

**ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)**

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2022**

Astra Industrial Group Company and Its Subsidiaries
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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Independent auditor's report to the shareholders of Astra Industrial Group Company

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Astra Industrial Group Company (the "Company") and its subsidiaries (together the "Group") as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, 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 December 31, 2022;
- the consolidated statement of income for the year then ended;
- the consolidated statement of other 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, which include significant accounting policies 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 matter: Expected credit losses for trade receivables

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 the directors 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.



Independent auditor’s report to the shareholders of Astra Industrial Group Company (continued)

Our audit approach (continued)

Key audit matter/ Expected credit losses for trade receivables

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
<p><i>Expected credit losses for trade receivables</i></p>	
<p>As at December 31, 2022, the gross carrying amount of trade receivables amounted to Saudi Riyals 946 million against which the Group recognised provision for impairment amounting to Saudi Riyals 109 million in accordance with the requirements of IFRS 9, “<i>Financial Instruments</i>”.</p>	<p>We performed the following procedures:</p>
<p>The Group assesses at each reporting date whether the trade receivables are credit impaired. The Group has applied a simplified expected credit loss (“ECL”) model to determine the allowance for impairment.</p>	<ul style="list-style-type: none">• We developed an understanding of relevant business process and assessed the design and implementation of controls over the determination of the ECL allowance.
<p>The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s past history, existing market conditions as well as forward looking estimates at the end of each reporting period.</p>	<ul style="list-style-type: none">• With inputs from our experts, we performed the following procedures on the Group’s ECL model:
<p>We considered this to be a key audit matter due to the level of judgment applied and estimates made in the application of the ECL model.</p>	<ul style="list-style-type: none">- Checked the consistency of the ECL model developed by the Group with the requirements of IFRS 9, “<i>Financial Instruments</i>”, and assessed the reasonableness of the methodology;
<p><i>Refer to Note 2.4, Note 3.3, Note 9 and Note 32.2.1 to the consolidated financial statements for further information.</i></p>	<ul style="list-style-type: none">- Tested the completeness and accuracy of underlying information used in the model and checked the arithmetical accuracy of the computation of ECL;
	<ul style="list-style-type: none">- Considered the appropriateness of forward-looking factors used to reflect the impact of future events on expected credit losses; and
	<ul style="list-style-type: none">- Performed a sensitivity analysis on key assumptions of macro-economic factors;
	<ul style="list-style-type: none">• We also considered the adequacy and appropriateness of the related accounting policies and disclosures in the consolidated financial statements.



Independent auditor's report to the shareholders of Astra Industrial Group Company (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report of the Group 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 2022 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the 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 they determines 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.



Independent auditor's report to the shareholders of Astra Industrial Group Company (continued)

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

- 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.

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

A handwritten signature in blue ink, appearing to read 'Mufaddal A. Ali', is written over a horizontal line.

Mufaddal A. Ali
License No. 447

March 21, 2023

Astra Industrial Group Company and Its Subsidiaries
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	As at December 31,	
		2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	5, 6	788,575,226	1,148,057,533
Intangible assets	7	72,873,861	36,160,612
Other non-current assets		<u>5,132,941</u>	<u>6,174,658</u>
		866,582,028	1,190,392,803
Current assets			
Inventories	8	782,631,966	754,746,498
Trade receivables	9	837,069,246	767,361,756
Due from related parties	10.3	31,471,917	2,468,249
Prepayments and other current assets	11	168,451,984	126,702,285
Time deposits	12	163,000,000	-
Cash and cash equivalents	13	675,744,985	46,314,000
		<u>2,658,370,098</u>	<u>1,697,592,788</u>
TOTAL ASSETS		3,524,952,126	2,887,985,591
LIABILITIES AND EQUITY			
LIABILITIES			
Non-current liabilities			
Loans and lease liabilities	14	100,358,436	40,730,463
Employees defined benefit liabilities	15	137,527,602	133,401,876
		<u>237,886,038</u>	<u>174,132,339</u>
Current liabilities			
Trade payables	16	242,292,465	209,557,850
Accrued expenses and other current liabilities	17	562,853,088	411,296,128
Deferred tax liability	18.5	7,617,206	-
Due to related parties	10.4	470,613	732,731
Due to a related party – loan	10.5	-	30,052,273
Loans and lease liabilities	14	428,462,658	487,809,789
Zakat and income tax payable	18	132,184,668	70,312,634
		<u>1,373,880,698</u>	<u>1,209,761,405</u>
Total liabilities		1,611,766,736	1,383,893,744
Equity			
Share capital	19	800,000,000	800,000,000
Statutory reserve	20	406,568,677	406,568,677
Retained earnings		676,974,545	321,723,743
Foreign currency translation reserve	32.1.1	(34,156,634)	(76,651,418)
Equity attributable to shareholders of the parent		1,849,386,588	1,451,641,002
Non-controlling interests	29	63,798,802	52,450,845
Net equity		1,913,185,390	1,504,091,847
TOTAL LIABILITIES AND EQUITY		3,524,952,126	2,887,985,591

The accompanying notes (1) through (37) form an integral part of these consolidated financial statements.


Vice President Finance


President
/ Chief Executive Officer


Authorized Board of
Directors Member

Astra Industrial Group Company and Its Subsidiaries
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF INCOME
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31	
		2022	2021*
Revenue	26	2,594,148,494	2,330,204,128
Cost of revenue	21	(1,554,096,068)	(1,435,678,043)
Gross profit		1,040,052,426	894,526,085
Selling and distribution expenses	22	(359,382,283)	(334,410,017)
General and administrative expenses	23	(255,212,710)	(185,392,951)
Provision for impairment	9.2	(5,299,606)	(22,462,819)
Research expenses		(24,516,919)	(25,969,196)
Income from operations		395,640,908	326,291,102
Finance costs, net	14.4	(46,924,996)	(51,878,106)
Foreign exchange and hyperinflation	24	(11,808,854)	(32,412,955)
Income before zakat and income tax		336,907,058	242,000,041
Zakat	18.1	(26,943,487)	(20,996,972)
Current income tax charge	18.1	(6,262,268)	(6,038,795)
Deferred tax		(994,067)	1,464,765
		(34,199,822)	(25,571,002)
Net income for the year from continuing operations		302,707,236	216,429,039
Discontinued operation			
Discontinued operation	33	182,961,603	(22,891,486)
Net income for the year		485,668,839	193,537,553
Attributable to			
Shareholders of the Parent		474,316,220	202,368,832
Non-controlling interests		11,352,619	(8,831,279)
		485,668,839	193,537,553
Earnings per share from continuing operations (basic and diluted)		3.78	2.71
Earnings / (loss) per share from discontinued operation (basic and diluted)		2.29	(0.29)
Earnings per share attributable to shareholders of the Parent (basic and diluted)	25	5.93	2.53

* Certain comparative figures have been re-presented in the consolidated financial statements as a result of discontinued operations and a reclassification restatement as described in Notes 33 and 34.

The accompanying Notes (1) through (37) form an integral part of these consolidated financial statements.


Vice President Finance


President
/ Chief Executive Officer


Authorized Board of
Directors Member

Astra Industrial Group Company and Its Subsidiaries
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31	
		2022	2021
Net income for the year		485,668,839	193,537,553
Other comprehensive income (OCI) to be reclassified to income in subsequent years:			
Exchange income/(loss) on translation of foreign operations		16,667,946	(30,442,214)
Reclassification of exchange loss from OCI to statement of income	24	<u>25,816,651</u>	<u>18,976,028</u>
		42,484,597	(11,466,186)
Other comprehensive income (loss) not to be reclassified to income in subsequent years:			
Re-measurement income (loss) on employee defined benefit liabilities	15.1	<u>940,107</u>	<u>(5,125,161)</u>
		43,424,704	(16,591,347)
Total comprehensive income for the year		<u>529,093,543</u>	<u>176,946,206</u>
Attributable to:			
Shareholders of the Parent		517,745,586	185,794,439
Non-controlling interests		<u>11,347,957</u>	<u>(8,848,233)</u>
		<u>529,093,543</u>	<u>176,946,206</u>

The accompanying Notes (1) through (37) form an integral part of these consolidated financial statements.


Vice President Finance

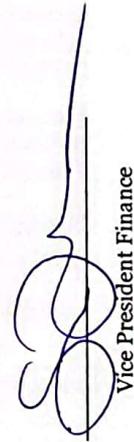

President
/ Chief Executive Officer


Authorized Board of
Directors Member

Astra Industrial Group Company and Its Subsidiaries
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(All amounts are in Saudi Riyals unless otherwise stated)

Note	Attributable to shareholders of the Parent						Net equity
	Share capital	Statutory reserve	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interests	
January 1, 2022	800,000,000	406,568,677	321,723,743	(76,651,418)	1,451,641,002	52,450,845	1,504,091,847
Net income for the year	-	-	474,316,220	-	474,316,220	11,352,619	485,668,839
Other comprehensive income	-	-	934,582	42,494,784	43,429,366	(4,662)	43,424,704
Total comprehensive income	-	-	475,250,802	42,494,784	517,745,586	11,347,957	529,093,543
Dividends	-	-	(120,000,000)	-	(120,000,000)	-	(120,000,000)
December 31, 2022	800,000,000	406,568,677	676,974,545	(34,156,634)	1,849,386,588	63,798,802	1,913,185,390
January 1, 2021	800,000,000	406,568,677	184,463,118	(65,185,232)	1,325,846,563	61,015,131	1,386,861,694
Net income for the year	-	-	202,368,832	-	202,368,832	(8,831,279)	193,537,553
Other comprehensive income	-	-	(5,108,207)	(11,466,186)	(16,574,393)	(16,954)	(16,591,347)
Total comprehensive income	-	-	197,260,625	(11,466,186)	185,794,439	(8,848,233)	176,946,206
Formation of a subsidiary	-	-	-	-	-	283,947	283,947
Dividends	-	-	(60,000,000)	-	(60,000,000)	-	(60,000,000)
December 31, 2021	800,000,000	406,568,677	321,723,743	(76,651,418)	1,451,641,002	52,450,845	1,504,091,847

The accompanying Notes (1) through (37) form an integral part of these consolidated financial statements.


Vice President Finance


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/ Chief Executive Officer


Authorized Board of
Directors Member

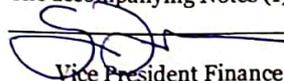
Astra Industrial Group Company and Its Subsidiaries
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31	
		2022	2021*
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before zakat and income tax - Continuing operations		336,907,058	242,000,041
Discontinued operation		182,961,603	(22,891,486)
Income before zakat and income tax including discontinued operation		519,868,661	219,108,555
Adjustments for non-cash items			
Depreciation and amortization	5, 7.2	78,943,641	93,971,928
Finance costs	14.4	56,365,833	52,307,316
Provision for near expiry, obsolete and slow-moving inventories	8	33,528,883	30,251,064
Employee defined benefit costs	15.1	21,131,136	17,375,429
Provision for impairment of trade receivables	9.2	5,299,606	22,462,819
Impairment of goodwill	7.1	25,206,754	-
Loss on disposal of property, plant and equipment		-	1,322,933
Gain on disposal of a subsidiary	33.2	(182,961,603)	-
Impairment on non-financial assets	5, 21	8,616,116	31,391,746
Net monetary gain	24	(23,565,988)	(36,602,074)
Changes in operating assets and liabilities:			
Inventories		(161,890,640)	(36,257,900)
Trade receivables		(77,190,429)	(32,564,459)
Due from related parties		(29,003,668)	(162,219)
Prepayments and other assets		(47,374,314)	(8,071,244)
Trade payables		44,291,432	(14,150,763)
Accrued expenses and other current liabilities		164,453,755	72,981,387
Due to related parties		(30,314,391)	(37,743)
Employees defined benefit paid	15.1	(16,065,303)	(11,897,183)
Zakat and income tax paid	18.2	(32,155,006)	(22,955,084)
Net cash generated from operating activities		357,184,475	378,474,508
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(54,378,537)	(74,405,201)
Additions to intangible assets	7	(10,187,696)	(6,049,989)
Acquisition of a subsidiary		(31,981,766)	-
Proceeds from sale of a subsidiary		668,518,937	-
Net cash generated from (used in) investing activities		571,970,938	(80,455,190)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in short-term loans	14.1	(61,977,729)	(194,787,930)
Time deposit	12	(163,000,000)	-
Proceeds from long-term loans	14.1	47,719,282	5,999,927
Repayment of long-term loans	14.1	(4,235,015)	(2,018,523)
		(181,493,462)	(190,806,526)
Dividends paid	35	(120,000,000)	(60,000,000)
Principal elements of lease payments		(7,896,242)	(6,829,639)
Finance costs paid		(54,632,013)	(50,388,561)
Non-controlling interest - Net		(10,187)	-
Net cash used in financing activities		(364,031,904)	(308,024,726)
Net change in cash and cash equivalents		565,123,509	(10,005,408)
Cash and cash equivalents at the beginning of the year		46,314,000	54,460,204
Net foreign exchange gain		64,307,476	1,859,204
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	13	675,744,985	46,314,000

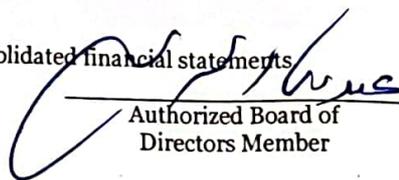
For supplement schedule of significant non-cash information, see note 36 to these consolidated financial statements.

