks

The Group has kept cash and cash equivalents in reputable banks and reputable portfolio managers, so the expected credit losses of cash and cash equivalents as at 31 December 2023 amounted to SR 30,126 (31 December 2022: nil) which is immaterial for the management.

The credit ratings of banks in which the Group holds cash as at 31 December 2023 and 2022 are as follows:

	31 December 2023 SR	31 December 2022 SR
A1	**70,271,849**	102,908,249
A2	**1,708,232**	-
A3	**55,350,656**	-
BBB	**-**	72,943,487
Unrated	**2,307,561**	-
	129,638,298	175,851,736

Capital management

For the purpose of the Group's management, capital includes issued capital and all other equity reserves attributable to the equity holders. The primary objective of the Group's capital management is to maximize the shareholders' value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions. The Group informally monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Group includes within net debt, short term loans, lease liabilities, employees' defined benefit liabilities, zakat payable, less cash and bank balances.

	31 December 2023 SR	31 December 2022 SR
Term loan	**53,000,000**	76,000,000
Lease liabilities	**19,597,898**	20,207,725
Employees' defined benefits liabilities	**116,044,000**	110,957,000
Zakat provision	**47,278,106**	90,307,604
Less: Cash and cash equivalents	**(129,638,298)**	(175,851,736)
Net debt	**106,281,706**	121,620,593
Equity	**1,845,693,309**	1,734,963,520
Equity and net debt	**1,951,975,015**	1,856,584,113
Gearing ratio	**5.44%**	6.55%

35 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique, In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date, Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability (Note 11.1.a).

The table below shows the carrying values and fair values of financial assets and liabilities, including their levels in the fair value hierarchy, and does not include fair value information of financial assets and liabilities which are not measured at fair value if the carrying value reasonably approximates the fair value:

35 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

	31 December 2023						
	Carrying value			*Fair value*			
	Fair value SR	**Amortized cost SR**	**Total SR**	**Level 1 SR**	**Level 2 SR**	**Level 3 SR**	**Total SR**
Financial assets							
Financial assets held at FVOCI	**685,726,828**	**-**	**685,726,828**	**17,709,582**	**41,310,000**	**626,707,246**	**685,726,828**
Financial assets held at amortized cost	**-**	**250,898,514**	**250,898,514**	**-**	**-**	**-**	**-**
Financial assets held at FVTPL	**122,009,649**	**-**	**122,009,649**	**122,009,649**	**-**	**-**	**122,009,649**
Accounts receivable at amortized cost	**-**	**34,793,053**	**34,793,053**	**-**	**-**	**-**	**-**
Prepayments and other assets at amortized cost	**-**	**82,538,279**	**82,538,279**	**-**	**-**	**-**	**-**
Cash and cash equivalents at amortized cost	**-**	**129,638,298**	**129,638,298**	**-**	**-**	**-**	**-**
Total	**807,736,477**	**497,868,144**	**1,305,604,621**	**139,719,231**	**41,310,000**	**626,707,246**	**807,736,477**
Financial liabilities at amortized cost							
Lease liabilities	**-**	**19,597,898**	**19,597,898**	**-**	**-**	**-**	**-**
Term loan	**-**	**51,553,334**	**51,553,334**	**-**	**-**	**-**	**-**
Trade payables	**-**	**203,202,101**	**203,202,101**	**-**	**-**	**-**	**-**
Accrued expenses and others current liabilities	**-**	**243,851,178**	**243,851,178**	**-**	**-**	**-**	**-**
Total	**-**	**518,204,511**	**518,204,511**	**-**	**-**	**-**	**-**

35 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

	31 December 2022						
	Carrying value			**Fair value**			
	Fair value SR	**Amortized cost SR**	**Total SR**	**Level 1 SR**	**Level 2 SR**	**Level 3 SR**	**Total SR**
Financial assets							
Financial assets held at FVOCI	654,995,718	-	654,995,718	19,017,266	44,295,900	591,682,552	654,995,718
Financial assets held at amortized cost	-	214,016,184	214,016,184	-	-	-	-
Financial assets held at FVTPL	132,356,596	-	132,356,596	132,356,596	-	-	132,356,596
Accounts receivable at amortized cost	-	30,774,861	30,774,861	-	-	-	-
Prepayments and other assets at amortized cost	-	60,405,421	60,405,421	-	-	-	-
Cash and cash equivalents at amortized cost	-	175,851,736	175,851,736	-	-	-	-
Total	787,352,314	481,048,202	1,268,400,516	151,373,862	44,295,900	591,682,552	787,352,314
Financial liabilities at amortized cost							
Lease liabilities	-	20,207,725	20,207,725	-	-	-	-
Term loan	-	72,725,235	72,725,235	-	-	-	-
Trade payables	-	215,972,941	215,972,941	-	-	-	-
Accrued expenses and others current liabilities	-	153,370,586	153,370,586	-	-	-	-
Total	-	462,276,487	462,276,487	-	-	-	-

35 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Valuation of investments in funds – Level 2

The Group's investments in funds ('Investee Funds') are subject to the terms and conditions of the respective Investee Fund's offering documentation. The investments in Investee Funds are valued based on the latest available redemption price of such units for each Investee Fund, as determined by the Investee Funds' administrators. The Group reviews the details of the reported information obtained from the Investee Funds and considers:

- the liquidity of the Investee Fund or its underlying investments;
- the value date of the net asset value "NAV" provided;
- any restrictions on redemptions; and
- the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information provided by the Investee Fund's advisors.

If necessary, the Group makes adjustments to the NAV of various Investee Funds to obtain the best estimate of fair value. Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss in the statement of comprehensive income include the change in fair value of each Investee Fund.

36 EVENTS SUBSEQUENT TO THE REPORTING DATE

In the opinion of the management, there have been no significant subsequent events since the year-end that require disclosure or adjustment in these Consolidated Financial Statements.

37 CHANGES TO COMPARATIVES

During 2023, the Group reassessed the presentation of accrued rental asset balance which was incorrectly classified as a current asset in the consolidated statement of financial position. The Group noted that the classification of the accrued rental asset balance as a current asset is inconsistent with the timing over which the balance will reverse and accordingly this balance should have been classified as a non-current asset. This misclassification has been corrected by restating and reclassifying each of the impacted consolidated financial statement line items for the prior periods. The following tables summarizes the impact on the consolidated financial statement line items:

Consolidated statement of financial position as at 31 December 2022

	As previously reported	Amount of reclassification	Reclassified amounts
Consolidated statement of financial position			
Prepayments and other assets	60,405,421	(27,850,347)	32,555,074
Total current assets	**592,781,579**	**(27,850,347)**	**564,931,232**
Non current portion – prepayments and other assets	-	27,850,347	27,850,347
Total non-current assets	**1,805,723,032**	**27,850,347**	**1,833,573,379**

37 CHANGES TO COMPARATIVES (continued)

Consolidated statement of financial position as at 1 January 2022

	As previously reported	Amount of reclassification	Reclassified amounts
Consolidated statement of financial position			
Prepayments and other assets	59,663,530	(21,072,570)	38,590,960
Total current assets	**616,448,306**	**(21,072,570)**	**595,375,736**
Non current portion – prepayments and other assets	-	21,072,570	21,072,570
Total non-current assets	**1,721,535,432**	**21,072,570**	**1,742,608,002**

38 APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on 1 Ramadan 1445 (corresponding to 11 March 2024).