* Certain comparative figures have been re-presented in the consolidated statement of cash flows for a reclassification restatement. See note 34.

The accompanying Notes (1) through (37) form an integral part of these consolidated financial statements


Vice President Finance


President
/ Chief Executive Officer


Authorized Board of
Directors Member

**Astra Industrial Group Company and Its Subsidiaries
(A Saudi Joint Stock Company)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER
31, 2022**

(All amounts are in Saudi Riyals unless otherwise stated)

1 ORGANIZATION AND ACTIVITIES

Astra Industrial Group Company (the “Company” / “AIG”) and its subsidiaries (together the “Group”) is a Saudi joint stock company operating under commercial registration number 1010069607 issued in Riyadh, Saudi Arabia on Muharram 9, 1409H (corresponding to August 22, 1988). The address of the Group’s head office is as follows:

Astra Industrial Group
P.O. Box 1560
Riyadh 11441
Kingdom of Saudi Arabia (KSA)

The principal activities of the Group are as follows:

- Building, managing, operating and investing in industrial plants.
- Production, marketing and distribution of medicine and pharmaceutical products.
- Production of polymer compounds, plastic additives, color concentrates and other plastic products.
- Production of compounded fertilizers and agriculture pesticides and wholesale and retail trading of fertilizers, fungicides and insecticides.
- Metal based construction of buildings, building frames, and productions of steel products.
- Operating plant for processing of minerals and production of industrial mineral.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, that are endorsed in Kingdom of Saudi Arabia (“IFRS”), and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

These consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies such as employees defined benefit liabilities which are recognised at the present value of future obligations using the Projected Unit Credit Method.

Astra Industrial Group Company and Its Subsidiaries
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

(All amounts are in Saudi Riyals unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation

The subsidiary companies included in these consolidated financial statements are as follows:

<i>Subsidiary Company</i>	<i>Country of Incorporation</i>	<i>Percentage of effective ownership (Directly or indirectly)</i>	
		2022	2021
Pharmaceutical segment:			
Tabuk Pharmaceutical Manufacturing Company ("TPMC")	Kingdom of Saudi Arabia	100	100
TPMC has the following subsidiaries:			
- Tabuk Pharmaceutical Research Company	The Hashemite Kingdom of Jordan	100	100
- Tabuk Pharmaceutical Company Limited ("TPCL Sudan")	Republic of the Sudan	100	100
- Tabuk Pharmaceutical Manufacturing Company	Arab republic of Egypt	100	100
- Eurl Societe Tabuk Algerie	People's Democratic Republic of Algeria	100	100
Specialty chemical segment:			
Astra Polymer Compounding Company Limited ("Polymer")	Kingdom of Saudi Arabia	100	100
Polymer has the following subsidiaries:			
- Astra Polymers free zone Imalat Sanayi Ve Ticaret Anonim Sirketi. ("Astra Polymers Free Zone")	Republic of Turkey	100	100
- Astra Polymer Pazarlama San. Ve Tic. A.Ş	Republic of Turkey	100	100
- Astra Specialty Compounds India Private Limited	Republic of India	100	100
Astra Industrial Complex Co. Ltd. for Fertilizer and Agrochemicals ("AstraChem")	Kingdom of Saudi Arabia	100	100
AstraChem has the following subsidiaries:			
- AstraChem Saudia	People's Democratic Republic of Algeria	100	100
- AstraChem Morocco	Kingdom of Morocco	100	100
- Aggis International Limited	British Virgin Islands	100	100
- Chemidor Tarim Ticaret Limited Sirketi, formally (AstraChem Turkey)	Republic of Turkey	100	100
- AstraChem Syria	Syrian Arab Republic	100	100
- AstraChem Tashqand	Republic of Uzbekistan	100	100
- Astra Industrial Complex Co. Ltd. for Fertilizer and Agrochemicals, Jordan	The Hashemite Kingdom of Jordan	100	100
- Astra Nova, Turkey	Republic of Turkey	100	100
- AstraChem Ukraine Ltd.	Ukraine	100	100
- AstraChem Saudi Jordan Co.	Arab republic of Egypt	100	100
- Astra Agricultural Saudi Jordan Co.	Arab republic of Egypt	100	100
- Astra Industrial Complex for Fertilizers and Agrochemicals and Investments	Sultanate of Oman	100	100
- Green Highland Seeds Company Limited – Jordon	The Hashemite Kingdom of Jordan	100	100
- AstraChem Agriculture Co, LLC.	United Arab Emirates	100	100
- Universal United Chemicals Co. Ltd.	People's Republic of China	100	100
- Astra Agricultural Company Limited	Kingdom of Saudi Arabia	100	100
- CHEMNOVA Limited Liability Company – Note (a)	People's Democratic Republic of Algeria	49	49
- Agrostulln GmbH – Note (b)	Federal Republic of Germany	100	-
Power and steel industries segment:			
International Building Systems Factory Company Limited ("IBSF")	Kingdom of Saudi Arabia	100	100
Astra Energy LLC ("Astra Energy")			
Astra Energy has the following subsidiary:			
- Fertile Crescent for Electricity Generation Company	The Hashemite Kingdom of Jordan	76	76
	Republic of Iraq	76	76
	The Hashemite Kingdom of Jordan	65	65
- Al-Tanmiya Company for Steel Manufacturing ("Tanmiya")	Republic of Iraq	-	65
- Al Anmaa Company - Note 33			
Processing of minerals segment:			
Astra Mining Company Limited ("Astra Mining") Note 29 (b)	Kingdom of Saudi Arabia	77.3	77.3

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

- (a) During 2021, one of the subsidiaries (i.e; Astra Industrial Complex Co. Ltd. for Fertilizer and Agrochemicals) of the Group established a Company in Algeria namely "CHEMNOVA Limited Liability Company" with 49% shareholding. The Group has significant control on the CHEMNOVA Limited Liability Company through its subsidiary Astra Industrial Complex Co. Ltd. for Fertilizer and Agrochemicals, therefor, the investment in CHEMNOVA Limited Liability Company is considered a subsidiary to the Group and is consolidated in its financial statements.

CHEMNOVA Limited Liability Company main activates are import, Phytosanitary products, tools and equipment and its spare parts related to farming industry.

- (b) During September 2022, AstraChem, a wholly owned subsidiary, signed a purchase agreement to acquire 100% shares of Agrostulln GmbH located in Stulln, Bavaria in Federal Republic of Germany, for a consideration amounting to SAR 56 million (Euro 14 million). The control has been transfer to AIG on October 1, 2022. The subsidiary is engaged in the production of agrochemical product (Wettable Sulfur) and its engaged in buys raw Sulphur from oil refineries and then have granulation process to sell it to local and export markets.

Purchase consideration	SAR
Cash paid	44,018,374
Deferred consideration	12,009,263
Total consideration	<u>56,027,637</u>

The fair value of the financial position for the acquired subsidiary as at October 1, 2022:

Assets Acquired	SAR
Property, plant and equipment	519,043
Intangibles	27,687,123
Accounts receivables	1,139,464
Inventories	2,268,671
Other assets	295,393
Cash and equivalents	12,036,608
Total assets	<u>43,946,302</u>
Liabilities assumed	
Trade payables	160,073
Deferred tax liability	7,617,206
Accrued expenses	241,095
Other liabilities	8,353,089
	<u>16,371,463</u>
Net assets acquired	<u>27,574,839</u>
Goodwill Computation	
Purchase Consideration Paid	44,018,374
Deferred Consideration	12,009,263
	<u>56,027,637</u>
less: Fair Value of net assets acquired	27,574,839
Goodwill	<u>28,452,798</u>

The fair value of acquired trade receivables is SAR 1.1 million. The gross contractual amount for trade receivables due is SAR 1.1 million, with a loss allowance of nil recognised on acquisition.

The goodwill is attributable to the owners of the Company which is AIG Group as this is a 100% acquired investee. The payment made by the Company in excess of the fair value of the net assets of the acquired investee is due to the business in which the entity operates and the potentiality of that business.

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

Goodwill Computation

	SAR
Purchase Consideration	56,027,637
Less: net identifiable assets acquired	<u>(27,574,839)</u>
	<u>28,452,798</u>

The summary of comprehensive income for the acquired subsidiary since the acquisition date:

	From October 1, 2022 to December 31, 2022
Revenue	7,800,408
Gross profit	3,625,599
Net Income	1,163,238

The Subsidiary had no contingent liabilities or capital commitments as at December 31, 2022.

If the acquisition had occurred on January 1, 2022, consolidated pro-forma revenue and profit for the year ended December 31, 2022 would have been SAR 28.8 million and SAR 7.1 million respectively.

These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the group and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2022, together with the consequential tax effects.

Management has made its preliminary assessment of the purchase price allocation (PPA) which resulted in the allocation of the excess of consideration given to the fair value of net assets acquired to goodwill.

Management plans to complete the final purchase price allocation during the measurement period (12 months from the acquisition date).

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("Group") as at December 31, 2022.

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Entities are deconsolidated from the date when the Group ceased to have control.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.6).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Consolidation is performed based on consistent accounting policies throughout the Group including all subsidiaries.

2.3 Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. 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 bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial instruments

Classification of financial assets depends on the Group's business model for managing its financial assets and the contractual terms of the cash flows. The Group classifies its financial assets as:

- financial assets measured at amortised cost, or
- financial assets measured at fair value

Gains or losses of assets measured at fair value will be recognised either through the consolidated statement of income or through the consolidated statement of other comprehensive income ("OCI").

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interests, are measured at amortised cost.

Initial measurement

Financial assets are initially measured at its fair value, plus transaction costs in the case of a financial asset not at fair value through income statement. Transaction costs of financial assets carried at fair value through income statement are recognised in the consolidated statement of income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the requirements as solely payment of principal and interest.

Subsequent measurement

Debt instruments

Currently, the Group subsequently measures its debt instruments at amortized cost.

Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) are measured at amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost and not part of a hedging relationship is recognised in the consolidated statement of income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

De-recognition

A financial asset or a part of a financial asset is de-recognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - a) *Group has transferred substantially all the risks and rewards of the asset, or*
 - b) *The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.*

Impairment

The Group assesses on a forward-looking basis the Expected Credit Losses ("ECL") associated with its debt instruments as part of its financial assets, carried at amortised cost.

For accounts receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, receivables are grouped based on shared credit risk characteristics and the days past due. Expected loss rates are derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors.

The financial assets, other than trade receivables, which include cash and cash equivalents, time deposit, due from related parties and other current assets, of the Group are categorized as follows:

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial instruments (continued)

Impairment (continued)

- (a) *Performing: these represent the financial assets where customers have a low risk of default and a strong capacity to meet contractual cash flows. Less than 30 days past due balances do not result in significant increase in credit risk and are considered as performing.*

The Group measures the loss allowance for performing financial assets at an amount equal to 12-month expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime. 12-month expected credit losses are the portion of expected credit losses that results from default events on the financial assets that are possible within 12 months after the reporting date.

- (b) *Underperforming: these represent the financial assets where there is a significant increase in credit risk and that is presumed if the customer is more than 30 days past due in making a contractual payment.*

The Group measures the loss allowance for underperforming financial assets at an amount equal to lifetime expected credit losses.

- (c) *Non-performing: these represent defaulted financial assets. A default on a financial asset is considered when the customer fails to make a contractual payment/installment within 90 days after they fall due.*

The Group measures the loss allowance for non-performing financial assets at an amount equal to lifetime expected credit losses.

A credit loss, including for the loans to joint venture, is calculated as the present value (at original effective profit rate) of the difference between:

- (a) *The contractual cash flows that are due to the Group under the contract; and*
(b) *The cash flows that the Group expects to receive.*

Financial assets are written-off only when it is past due for at least one year and there is no reasonable expectation of recovery. Where financial assets are written off, the Group continues to engage enforcement activities to attempt to recover the receivable due. Where recoveries are made, after write-off, they are presented as part of provision for impairment-net and are recognised as other income in the consolidated statement of comprehensive income/loss.

2.5 Revenue recognition

The Group generates revenue from the sale of pharmaceutical products, specialty chemicals and steel structures. The Group also generates revenue from rendering of services as in the pharmaceutical, specialty chemical and steel segments, there are few contracts where the Group provides toll manufacturing services to the customers in pharmaceutical and specialty chemical segments where the revenue is recognised at the point in time and installations services in steel segment where the revenue recognised over time.

- (i) *Revenue from sale of goods*

The Group generates revenue from the sale of pharmaceutical products, specialty chemicals and steel segments. Where the revenue is recognised at point in time.

The following are some of the key indicators used by the Group in determining when control has passed to the customer:

- i. the Group has a right to payment for the product or service;
- ii. the customer has legal title to the product;
- iii. the Group has transferred physical possession of the product to the customer;
- iv. the customer has the significant risks and rewards of ownership of the product; and
- v. the customer has accepted the product.

The pharmaceutical segment of the Group has arrangements with customers related to goods return. Therefore, a refund liability (included in accrued expenses and other liabilities) is recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method) and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. Returned product cannot be resold so no asset is recorded for the right to recover inventory associated with returns.

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Revenue recognition (continued)

(ii) Revenue from rendering of services

The Group also generates revenue from rendering of services as in the pharmaceutical, specialty chemical and steel segments, there are few contracts where the Group provides toll manufacturing services to the customers in pharmaceutical and specialty chemical segments where the revenue is recognised at the point in time and installations services in steel segment where the revenue recognised over time.

The Group evaluates the control assessment of services rendered to customers either directly or through the involvement of third-party vendors. The Group is acting as a principal where it is responsible to make the decisions around effective utilization of internal resources and/or vendors/sub-contractors in steel structuring services and in the eventual delivery of the deliverables fulfilling the customer's requirements. Where the Group is the primary obligor within the context of the contract with the customer and has the direct responsibility to provide the services either directly or indirectly, the revenue is recorded on gross basis as a principal.

For limited number of contracts in IBSF, one of the subsidiaries operating in steel industry, part of revenues is recognised over a period of time based on work certified using the input method. In general, the agreed performance periods for such contracts are up to one year. IBSF provides assurance type warranty, where the company provide assurance that the product will function as expected (See note 26.4).

In the pharmaceutical and specialty chemical segments, there are few contracts where the Group provides toll manufacturing services to the customers i.e the Group receives the goods from principal and after processing either returns the goods to the principal or sell to the customers as per the principal instructions. For such services, the Group acts as an agent and accordingly recognised the net amount as service revenue (See note 26.5).

The service revenue is recognised when the related performance obligations are satisfied.

The Group determines whether it is a principal or agent for each specified services promised to the customer. When the Group acts as an agent and satisfies a performance obligation, the Group recognises revenue at net amount of any fee or commission to which it expects to be entitled, from principal, in exchange for rendering of services to the other party. In such cases, the Group does not recognise the related inventory in the consolidated financial statements.

(iii) Principal versus agent

Significant judgement is required in determining whether the Group is acting as principal, reporting revenue on a gross basis, or acting as an agent, reporting revenue on a net basis. The Group evaluates the following indicators amongst others when determining whether it is acting as a principal or agent in the transaction and recording revenue on a gross, or net, basis:

- (i) the Group is primarily responsible for fulfilling the promise to provide the specified goods or service;
- (ii) the Group has inventory risk before the specified good or service has been transferred to a customer;
- (iii) the Group has discretion in establishing the price for the specified good or service.

The Group assesses different categories of revenue in the light of the above indicators, however, before concluding on whether it is acting as a principal or an agent, the Group exercises judgement considering the nature of the product and solution offering, complexity involved in delivering the product and solution, level of control available to the Group in the process of delivering the product and solution.

Sales of product and services in which the Group acts as a principal are presented on a gross basis.

Sales of product and services where there is no involvement of the Group for fulfilling the performance obligation is presented on a net basis.

Amounts collected by the group on behalf of a third party are accounted for as a payable in the statement of consolidated financial position until they are settled and do not gross up revenue and expenses. Similarly, amounts prepaid by the group to a third party on behalf of customers are recognised as a receivable until they are recovered and do not gross up revenues and expenses.

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Revenue recognition (continued)

Multiple performance obligations

Some contracts include multiple performance obligations, such as the delivery and installation of steel structures. In such cases, at contract inception the total selling price is allocated to goods based on the standalone selling prices of goods and the residual is allocated to installation services. The revenue is recognised when each performance obligation is satisfied under the terms of the contract. When contracts contain customer acceptance provisions, revenue is recognised upon the satisfaction of the acceptance criteria.

For determining standalone selling price, the Company uses observable prices wherever available. When evidence from recent transactions is not available to confirm that the prices are representative of the standalone selling price, then adjusted market assessment approach, cost plus margin approach or residual value approach as prescribed in IFRS 15 will be used to estimate the standalone selling prices.

Financing components

The amount of revenue to be recognised is based on the consideration that the Group expects to receive, at contract inception, in exchange for its goods and services. The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

See Note 26 for the details of revenue recognised during 2022 and 2021.

2.6 Business combination and goodwill

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 the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects to measure the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

In a business combination achieved in stages, the Group remeasures its previously held interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in the consolidated statement of income.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Contingent consideration, if any, to be transferred by the acquirer will be recognised at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in income. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

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 the consolidated statement of income.

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 of the operation.

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.

On first time adoption of IFRS, the Group has applied exemption whereby IAS 21 was not retrospectively applied to.

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Business combination and goodwill (continued)

fair value adjustments and goodwill from business combinations that occurred before the date of transition to IFRS. Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the Parent or are non-monetary foreign currency items and no further translation differences occur.

2.7 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

2.8 Foreign currencies

The Group's consolidated financial statements are presented in Saudi Riyals ("SAR"), which is also the Company's functional and Group's presentation currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to consolidated statement of income reflects the amount that arises from using this method.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is classified to consolidated statement of income. Repayment of intercompany loans are considered as disposal or partial disposal. Tax charges and credits, if any, attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(ii) Group companies

On consolidation, the assets and liabilities of foreign operations (whose functional currency is not the currency of a hyperinflationary economy) including comparatives, are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their statement of income are translated at the average exchange rates. The exchange differences arising on the translation of foreign operations are recognised in OCI. On partial or full disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in the consolidated statement of income.

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Foreign currencies (continued)

(iii) Hyperinflation at the Group level

On consolidation, the financial statements of foreign operations (whose functional currency is the currency of a hyperinflationary economy), are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date. Prior to translating the financial statements of foreign operations in a hyperinflationary economy, the statement of income and non-monetary statement of financial position items are restated taking into account changes in the general purchasing power of the functional currency based on the inflation up to the statement of financial position date. The net monetary gain or loss is recognised as part of 'Other income (expenses)' in the consolidated statement of income. The comparative amounts presented previously in a stable currency are not restated.

(iv) Hyperinflation at subsidiary in hyperinflationary economy level

At the beginning of the first period of application, the components of equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised directly in OCI. Restated retained earnings are derived from all other amounts in the restated statement of financial position. If on initial application of hyperinflation accounting the restated value of the non-monetary assets exceed their recoverable amount, the initial adjustment is capped at the recoverable amount and the net increase is recorded directly in retained earnings. At the end of the first period and in subsequent periods, all components of equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later.

2.9 Zakat and income tax

(i) Zakat and foreign income tax

Zakat is provided for in accordance with Zakat, Tax and Customs Authority regulations. Income tax for foreign entities is provided for in accordance with the relevant income tax regulations of the countries of incorporation. Adjustments arising from final Zakat and Foreign income tax assessments are recorded in the period in which such assessments are made.

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and unused tax losses can be utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference and unused tax losses arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any, except for land and projects under construction which are stated at cost. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for qualifying assets if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria is satisfied. All other repairs and maintenance costs are recognised in the consolidated statement of income as incurred. The present value of the expected cost for the decommissioning of the asset after its use, is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

	Years
Buildings	10 - 33
Leasehold improvements	The lower of lease period or 4 - 10
Machinery and equipment	5 - 20
Furniture, fixtures and office equipment	3 - 10
Vehicles	4

A units of production method of depreciation is applied where the Unit of Production method will depreciate the assets in a manner that more accurately reflects the economic benefits of the assets over their remaining useful life than the straight-line method. Currently, Astra Mining and Tanmiya for Steel Industries are the only subsidiaries of the Group, where the unit of production method is being used to depreciate their machinery and equipment.

An item of property, plant and equipment is derecognised upon disposal 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 consolidated statement of income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each period end and adjusted accordingly, if appropriate.

Leasehold improvements are depreciated over the shorter of the estimated useful life or the remaining term of the lease. The capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

2.11 Leases

Leases are recognised as a right-of-use asset and a corresponding liability, at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate.

Lease payments include in the measurement of lease liabilities comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Subsequently, the lease liabilities are measure at amortized cost using the effective interest rate method. It is re-measured when there is a change in future lease payments arising from a change in index or rate, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liabilities are re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in consolidated statement of income if the carrying amount of right-of-use asset is reduced to zero.

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Leases (continued)

Right-of-use (“ROU”) assets

Right-of-use assets are initially measured at cost, comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Refundable security deposits are not included in the initial measurement of a right-of-use asset. However, the difference between the nominal amount of the refundable security deposits and its fair value at the commencement of the lease represent, an additional lease payment which is prepaid and accordingly added to the initial carrying amount of the right-of-use asset and released to the consolidated statement of income over the lease term as part of the depreciation of that asset.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition, the right-to-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of lease liabilities.

2.12 Lease term

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 are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term 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.

Short-term and low value leases

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office equipment and furniture.

2.13 Borrowings and borrowing costs

2.13.1 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The borrowings are classified as a current liability when the remaining maturity is less than 12 months.

2.13.2 Borrowing costs

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

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Intangible assets (other than goodwill and intangible assets with indefinite useful lives)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the consolidated statement of income when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives, which ranges from 2 to 7 years. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category consistent with the function of the intangible assets.

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 consolidated statement of income when the asset is derecognised.

2.15 Impairment of goodwill and intangible assets with indefinite useful lives

These are tested for impairment annually as at December 31, and when circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill or intangible asset relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised.

Impairment losses relating to goodwill cannot be reversed in future periods.

2.16 Non-current assets (or disposal group) held for sale and discontinued operation

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, if any.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of income and other comprehensive income.

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Research costs

Research costs are expensed as incurred.

2.18 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost of raw and packing materials, consumables and finished goods is principally determined on a weighted average cost basis. Inventories of work in progress and finished goods include cost of materials, labor and an appropriate proportion of direct overheads based on normal level of activity. When inventories become old or obsolete, a provision for slow-moving and obsolete inventories is provided and charged to the consolidated statement of income.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

2.19 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 asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where 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 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 such as valuation multiples (including earnings multiples), quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed projections which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These projections are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised 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 recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

2.20 Trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost.

2.21 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.22 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and, short-term deposits including Murabaha investments with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Expenses

Selling and marketing expenses are those that mainly relate to salesmen of the Group. All other expenses are allocated to general and administration expenses in accordance with allocation factors determined as appropriate by the Group.

2.24 Dividends to shareholders

The Group recognises a liability to make cash or non-cash distributions to shareholders of the Parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the Regulations for Companies of Saudi Arabia, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

2.25 Provisions

(i) General

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

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 costs.

(ii) Employees' benefit

The Group recognises a liability when an employee has provided service in exchange for employee benefits to be paid in the future and an expense when the Group consumes the economic benefits arising from service provided by an employee in exchange for employee benefits. Employee benefits are short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits.

(a) Short-term employee benefits

Provision is made for benefits accruing to employees in respect of salaries and wages, vacation leaves, ticket and other benefits when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months, if any, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits, which are not expected to be settled within 12 months, are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

(b) Employee benefit obligations

The Group operates a defined benefit scheme for its employees in accordance with the applicable labor regulations. The cost of providing the benefits under the defined benefits plan is determined using the projected unit credit method. Actuarial gains and losses are recognised in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in the retained earnings and are not reclassified to consolidated statement of income in subsequent periods.

Interest expense is calculated by applying the discount rate to the net employees defined benefit liabilities. The Group recognises the following changes in the net defined benefit obligation under "Cost of sales", "General and administrative expenses" and "Selling and distribution expenses" in the consolidated statement of income (by function).

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and,
- Net interest expense or income

The defined benefit asset or liability comprises the present value of the defined benefit obligation, less past service costs and less the fair value of plan assets out of which the obligations are to be settled. However, currently the plan is unfunded and has no assets.

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3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make 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 asset or liability affected in future periods. 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 beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Significant accounting judgements, estimates and assumptions are described below:

3.1 Going concern

The Group operates in diversified industries including pharmaceutical, specialty chemical, power and steel and other. Further, the operations are geographically spread in various locations. Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Moreover, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis. Also see Note 30 (Capital management) and 32.3 (Liquidity risk).

3.2 Impairment of non-financial assets (Note 2.15, 5, 7)

Impairment tests are undertaken on the basis of the smallest identifiable group of assets (cash-generating unit), or individual assets, for which there are largely independent cash inflows. The key assumptions used to determine the different cash-generating units involves significant judgment from management. In general, each subsidiary and manufacturing plant were considered as separate CGUs.

For CGUs where there was an indicator of impairment, a number of valuation models were prepared by the management as part of their 2022 impairment considerations. Fair value less cost to sell valuations were primarily based on third party valuations reports. The VIUs were built on discounted cash flow model using key estimates and assumption including expected selling prices, expected product volumes, terminal values, and discount rates. There is an inherent uncertainty over forecasted information and assumptions. Changes in these assumptions and forecasts could impact the recoverable amounts of assets.

3.3 Impairment of financial assets (Note 2.4, 9, 32.2)

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

3.4 Impairment of inventories (Note 8)

The Group determines its provision for near expiry, obsolete and slow-moving inventories based upon historical experience, current condition, and current and future expectations with respect to its use. The estimate of the Group's provision for inventory could change from period to period, which could be due to assessment of the future usage of inventories. The risk of impairment of inventories mainly arises from pharmaceutical segment as the pharmaceutical products are subject to expiry.

3.5 Defined benefit plan (Note 15)

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial techniques. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and other factors.

Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates.

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4 New standards and interpretations

4.1 Amendments to IFRS 3, IAS 16, IAS 37

- IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

The adoption of above amendments does not have any material impact on the consolidated financial statements during the year.

4.2 Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after January 1, 2023 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements.

4.2.1 Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

4.2.2 Amendments to IAS 1, Practice statement 2 and IAS 8

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

4.2.3 Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction.

These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

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5 PROPERTY, PLANT AND EQUIPMENT (“PPE”)

	Land and buildings	Leasehold improvements	Machinery and equipment	Furniture, fixtures and office equipment	Vehicles	Work in progress	Total
2022							
Cost:							
Opening balance	617,117,241	23,584,651	1,108,812,283	90,483,389	36,486,289	79,112,985	1,955,596,838
Additions	28,807,019	-	15,259,111	5,999,779	3,251,716	27,725,457	81,043,082
Impact of hyperinflation on cost (Note 24.2)	61,220,459	13,838	33,022,730	3,940,613	4,896,572	2,740,166	105,834,378
Transfers	1,015,497	236,514	24,920,319	1,078,117	1,061,270	(28,311,717)	-
Acquisition of subsidiary (Note 2.2)	1,979	-	145,053	102,489	269,522	-	519,043
Disposals	(85,017,322)	(12,989)	(296,427,297)	(2,001,065)	(3,649,771)	-	(387,108,444)
Exchange differences	(16,256,328)	(713,088)	(11,629,125)	(1,885,526)	(1,901,705)	(8,854,378)	(41,240,150)
Closing balance	<u>606,888,545</u>	<u>23,108,926</u>	<u>874,103,074</u>	<u>97,717,796</u>	<u>40,413,893</u>	<u>72,412,513</u>	<u>1,714,644,747</u>
Accumulated depreciation and impairment loss:							
Opening balance	219,355,652	14,790,743	466,250,045	72,150,021	28,879,614	6,113,230	807,539,305
Charges for the year	20,127,586	603,135	44,836,085	6,554,891	2,546,121	-	74,667,818
Impact of hyperinflation on accumulated depreciation (Note 24.2)	57,245,878	6,452	30,633,189	3,799,055	4,504,347	154,820	96,343,741
Impairment loss*	-	-	8,616,116	-	-	-	8,616,116
Disposals	(1,594,603)	-	(28,105,146)	(1,501,824)	(2,873,109)	-	(34,074,682)
Exchange differences	(13,254,392)	(209,066)	(8,481,982)	(1,562,093)	(1,289,832)	(2,225,412)	(27,022,777)
Closing balance	<u>281,880,121</u>	<u>15,191,264</u>	<u>513,748,307</u>	<u>79,440,050</u>	<u>31,767,141</u>	<u>4,042,638</u>	<u>926,069,521</u>
Net book value:							
December 31, 2022	<u>325,008,424</u>	<u>7,917,662</u>	<u>360,354,767</u>	<u>18,277,746</u>	<u>8,646,752</u>	<u>68,369,875</u>	<u>788,575,226</u>

*This amount represents impairment on property, plant and equipment in one of subsidiaries, Astra Nova, Turkey, resulting from an impairment test on the investment on this subsidiary. (Notes 21).

No borrowing costs were capitalised during the year ended December 31, 2022 and 2021 considering that there were no qualifying assets, which necessarily take a substantial period of time to get ready for intended use.

As at December 31, 2022:

- The land and buildings include land amounting to SAR 40.45 million (2021: SAR 40.45 million).
- ROU net book value was SAR 55.2 million (2021: SAR 37.44 million). See Note 6.
- Exchange differences mainly arise from TPCL Sudan. See Note 24.2.

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5 PROPERTY, PLANT AND EQUIPMENT (“PPE”) (continued)

2021	Land and buildings	Leasehold improvements	Machinery and equipment	Furniture, fixtures and office equipment	Vehicles	Work in progress	Total
Cost:							
Opening balance	716,644,636	23,532,924	1,145,598,823	91,661,082	42,850,224	62,496,577	2,082,784,266
Additions	4,580,258	312,630	13,100,871	6,560,323	2,546,872	47,304,247	74,405,201
Impact of hyperinflation on cost (Note 24.2)	33,303,432	-	13,937,394	1,810,014	1,894,256	(1,171,571)	49,773,525
Transfers	2,645,543	-	10,039,728	1,487,280	563,520	(14,736,071)	-
Disposals	(1,062,233)	(77,383)	(1,173,519)	(2,000,144)	(862,243)	-	(5,175,522)
Exchange differences	(138,994,395)	(183,520)	(72,691,014)	(9,035,166)	(10,506,340)	(14,780,197)	(246,190,632)
Closing balance	617,117,241	23,584,651	1,108,812,283	90,483,389	36,486,289	79,112,985	1,955,596,838
Accumulated depreciation and impairment loss:							
Opening balance	296,858,593	14,059,762	459,393,293	73,544,137	34,603,098	15,396,019	893,854,902
Charges for the year	20,966,927	867,481	60,629,485	7,283,980	2,693,811	-	92,441,684
Impact of hyperinflation on accumulated depreciation (Note 24.2)	4,492,196	-	10,663,520	1,616,372	1,609,690	-	18,381,778
Impairment loss (Note 21)	28,811,236	-	3,273,873	193,642	284,566	(1,171,571)	31,391,746
Disposals	(427,891)	(66,050)	(549,228)	(1,965,178)	(844,243)	-	(3,852,590)
Exchange differences	(131,345,409)	(70,450)	(67,160,898)	(8,522,932)	(9,467,308)	(8,111,218)	(224,678,215)
Closing balance	219,355,652	14,790,743	466,250,045	72,150,021	28,879,614	6,113,230	807,539,305
Net book value:							
December 31, 2021	397,761,589	8,793,908	642,562,238	18,333,368	7,606,675	72,999,755	1,148,057,533

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6 LEASES

The Group holds various properties and vehicles on lease. Rental contracts period after considering extension options reach between 2 to 22 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

6.1 The consolidated statement of financial position included the following amounts relating to leases:

	December 31, 2022	December 31, 2021
Right-of-use assets		
Land and buildings	54,255,384	36,513,286
Vehicles	951,902	929,040
	<u>55,207,286</u>	<u>37,442,326</u>
Lease liabilities		
Non-current	51,523,075	33,187,893
Current	5,948,243	5,509,121
	<u>57,471,318</u>	<u>38,697,014</u>

Right-of-use assets and lease liabilities were included in the line item “Property, plant and equipment” and “Loans and lease liabilities”, respectively, in the consolidated statement of financial position. Also refer to note 26 for additional details about right-of-use assets.

6.2 The consolidated statement of income included the following amounts related to leases:

	2022	2021
Depreciation charge of right-of-use assets	6,357,103	6,796,423
Interest expense (included in finance costs)	1,950,536	1,918,748
	<u>8,307,639</u>	<u>8,715,171</u>

6.3 Additions on right-of-use assets amounted to SAR 26.7 million during the year ended December 31, 2022. The total cash outflow for leases during the year ended December 31, 2022 amounted to SAR 9.8 million (2021: SAR 8.8 million).

6.4 The contractual maturities of lease liabilities (undiscounted basis) were as follows:

	2022	2021
Less than one year	8,124,247	7,386,630
More than one year	67,762,639	42,756,033
	<u>75,886,886</u>	<u>50,142,663</u>

6.5 Short-term leases expense for the year amounted to SAR 18.8 million (2021: SAR 12.6 million).

7 INTANGIBLE ASSETS

	Note	2022	2021
Goodwill	7.1	28,452,798	25,206,754
Software and licenses	7.2	16,733,940	10,953,858
Customer’s relationship	7.3	27,687,123	-
		<u>72,873,861</u>	<u>36,160,612</u>

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7 INTANGIBLE ASSETS (continued)

7.1 Goodwill

	Note	2022	2021
Cost			
Opening balance		25,206,754	25,206,754
Additions for the year	(a)	<u>28,452,798</u>	-
Closing balance		<u>53,659,552</u>	25,206,754
Impairment			
Opening balance		-	-
Goodwill impaired during the year	(b)	<u>(25,206,754)</u>	-
Closing balance		<u>(25,206,754)</u>	-
Net book value		<u>28,452,798</u>	25,206,754

- (a) The goodwill was generated from the acquisition of Agrostulln GmbH, Germany (SAR 28.4 million). An impairment assessment was done for the investment as at December 31, 2022 and the results of impairment test indicated no impairment charge because there was a large headroom.
- (b) During the year, the Group impaired the goodwill from Astra Nova and Astra Polymer Free Zone, Turkey amounting 25.2 million. The recoverable amount of goodwill is determined based on value-in-use calculations. These calculations use cash flow projections which are based on financial budgets approved by management covering a five-year period as well as the factors used in computing terminal value.

The key assumptions used for value-in-use calculations for impairment as at December 31, 2022 were as follows:

	Astra Nova, Turkey	Astra Polymers Free Zone, Turkey
Revenue growth rate (average)	10%	3.2%
Discount rate	23.8%	19.8%
Terminal growth rate	5.00%	2.82%

7.2 Software and licenses

	2022	2021
Cost		
Opening balance	42,247,880	37,463,921
Additions for the year	10,187,696	6,049,989
Impact of hyperinflation on cost (Note 24.2)	4,763,149	-
Disposals	(301,876)	(75,979)
Exchange differences	(2,808,710)	(1,190,051)
Closing balance	<u>54,088,139</u>	42,247,880
Amortization		
Opening balance	31,294,022	30,242,222
Amortization for the year	4,275,823	1,530,244
Impact of hyperinflation on cost (Note 24.2)	3,355,252	-
Disposals	(23,143)	(56,639)
Exchange differences	(1,547,755)	(421,805)
Closing balance	<u>37,354,199</u>	31,294,022
Net book value	<u>16,733,940</u>	10,953,858

7.3 Customers relationship

	Note	2022	2021
Opening balance		-	-
Acquisition of a subsidiary	2.2	<u>27,687,123</u>	-
Closing balance		<u>27,687,123</u>	-

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8 INVENTORIES

	2022	2021
Raw and packing materials	383,373,376	404,625,519
Finished goods	339,166,206	329,147,737
Work-in-process	61,717,500	44,343,870
Goods in transit	12,079,883	6,143,548
Consumables	32,948,770	25,659,194
	829,285,735	809,919,868
Provision for near expiry, obsolete and slow-moving inventories. (Note 8.1)	(46,653,769)	(55,173,370)
	782,631,966	754,746,498

8.1 Provision for near expiry, obsolete and slow-moving inventories movement:

	Note	2022	2021
Opening balance		55,173,370	69,925,606
Provision for the year	21	33,528,883	25,752,694
Adjustment for disposal of a subsidiary		(4,350,272)	4,498,370
Write-offs during the year	36	(37,698,212)	(45,003,300)
Closing balance		46,653,769	55,173,370

9 TRADE RECEIVABLES (also see note 32.2.1.3)

	2022	2021
Not yet past due	662,869,648	572,782,830
Past due	283,248,350	334,530,184
	946,117,998	907,313,014
Provision for impairment	(109,048,752)	(139,951,258)
	837,069,246	767,361,756
Provision to trade receivables coverage ratio	12%	15%
Provision to past due trade receivables coverage ratio	38%	42%

9.1 As at December 31, 2022, trade receivables include retention receivables of SAR 23.2 million (2021: SAR 42.3 million) and contract assets (unbilled receivables) of SAR 90.9 million (2021: SAR 42 million).

9.2 Movements in the provision for impairment of trade receivables was as follows:

	Note	2022	2021
Opening balance		139,951,258	146,646,647
Provision for the year		5,299,606	22,462,819
Write-offs during the year	36	(36,202,112)	(29,158,208)
Closing balance		109,048,752	139,951,258

9.3 Movement in contract assets and contract liabilities were as follows:

Contract assets (unbilled receivables)	2022	2021
Opening balance	41,986,372	23,986,713
Transfers from contract assets recognised at the beginning of the year to receivables	(40,022,699)	(22,083,856)
Increases as a result of changes in the measure of progress	88,930,203	40,083,515
	90,893,876	41,986,372

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9 TRADE RECEIVABLES (also see note 32.2.1.3) (continued)

9.3 Movement in contract assets and contract liabilities were as follows: (continued)

Contract liabilities (deferred revenue / customer advances) (Note 17)	2022	2021
Opening balance	69,057,978	40,009,804
Revenue recognised that was included in the contract liability balance at the beginning of the period	(60,319,517)	(31,893,372)
Increases due to cash received, excluding amounts recognised as revenue during the period	150,900,626	60,941,546
	159,639,087	69,057,978

Majority of the contract liabilities expected to be recognised as revenues in the next financial year.

10 RELATED PARTY TRANSACTIONS AND BALANCES

10.1 Significant transactions with related parties in the ordinary course of business included in the consolidated financial statements are summarized below:

Related party	Relationship	Nature of transactions	2022	2021
Al Massera	Shareholder in a subsidiary	Cash transferred	27,247,612	-
Prince Fahad Bin Sultan Hospital	Entity under common control	Sales	2,411,408	1,986,832
Astra Food Company – Commercial Branch	Entity under common control	Purchases	1,630,934	1,329,744
Noor Communication Company.	Entity under common control	Purchases	989,157	1,124,509
	Entity under common control	Sales	1,840,855	1,858,762
Astra Farms Company.	Entity under common control	Purchases	327,684	383,921
Arab Supply and Trading Company (ASTRA) - construction branch	Shareholder	Sales	5,371,200	840,000
		Purchases	1,161,998	9,296,675

10.2 Key management personnel include directors and key executives at the Group level. Transactions with those are summarized below:

	2022	2021
Short-term employee benefits (salaries and other allowances)	15,564,826	13,435,470
Post-employment benefit (end-of-service benefits)	404,590	357,549
	15,969,416	13,793,019

10.3 Due from related parties comprises of the following:

	2022	2021
<i>Current assets - unsecured (recoverable in cash):</i>		
Al Massera	27,247,612	-
Astra Farms Company - Saudi Arabia	1,982,702	1,801,155
Arab Supply and Trading Company	751,579	489,073
Other	1,490,024	178,021
	31,471,917	2,468,249

10.4 Due to related parties comprises of the following:

	2022	2021
<i>Current liabilities – unsecured (payable in cash):</i>		
Nour Communications Company – Saudi Arabia	415,163	538,628
Tharawat Mining Company – Saudi Arabia	15,946	15,946
Other	39,504	178,157
	470,613	732,731

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10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

10.5 Due to a related party – loan

	2022	2021
Current		
Al Maseera International Company (a shareholder in Tanmiya)	-	30,052,273

The loan is denominated in US Dollars, is interest free and has been settled during 2022.

11 PREPAYMENTS AND OTHER CURRENT ASSETS

	2022	2021
Financial assets		
Refundable deposits	10,831,086	6,293,202
Restricted bank balances	19,601	43,480
	10,850,687	6,336,682
Non-financial assets		
Advances to suppliers	58,739,495	68,409,485
Consideration receivable (Note 33)	37,500,000	-
Prepaid expenses	35,673,608	30,260,899
Value-added tax and other prepaid taxes	16,639,179	9,031,492
Advances to employees (Note 11.1)	6,579,562	9,719,674
Other	2,469,453	2,944,053
	157,601,297	120,365,603
	168,451,984	126,702,285

11.1 The advances to employees are secured against employee defined benefit liabilities.

12 TIME DEPOSITS

This represents deposits of Murabaha investments with a maturity of more than three months amounting SAR 163 million as at 31 December 2022 (2021: nil).

13 CASH AND CASH EQUIVALENTS

	2022	2021
Bank balances	131,085,768	45,187,536
Time deposit*	543,751,993	-
Cash in hand	907,224	1,126,464
	675,744,985	46,314,000

This represent deposits of Murabaha investment with a maturity of three months or less.

14 LOANS AND LEASE LIABILITIES

2022	Current	Non-current	Total
Short-term loans			
Murabaha	265,591,586	-	265,591,586
Conventional	151,974,363	-	151,974,363
	417,565,949	-	417,565,949
Long-term loans - Conventional	4,948,466	48,835,361	53,783,827
	422,514,415	48,835,361	471,349,776
Lease liabilities	5,948,243	51,523,075	57,471,318
	428,462,658	100,358,436	528,821,094
2021	Current	Non-current	Total
Short-term loans			
Murabaha	337,489,650	-	337,489,650
Conventional	142,054,028	-	142,054,028
	479,543,678	-	479,543,678
Long-term loans - Conventional	2,756,990	7,542,570	10,299,560
	482,300,668	7,542,570	489,843,238
Lease liabilities	5,509,121	33,187,893	38,697,014
	487,809,789	40,730,463	528,540,252

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14 LOANS AND LEASE LIABILITIES (continued)

14.1 Movement of loans were as follows:

2022	Short-term loans	Long-term loans	Total
Opening balance	479,543,678	10,299,560	489,843,238
Receipts	1,077,437,515	47,719,282	1,125,156,797
Repayments	(1,139,415,244)	(4,235,015)	(1,143,650,259)
Closing balance	417,565,949	53,783,827	471,349,776

2021	Short-term loans	Long-term loans	Total
Opening balance	674,331,608	6,318,156	680,649,764
Receipts	1,569,545,511	5,999,927	1,575,545,438
Repayments	(1,764,333,441)	(2,018,523)	(1,766,351,964)
Closing balance	479,543,678	10,299,560	489,843,238

14.2 Short-term loans

The Group has bank facilities in the form of Murabaha, short-term tawarruq and other conventional credit facilities to meet the working capital requirements. As at December 31, 2022, facilities amounting to SAR 2.05 billion were undrawn (December 31, 2021: SAR 1.99 billion). The facilities bear special commission at prevailing market rates which are mostly based on Saudi Arabian Interbank Offered Rate (SAIBOR) and denominated in Saudi Riyals. These facilities are secured by corporate guarantees from AIG.

14.3 Long-term loans

The Group also have long-term loan facilities with banks to finance its working capital. As at December 31, 2022 an amount of SAR 52.9 million was undrawn (December 31, 2021: SAR 72.7 million). These facilities are secured by corporate guarantees from AIG and bear special commission charges at agreed fixed rates. The facilities are denominated in foreign currencies (mainly Euro and Algerian Dinar) and repayable within five years through monthly and quarterly equal installments from the date these facilities were availed.

14.4 Finance costs, net

	2022	2021
Finance cost	(56,365,833)	(51,878,106)
Interest income	9,440,837	-
	(46,924,996)	(51,878,106)

15 EMPLOYEE DEFINED BENEFIT LIABILITIES

15.1 Reconciliation of present value of liability

	2022	2021
Opening balance	133,401,876	122,798,469
<i>Amount recognised in the consolidated statement of income</i>		
Current service costs	16,269,273	14,715,306
Commission expense on liability	4,861,863	2,660,123
	21,131,136	17,375,429
<i>Amount recognised in the consolidated statement of other comprehensive income</i>		
<i>Actuarial (gain)/loss attributable to:</i>		
Shareholders of the Parent	(934,582)	5,108,207
Non-controlling interests	(5,525)	16,954
	(940,107)	5,125,161
Benefits paid	(16,065,303)	(11,897,183)
Closing balance	137,527,602	133,401,876

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15 EMPLOYEE DEFINED BENEFIT LIABILITIES (continued)

15.2 The significant actuarial assumptions used in determining employees' end-of-service benefits liability are shown below:

	2022	2021
Discount rate	4.60%	2.40%
Future salary increment rate	2.40%	2.40%
Retirement age	60 years	60 years

15.3 The maturity profile of the obligation

	2022	2021
Less than 1 year	14,050,975	13,459,843
1 year to 5 years	73,633,635	57,992,400
More than 5 years	93,005,051	78,918,843
	<u>180,689,661</u>	<u>150,371,086</u>

15.4 The weighted average duration of the plan was 8 years as at December 31, 2022 and 2021.

15.5 Sensitivity analysis on significant actuarial assumptions of employees' defined benefits liabilities:

	2022	2021
Discount rate + 0.5%	(15,686,170)	(6,328,364)
Discount rate - 0.5%	16,820,788	4,154,636
Long-term salary + 0.5%	16,705,233	4,462,671
Long-term salary - 0.5%	(15,789,483)	(6,662,874)

16 TRADE PAYABLES

	2022	2021
Trade payables	<u>242,292,465</u>	<u>209,557,850</u>

Trade payables are non-interest bearing and are normally settled within 90 days terms.

17 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2022	2021
Financial liabilities		
Accrued expenses	98,841,022	78,844,303
Other	45,077,169	9,718,557
	<u>143,918,191</u>	<u>88,562,860</u>
Non-financial liabilities		
Contract liabilities (Note 9.3)	159,639,087	69,057,978
Employees' benefits	122,613,038	101,245,555
Sales commission and promotional expenses	93,818,569	110,445,349
Contract liabilities - expected sales returns	42,864,203	41,984,386
	<u>418,934,897</u>	<u>322,733,268</u>
	<u>562,853,088</u>	<u>411,296,128</u>

18 ZAKAT AND INCOME TAX

18.1 Zakat and current income tax expense for the year

	Note	2022	2021
Zakat charge for the year		26,943,487	20,996,972
Current income tax charge for the year		6,262,268	6,038,795
	18.2	<u>33,205,755</u>	<u>27,035,767</u>

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18 ZAKAT AND INCOME TAX (continued)

18.2 Movement of zakat and current income tax was as follows:

	Note	2022	2021
Opening balance		70,312,634	74,418,980
Charge for the year	18.1	33,205,755	27,035,767
Capital gain tax on disposal	33.2	63,145,642	-
Paid during the year		(32,155,006)	(22,955,084)
Foreign exchange gain primarily from TPLC Sudan		(2,324,357)	(8,187,029)
Closing balance		<u>132,184,668</u>	<u>70,312,634</u>

18.3 Status of assessments

The Company and its subsidiaries have filed zakat/income tax returns for the years through December 31, 2021. The consolidated Zakat return for the year ended December 31, 2022 will be filed in due course.

The Group has filed its consolidated Zakat return for 2021 based on consolidated financial statements and obtained final zakat certificates for all the Group local companies from the Zakat, Tax and Customs Authority. The following are the final zakat and income tax assessments of the Company and its local subsidiaries that have been agreed with the Zakat, Tax and Customs Authority as at the financial position date:

Entity	2022	2021
AIG	up to 2018	up to 2018
TPMC	up to 2016 and 2018	up to 2015 and 2018
Polymer	up to 2016 and 2018	up to 2015 and 2018
IBSF	up to 2018	up to 2018
Astra Chem	up to 2018	up to 2018
Astra Mining	up to 2016	up to 2016

18.4 Other non-current assets include deferred tax asset amounted to SAR 5.1 million (2021: 6.2 million SAR) which include of SAR 4 million (2021: SAR 4 million) related to TPMC Algeria, where the entity suffered losses in prior years and those losses would be deductible from future taxable profits.

18.5 Deferred tax liability amounting SAR 7.6 million (2021: Nil) is related to Agrosulln GmbH.

18.6 Current zakat and income tax charge SAR 2.4 million (2021: SAR 2.6 million) related to TPCL Sudan (Also see note 24.2).

19 ISSUED CAPITAL

The share capital of the Company as at December 31, 2022 comprises of 80,000,000 shares (December 31, 2021: 80,000,000 shares) of SAR 10 each. The share capital is held as follows:

	2022	2021
Saudi founding shareholders*	60.38%	60.38%
Public	39.62%	39.62%
	<u>100.00%</u>	<u>100.00%</u>

*This include Arab Supply and Trading Company, Saudi Arabia which holds 47.14% (2021: 47.14%, where the major shareholders are Mr. Sabih Tahir Darwesh Masri and Mr. Khaled Sabih Tahir Darwesh Masri (ultimate controlling persons).

20 STATUTORY RESERVE

In accordance with the Regulations for Companies in Saudi Arabia and the Company's By-laws, the Company established a statutory reserve by the appropriation of 10% of net income until the reserve equals at least 30% of the share capital. The statutory reserve in the accompanying consolidated financial statements is the statutory reserve of the Company. This reserve is not available for dividend distribution. The reserve includes SAR 332 million of share premium recorded in prior years.

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21 COST OF REVENUES

	Note	2022	2021
Material costs		1,053,319,695	921,795,080
Employees' salaries and benefits		233,028,116	205,788,597
Depreciation and amortization		65,285,317	67,833,349
Contracting and construction work		52,362,992	93,492,788
Provision for near expiry, obsolete and slow-moving inventory	8	33,528,883	25,752,694
Impairment loss on property, plant and equipment of a subsidiary	5, 21.1	8,616,116	31,391,746
Other overheads		107,954,949	89,623,789
		<u>1,554,096,068</u>	<u>1,435,678,043</u>

21.1 For 2022, the amount represents impairment on property, plant and equipment in one of subsidiaries; Astra Nova, Turkey, resulting from an impairment test on the investment on this subsidiary. During 2021, the property, plant and equipment of TPCL Sudan was impaired by SAR 31.4 million. The recoverable amount of property, plant and equipment is determined based on value-in-use calculations. These calculations use cash flow projections which are based on financial forecasts covering a five-year period as well as the factors used in computing terminal value. Terminal value was calculated using earnings multiple for the final year of the forecast period. The key assumptions used for value-in-use calculations were revenue growth rate (average), pre-tax and pre-zakat discount rate and terminal growth rate. The change in key assumptions will not adversely affect the Group's financial statements considering the related assets net book value was immaterial. See notes 5 and 7 for current year impairment details.

22 SELLING AND DISTRIBUTION EXPENSES

	2022	2021
Employees' salaries and benefits	198,304,121	193,956,908
Marketing, advertising and promotions	77,074,071	62,466,516
Distribution, travel and freight charges	44,502,423	42,036,212
Rent and utilities	10,554,556	8,878,539
Depreciation	7,357,492	5,895,878
Other	21,589,620	21,175,964
	<u>359,382,283</u>	<u>334,410,017</u>

23 GENERAL AND ADMINISTRATIVE EXPENSES

	2022	2021
Employees' benefits	150,184,282	125,525,991
Professional fees	32,406,025	20,545,964
Impairment on goodwill (Note 7.1)	25,206,754	-
Rent, Insurance and utilities	14,051,406	12,163,675
Depreciation and amortization	7,789,670	6,960,404
Travel and transportation	4,910,164	3,262,234
Repair and maintenance	3,151,462	3,020,809
Board of Directors' remuneration	2,531,000	2,149,000
Other	14,981,947	11,764,874
	<u>255,212,710</u>	<u>185,392,951</u>

24 FOREIGN EXCHANGE AND HYPERINFLATION

	2022	2021
Reclassification of exchange loss from consolidated OCI to statement of income – Note 24.1	(25,816,651)	(18,976,028)
Foreign exchange loss – Note 24.1	(18,752,735)	(56,351,376)
Net monetary gain - Note 24.2	23,565,988	36,602,074
Other	9,194,544	6,312,375
	<u>(11,808,854)</u>	<u>(32,412,955)</u>

24.1 Foreign exchange loss include SAR 18.1 million (2021: SAR 44.7 million) related to TPCL Sudan. In addition, during 2022, TPCL Sudan settled part of its intercompany balance. Therefore, the related foreign exchange loss was reclassified from OCI to the consolidated statement of income and was recognised as part of foreign exchange and hyperinflation amounting to SAR 25.8 million. As at December 31, 2022, the intercompany balance amounting to SAR 14.9 million (2021: SAR 16.4 million) were payable by TPCL Sudan to the Group.

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24 FOREIGN EXCHANGE AND HYPERINFLATION (continued)

24.2 One of the subsidiaries of the Group, namely TPCL Sudan, operates in Sudan, which continues to be a hyperinflationary economy. Based on the management assessment, the official exchange rate of Sudanese Pounds (SDG) 152.7 (2021: SDG 116.7 equal to SAR 1) was considered as the closing foreign exchange rate and the related foreign operations translated at that rate. The financial statements of TPCL Sudan have been restated for the changes in the general purchasing power of the functional currency and, as a result, are stated in terms of the measuring unit current (i.e. consumer price index) at the end of the reporting period. Based on the management judgement, estimates and assessment of available information, the consumer price index used by TPCL Sudan at December 31, 2022 was 68,489 (2021: consumer price index of 29,153).

25 EARNINGS PER SHARE

Basic and diluted, earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit / loss for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting interest on convertible shares) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares, if any.

The following table reflects the income and weighted average number of ordinary shares used in the computations:

	2022	2021
Income attributable to shareholders of the Parent	474,316,220	202,368,832
Weighted average number of ordinary shares	80,000,000	80,000,000
Basic and diluted, earning per share	5.93	2.53

26 SEGMENT REPORTING

26.1 A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

For management purposes, the Group was organised into business units based on their products and services and has the following reportable segments:

Pharmaceuticals

Pharmaceuticals' segment, which develops, manufactures, markets and distributes branded generic pharmaceuticals and under-licensed products globally.

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26 SEGMENT REPORTING (continued)

Specialty chemical

Specialty chemical segment, which produces Masterbatch, dust-free additives and custom-made thermoplastic compounds plus liquid and paste colorants for polymer manufacturing, polymer converting and plastics processing industries in addition with manufacturing, importing and distributing a range of agrochemicals, fertilizers, public health and veterinary pesticides, seeds and other agricultural inputs.

Steel

Steel segment, which produces steel billets, pre-engineered steel buildings and steel structures and rebar.

Other

Other segment is the residual segment and comprises of Astra Industrial Group Holding Company and Astra Mining. Astra Mining Operating plant for processing of industrial minerals.

No operating segments have been aggregated to form the above reportable operating segments.

26.2 The Group's Executive 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 profit or loss for each segment.

The Group's consolidated financial information by business segments, were as follows:

	Pharmaceut- icals	Specialty chemical	Steel industries	Other	Total
<u>December 31, 2022</u>					
Property, plant and equipment other than ROU assets	400,566,476	146,173,217	69,168,085	117,460,162	733,367,940
Right of use assets	39,126,597	13,286,092	1,529,771	1,264,826	55,207,286
Trade receivables	430,167,945	291,903,326	219,503,311	4,543,416	946,117,998
Provision for impairment of trade receivables	<u>(43,527,818)</u>	<u>(45,879,794)</u>	<u>(19,286,129)</u>	<u>(355,011)</u>	<u>(109,048,752)</u>
Trade receivables net	386,640,127	246,023,532	200,217,182	4,188,405	837,069,246
Total assets	1,196,638,675	906,445,062	571,069,942	850,798,447	3,524,952,126
Total liabilities	721,796,594	389,160,059	283,694,993	217,115,090	1,611,766,736
	Pharmaceut- icals	Specialty chemical	Steel industries	Other	Total
<u>December 31, 2021</u>					
Property, plant and equipment other than ROU assets	420,169,796	151,345,767	421,733,808	117,365,836	1,110,615,207
Right of use assets	18,142,218	14,032,358	3,844,822	1,422,928	37,442,326
Trade receivables	417,136,100	294,846,224	191,435,221	3,895,469	907,313,014
Provision for impairment of trade receivables	<u>(39,641,070)</u>	<u>(70,695,559)</u>	<u>(29,259,618)</u>	<u>(355,011)</u>	<u>(139,951,258)</u>
Trade receivables net	377,495,030	224,150,665	162,175,603	3,540,458	767,361,756
Total assets	1,157,761,861	787,309,181	805,067,537	137,847,012	2,887,985,591
Total liabilities	529,082,898	345,640,939	329,581,676	179,588,231	1,383,893,744

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26 SEGMENT REPORTING (continued)

	Pharmaceuti- cals	Specialty chemical	Steel industries	Other	Total
<u>For the year ended</u>					
<u>December 31, 2022</u>					
Revenue from sale of goods	1,028,057,630	834,907,450	310,626,980	33,935,746	2,207,527,806
Revenue from rendering of services	98,273,549	232,671,084	55,676,055	-	386,620,688
Total revenue	1,126,331,179	1,067,578,534	366,303,035	33,935,746	2,594,148,494
Gross profit	645,442,013	350,612,201	38,231,517	5,766,695	1,040,052,426
Depreciation and amortization	(45,854,910)	(17,144,327)	(8,849,333)	(7,095,071)	(78,943,641)
Finance costs	(14,824,678)	(34,136,503)	(3,047,274)	(4,357,378)	(56,365,833)
Income (loss) before zakat and tax	243,427,663	133,940,757	15,638,017	(56,099,379)	336,907,058
<u>For the year ended</u>					
<u>December 31, 2021</u>					
Revenue from sale of goods	921,420,025	774,904,739	206,043,856	37,094,490	1,939,463,110
Revenue from rendering of services	68,346,577	201,257,594	121,136,847	-	390,741,018
Total revenue	989,766,602	976,162,333	327,180,703	37,094,490	2,330,204,128
Gross profit	553,230,046	304,317,019	30,223,679	6,755,341	894,526,085
Depreciation and amortization	(43,527,984)	(20,011,681)	(10,863,705)	(19,568,558)	(93,971,928)
Finance costs	(13,556,927)	(31,169,405)	(4,818,553)	(2,333,221)	(51,878,106)
Income (loss) before zakat and tax	165,431,978	104,634,971	6,137,846	(34,204,754)	242,000,041

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26 SEGMENT REPORTING (continued)

26.3 The Group's operations are conducted principally in Saudi Arabia, in addition to Iraq, Africa and other areas. Selected financial information as at and for the year ended December 31 by geographic area were as follows:

	Kingdom of Saudi Arabia	Republic of Iraq	Africa	Turkey	Sudan (Note 24)	Other areas	Total
<u>2022</u>							
Revenues	1,672,044,383	56,197,470	159,355,400	305,320,310	60,470,843	340,760,088	2,594,148,494
Non-current assets	676,222,733	-	65,040,059	29,133,982	3,973,799	92,211,455	866,582,028
<u>2021</u>							
Revenue	1,520,778,466	46,891,517	178,833,728	270,809,730	45,342,600	267,548,087	2,330,204,128
Non-current assets	702,736,730	351,829,409	72,539,546	19,373,290	2,600,411	41,313,417	1,190,392,803

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26 SEGMENT REPORTING (continued)

26.4 The Group's majority of the revenue was recognised at point in time. For limited number of contracts in IBSF, one of the subsidiaries operating in steel industry, service revenue amounting to SAR 50.3 million for the year ended December 31, 2022 (2021: SAR 121.14 million) was recognised over the period of time based on work certified. In general, the agreed performance period for such contracts were up to one year. IBSF provides assurance type warranty, where the company provide assurance that the product will function as expected. There was no history of warranty claims and there were no expectations that such claims will arise therefore, no provision was recognised (also see Note 2.5 of these consolidated financial statements).

26.5 In the pharmaceutical and specialty chemical segments, there are few contracts where the Group provides toll manufacturing services to the customers i.e the Group receives the goods from Principal and after processing either returns the goods to the Principal or sell to the customers as per the Principal instructions. For such services, the Group acts as an Agent and accordingly recognised the net amount as service revenue.

27 BANK GUARANTIES

As at December 31, 2022, the Group had contingent liabilities arising in the normal course of business. The Group's bankers have issued letters of credit amounting to SAR nil (December 31, 2021: SAR 151.9 million) and letters of guarantee amounting to SAR 0.9 million (December 31, 2021: 168.9 million).

28 COMMITMENTS

The Group in the normal course of business has entered into arrangements with suppliers for the purchase of machines and equipment and other services. The capital commitments at December 31, 2022 amounted to SAR 16.9 million (December 31, 2021: SAR 9.3 million).

29 NON-CONTROLLING INTERESTS

Accumulated non-controlling interests as at the financial position date were as follows:

Entity		2022	2021
Tanmiya	(a)	64,600,839	51,694,464
Astra Mining	(b)	(716,934)	629,959
Other		(85,103)	126,422
		63,798,802	52,450,845

(a) Tanmiya functional and presentation currency is US Dollar. Financial information extracted from Tanmiya draft financial statements (converted to Saudi Riyals) was as follows:

	2022	2021
Statement of financial position		
Cash and cash equivalents	78,401,918	1,236,933
Total current assets	263,723,319	113,915,368
Total non-current assets	-	351,829,409
Current liabilities	79,149,494	21,603,408
Non-current liabilities	-	296,442,902
Total liabilities	79,149,494	318,046,310
Statement of income		
Revenue	-	17,344,972
Depreciation	-	(11,744,190)
Loss from operations	(431,706)	(24,273,061)
Finance costs	(41,992)	(429,210)
Other income	884,557	-
Total comprehensive income/(loss)*	182,961,603	(22,891,486)
Statement of cash flows		
Net cash (used in) operating activities	(7,533,780)	(6,296,467)
Net cash generated from investing activities	83,414,040	-
Net cash generated from financing activities	-	4,557,308

* During the year, the total comprehensive loss amounting to SAR 11.3 million (2021: SAR 8.8 million) was allocated to NCI.

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29 NON-CONTROLLING INTERESTS (continued)

- (b) As at December 31, 2022, the total assets of Astra Mining amounted to SAR 129.88 million (2021: SAR 130.2 million), total liabilities amounted to SAR 133 million (2021: SAR 127.4 million) and accumulated losses were SAR 43.1 million (2021: SAR 43.1 million). Astra Mining revenue and loss for the year was SAR 33.9 million (2021: SAR 37.1 million) and SAR 9.6 million (2021: SAR 2.9 million), respectively. Based on the management impairment assessment, no impairment loss is required to be recognised.

30 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital. For capital management purposes, capital was considered as equal to the total equity of the Group.

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2022 and 2021. At the consolidated statement of financial position date, gearing ratio analysis by the management was as follows:

	2022	2021
Equity	1,913,185,390	1,504,091,847
Liabilities	1,611,766,736	1,383,893,744
Total capital structure	3,524,952,126	2,887,985,591
Gearing ratio	45.72%	47.92%

31 FINANCIAL ASSETS AND FINANCIAL 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value 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.

Valuation techniques

Management assessed that the fair values of current financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The non-current financial liabilities carried at amortized cost and the related carrying amounts approximate to fair value. There have been no changes compared to prior year.

Based on the contractual cash flows criteria and business model, the Group's all financial assets, excluding cash and bank balances, and financial liabilities are classified at amortized cost. The breakdown of financial assets and liabilities as at the financial position date was as follows:

	2022	2021
Financial assets - current		
Cash and cash equivalents	675,744,985	46,314,000
Time deposits	163,000,000	
Trade receivables	837,069,246	767,361,756
Due from related parties	31,471,917	2,468,249
Other current assets (Note 11)	10,850,687	6,336,682
Financial liabilities		
Non- current liabilities		
Loans and lease liabilities	100,358,436	40,730,463
Current liabilities		
Trade payables	242,292,465	209,557,850
Accrued expenses and other current liabilities (Note 17)	143,918,191	88,562,860
Due to related parties	470,613	732,731
Due to a related party – loan	-	30,052,273
Loans and lease liabilities	428,462,658	487,809,789

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32 FINANCIAL RISK MANAGEMENT

The Group's activities are subject to financial risks such as market risk, credit risk and liquidity risk.

32.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk relevant to the Group are:

- foreign currency exchange risk, and
- commission (interest) rate risk

Financial instruments affected by market risk includes financial assets and liabilities.

32.1.1 Foreign currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's functional and reporting currency is the Saudi Riyal. The Group's transactions are principally in Saudi Riyals and US Dollars, which are currently pegged. Management monitors the fluctuations in currency exchange rates and believes that the currency risk is not significant.

The net of financial assets and liabilities in multiple foreign currencies other than USD were less than SAR 50 million which considered as insignificant. Therefore, the related sensitivities for each currency was not disclosed.

Foreign currency translation reserve as at financial position date was as follows:

Country of operations	Note	2022	2021
Sudan		7,949,021	22,677,749
Egypt	(a)	19,627,670	28,325,086
Other	(b)	6,579,943	25,648,583
		34,156,634	76,651,418

(a) As at December 31, 2022, the Group's net liabilities before intercompany elimination in Egypt were of SAR 8.1 million (2021: SAR 4.4 million), therefore the remaining exposure of Group's foreign operation in Egypt was considered to be insignificant.

(b) Other includes mainly Turkey and Algeria.

32.1.2 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations at floating interest rates and as at the financial position date the related exposure was not significant. The Group manages its exposure to interest rate risk by maintaining a balanced portfolio of long-term and short-term loans and continuously monitoring movements in interest rates.

The details of Group's borrowing in different currencies are as follows:

Borrowing currency	Note	2022	2021
Saudi Riyals and United States Dollar	(a)	244,758,770	311,593,324
Turkish Lira	(b)	78,176,869	81,884,711
Others		148,414,137	96,365,203
		471,349,776	489,843,238

(a) The major borrowings of Group are short term which are priced based on SAIBOR plus with an agreed fixed rate. The monthly average of three months SAIBOR during the year was 5.50% (2021: 0.86%). As at December 31, 2022, the SAIBOR was 5.15% (2021: 0.90%). If the SAIBOR increased or decreased by 100 basis points will have less than SAR 1 million effect on the profitability of the Group.

(b) During the year, the interest expenses related to Turkey based subsidiaries was SAR 27.2 million (2021: SAR 23.9 million). As at December 31, 2022, the Turkish LIBOR (Lira Interbank Offered Rate) was 13.47% (2021: 24.51%). The increase or decrease in Turkish LIBOR by 100 basis points, will have effect of SAR 1 million on the profitability of the Group.

The Group's receivables carried at amortised cost are not subject to interest rate risk, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

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32 FINANCIAL RISK MANAGEMENT (continued)

32.2 Credit risk (Also see note 2.4, 3.3, and 9)

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables and ensuring close follow-ups.

32.2.1 Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and controls relating to customer credit risk management. In general, the Group's credit terms range between 30 days to 180 days. Outstanding customer receivables are regularly monitored. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due or it becomes probable a customer will enter into a bankruptcy or will not be able to pay the Group's due amounts.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively.

The expected credit loss is calculated based on a loss rate methodology. Loss rates are calculated using a 'roll rate' method (provision matrix approach) based on the probability of a receivable progressing through successive stages of delinquency to write-off. Loss rates are based on the default probability calculated on average flow rates of past 12 quarters. The loss rates are adjusted based on factor considering the future economic outlook. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, and type of customer i.e. government or private. This assessment is performed at each subsidiary level and consistent with last year. In segment reporting disclosure, trade receivables and related provision were specified which mainly represent the common risk characteristics.

32.2.1.1 Amounts written off still subject to enforcement activity

The receivables written-off during the year 2022 still subject to enforcement activity amounted to SAR 0.9 million. (2021 SAR 7.5 million).

32.2.1.2 Changes in assumptions including incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group has used gross domestic product (GDP) growth rate and inflation as their key macroeconomic factors giving equal weightages to each. The macro-economic factors have been updated based on the latest available information (such as for Saudi-based entities the latest information as issued by Ministry of Finance budget statement for fiscal year 2021 where the average GDP and inflation for the next three years expected to be 3.37% and 2.30% respectively). Further, the Group has incorporated additional risk factor to address the risk arise from COVID-19 and that resulted in additional provision SAR 10 million during the year 2021.

The average credit losses of trade receivables of wide range of customers with shared risk characteristics at the Group level is a reasonable estimate of the probability weighted amount.

Further, the Group has also considered different scenarios with the different weightage and concluded that the current level of provision is sufficient to cover the related credit risk in compliance with the requirements of IFRS 9.

32.2.1.3 Sensitivity analysis

The increase or decrease of 10% change in macro-economic factors will result to a SAR 3 million increase or SAR 3 million decrease in the ECL provision.

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32 FINANCIAL RISK MANAGEMENT (continued)

32.2 Credit risk (Also see note 2.4, 3.3, and 9) (continued)

32.2.1 Trade receivables (continued)

32.2.1.3 Sensitivity analysis (continued)

In pharmaceutical segment, the customers were grouped as government and private, and the related details were as follows:

	2022	2021
Gross receivables:		
Government customers	119,101,923	132,082,544
Non-government customers	311,066,022	285,053,556
	430,167,945	417,136,100
Provision	(43,527,818)	(39,641,070)
Net receivables	386,640,127	377,495,030

The Group evaluates the concentration of risk with respect to trade receivables as low, considering the companies' operations relates to diversified segments (also see Note 26). As at December 31, 2022, from geographical concentrations perspective, the Group's major concentration of net receivables was in Saudi Arabia and Turkey, because the balances in any other country was not more than 5%, as reflected below:

2022	Gross receivables	Provision	Net receivables
Saudi Arabia	758,289,308	(86,946,049)	671,343,259
Turkey	70,828,650	(4,726,161)	66,102,489
Other countries	117,000,040	(17,376,542)	99,623,498
	946,117,998	(109,048,752)	837,069,246
2021	Gross receivables	Provision	Net receivables
Saudi Arabia	694,441,277	(109,460,905)	584,980,372
Turkey	82,308,277	(5,772,842)	76,535,435
Other countries	130,563,460	(24,717,511)	105,845,949
	907,313,014	(139,951,258)	767,361,756

Expected credit loss analysis which was performed on a company-by-company level as at December 31 was as follows:

2022

Buckets	Gross receivables	Provision	Net receivables	Average loss rates range
Current (not yet past due)	662,869,648	(2,120,779)	660,748,869	0.32% to 0.65%
1 to 180 days	147,239,853	(6,059,962)	141,179,891	2% to 28%
181 to 360 days	31,412,161	(10,217,656)	21,194,505	12% to 37%
	178,652,014	(16,277,618)	162,374,396	
361 to 540 days	15,534,613	(4,756,405)	10,778,208	38% to 59%
541 to 720 days	17,750,824	(14,584,403)	3,166,421	49% to 74%
	33,285,437	(19,340,808)	13,944,629	
721 to 900 days	9,671,195	(9,669,843)	1,352	90% to 91%
901 to 1080 days	6,436,908	(6,436,908)	-	92% to 100%
	16,108,103	(16,106,751)	1,352	
More than 1080 days	55,202,796	(55,202,796)	-	100%
Past due	283,248,350	(106,927,973)	176,320,377	
	946,117,998	(109,048,752)	837,069,246	

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32 FINANCIAL RISK MANAGEMENT (continued)

32.2 Credit risk (Also see note 2.4, 3.3, and 9) (continued)

32.2.1 Trade receivables (continued)

32.2.1.3 Sensitivity analysis (continued)

2021

Buckets	Gross receivables	Provision	Net receivables	Average loss rates range
Current (not yet past due)	572,782,830	(2,085,424)	570,697,406	0.36% to 0.76%
1 to 180 days	175,600,845	(26,347,636)	149,253,209	2% to 24%
181 to 360 days	55,655,815	(22,466,072)	33,189,743	6% to 25%
	231,256,660	(48,813,708)	182,442,952	
361 to 540 days	16,132,033	(9,814,575)	6,317,458	22% to 56%
541 to 720 days	12,642,181	(7,306,878)	5,335,303	47% to 74%
	28,774,214	(17,121,453)	11,652,761	
721 to 900 days	11,166,800	(8,677,737)	2,489,063	63% to 87%
901 to 1080 days	6,090,606	(6,011,032)	79,574	94% to 100%
	17,257,406	(14,688,769)	2,568,637	
More than 1080 days	57,241,904	(57,241,904)	-	100%
Past due	334,530,184	(137,865,834)	196,666,202	
	907,313,014	(139,951,258)	767,361,756	

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. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The credit risk on bank balances is low considering the Group has outstanding loans balances and credit facilities with the various banks, in Saudi Arabia, with good credit ratings (in the range of A+ to BBB+) as aligned from external credit rating companies such as Moody's and Fitch, so concentration risk is also low.

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32 FINANCIAL RISK MANAGEMENT (continued)

32.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value.

The calculation of net debt and current ratio was as follows:

	Cash and cash equivalents	Time deposit	Short-term loans	Long-term loans	Due to a related party – loan	Lease Liabilities	Total
Balance as January 1, 2022	46,314,000	-	(479,543,678)	(10,299,560)	(30,052,273)	(38,697,014)	(512,278,525)
Non-cash transactions							
Finance expenses	-	-	(48,835,681)	(3,845,796)	-	(1,950,536)	(54,632,013)
Addition of lease liabilities	-	-	-	-	-	(26,670,546)	(26,670,546)
Net non-cash flow transaction	64,307,476	-	-	-	-	-	64,307,476
Cash flow transaction							
Proceeds from loans and borrowings	-	-	(1,077,437,515)	(47,719,282)	-	-	(1,125,156,797)
Payment of loans and borrowings	-	-	1,139,415,244	4,235,015	30,052,273	-	1,173,702,532
Payment of finance cost	-	-	48,835,681	3,845,796	-	1,950,536	54,632,013
Lease payments	-	-	-	-	-	7,896,242	7,896,242
Time deposit investment	-	163,000,000	-	-	-	-	163,000,000
Change in cash and cash equivalents	565,123,509	-	-	-	-	-	565,123,509
Net cash flow	629,430,985	163,000,000	61,977,729	(43,484,267)	30,052,273	(18,774,304)	822,202,416
Balance as December 31, 2022	675,744,985	163,000,000	(417,565,949)	(53,783,827)	-	(57,471,318)	309,923,891
	Cash and cash equivalents	Time deposit	Short-term loans	Long-term loans	Due to a related party – loan	Lease Liabilities	Total
Balance as January 1, 2021	54,460,204	-	(674,331,608)	(6,318,156)	(30,052,273)	(43,607,906)	(699,849,739)
Non-cash transactions							
Finance expenses	-	-	(47,575,960)	(893,853)	-	(1,918,748)	(50,388,561)
Addition of lease liabilities	-	-	-	-	-	(860,803)	(860,803)
Net non-cash flow transaction	1,859,204	-	-	-	-	-	1,859,204
Cash flow transaction							
Proceeds from loans and borrowings	-	-	(1,569,545,511)	(5,999,927)	-	-	(1,575,545,438)
Payment of loans and borrowings	-	-	1,764,333,441	2,018,523	-	-	1,766,351,964
Payment of finance cost	-	-	47,575,960	893,853	-	1,918,748	50,388,561
Lease payments	-	-	-	-	-	5,771,695	5,771,695
Change in cash and cash equivalents	(10,005,408)	-	-	-	-	-	(10,005,408)
Net cash flow	(8,146,204)	-	194,787,930	(3,981,404)	-	4,910,892	187,571,214
Balance as December 31, 2021	46,314,000	-	(479,543,678)	(10,299,560)	(30,052,273)	(38,697,014)	(512,278,525)

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32 FINANCIAL RISK MANAGEMENT (continued)

32.3 Liquidity risk (continued)

The Group's net debt position and, current ratio, and gearing ratio (see Note 30) were improved as compared to last year. Further, the Group manages its liquidity risk by ensuring that bank borrowing facilities from multiple banks are available thorough out the year (see Note 14). Therefore, the management believes that there is no risk of Group not meeting its obligations.

32.4 Maturity profile of the Group's financial liabilities (undiscounted basis)

	Less than 3 months	3 to 12 Months	1 to 5 Years	Total
2022				
Lease liabilities	-	8,124,247	67,762,639	75,886,886
Short-term loans	417,565,949	-	-	417,565,949
Long-term loans	-	2,862,854	50,920,973	53,783,827
Trade payables	242,292,465	-	-	242,292,465
Accrued expenses and other liabilities	143,918,191	-	-	143,918,191
Due to related parties	470,613	-	-	470,613
	804,247,218	10,987,101	118,683,612	933,917,931
2021				
Lease liabilities	-	7,386,630	42,756,033	50,142,663
Short-term loans	479,543,678	-	-	479,543,678
Long-term loans	-	2,756,990	7,542,570	10,299,560
Due to a related party – loan	-	30,052,273	-	30,052,273
Trade payables	209,557,850	-	-	209,557,850
Accrued expenses and other liabilities	88,562,860	-	-	88,562,860
Due to related parties	732,731	-	-	732,731
	778,397,119	40,195,893	50,298,603	868,891,615

33 DISPOSAL GROUP – SALE OF ALANMAA

On February 7, 2022, Al-Tanmiya Company for Steel Manufacturing ("Tanmiya") signed an agreement with an Iraqi based entity for exiting its entire investment in Alanmaa for Construction Materials Production Ltd. (Alanmaa) for transaction price of SAR 731.2 million. Based on management assessment, it is considered as a major geography in respect of its Power and steel industries in Iraq and therefore considered as discontinued operation.

During April 2022, the Group received the majority of the sales proceed and also transferred the shares to the buyer after obtaining the related regulatory approvals.

An analysis of the results in relation to the operations of disposal group - sale of Alanmaa is as follows:

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33 DISPOSAL GROUP – SALE OF ALANMAA (continued)

33.1 Financial performance and cash flow information

	From January 1, 2022 to April 20, 2022	From January 1, 2021 to December 31, 2021
Revenue	29,448,595	17,344,972
Expenses	(19,288,380)	(40,236,458)
Income / (loss) for the period/year	10,160,215	(22,891,486)
Zakat and income tax expense	-	-
Net income / (loss) from discontinued operation	10,160,215	(22,891,486)
Other comprehensive income from discontinued operation	-	-
Total comprehensive income / (loss) from discontinued operation	10,160,215	(22,891,486)
Net cash generated from / (used in) operating activities	12,418,849	(3,729,591)
Net cash used in investing activities	(226,345)	-
Net cash (used in) / generated from financing activities	(4,603,258)	1,530,225
Net increase / (decrease) in cash and cash equivalent from the discontinued operation	7,589,246	(2,199,366)

33.2 Assets and liabilities of disposal group

The following assets and liabilities for sale in relation to the discontinued operation as at April 20, 2022:

	2022
<u>Assets relating to disposal group</u>	
Property, plant and equipment	351,623,458
Prepayments and other current assets	6,666,332
Trade and other receivables	2,183,333
Inventories	113,143,743
Cash and cash equivalents	9,856,063
Total assets of disposal group	483,472,929
<u>Liabilities relating to disposal group</u>	
Lease liabilities	2,083,555
Accrued expenses and other current liabilities	5,279,589
Zakat and income tax payable	604,356
Trade and other payables	11,556,817
Total liabilities of disposal group	19,524,317
Net assets of disposal group	463,948,612

The net gain on disposal was as follows:

	2022
Consideration received	678,375,000
Consideration receivable	37,500,000
Total consideration net of commission	715,875,000
Net assets of disposal group	(463,948,612)
Capital gain tax on disposal	(63,145,642)
Provision for expense	(15,979,358)
Net gain on disposals	172,801,388

The net gain from discontinued operation was as follows:

	2022
Total comprehensive income from discontinued operation	10,160,215
Net gain on disposals	172,801,388
	182,961,603

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34 COMPARATIVE FIGURES

Certain comparative numbers in the consolidated statement of income have been re-presented as a result of the discontinued operation as per the requirements of IFRS 5 (See note 33 for the details of disposal group). In addition, to appropriately reflect the nature of impairment of non-financial assets, the amount was restated and reclassified from "other expenses, net" (now renamed "foreign exchange and hyperinflation") to "cost of revenue". The resulting impact on each of the impacted financial statement line items for 2021 is summarized below:

	As previously reported	Discontinued operation	Reclassification restatement	As restated
Revenue	2,347,549,100	(17,344,972)	-	2,330,204,128
Cost of revenue	(1,436,820,406)	32,534,109	(31,391,746)	(1,435,678,043)
Gross profit	910,728,694	15,189,137	(31,391,746)	894,526,085
Selling and distribution expenses	(334,820,014)	409,997	-	(334,410,017)
General and administrative expenses	(194,066,878)	8,673,927	-	(185,392,951)
Finance costs	(52,307,316)	429,210	-	(51,878,106)
Foreign exchange and hyperinflation	(61,431,416)	(2,373,285)	31,391,746	(32,412,955)
Income tax charge	(6,601,295)	562,500	-	(6,038,795)
Discontinued operation	-	(22,891,486)	-	(22,891,486)
Net impact on net income for the year	-	-	-	-

The statement of cash flows has been amended to present the impairment on non-financial assets of Saudi Riyals 31.4 million separately in the cash flow from operating activities. However, there is no impact of such reclassification restatement on the net cash generated from operating activities, net cash generated from / (used in) investing activities and net cash used in financing activities in the consolidated statement of cash flows. Also, the reclassification restatement did not have further impact on the consolidated statement of financial position and the net income of the comparative figures.

Further, as a result of the change in presentation of the results of discontinued operation, the earnings per share presented in the consolidated statement of income has also been split between continuing and discontinued operations.

35 DIVIDENDS

During the year, the General Assembly has approved dividends of SAR 1.5 (2021: SAR 0.75) per share amounting to SAR 120 million (2021: SAR 60 million) which has been fully paid during the respective year.

36 SUPPLEMENT SCHEDULE OF SIGNIFICANT NON-CASH INFORMATION

	Note	2022	2021
Right-of-use assets	6	26,670,546	860,803
Lease liabilities		26,670,546	860,803
Inventory write-off	8.1	37,698,212	45,003,300
Trade receivable write-off	9.2	(36,202,112)	(29,158,208)
Net monetary gain on property, plant and equipment	5	9,490,637	31,391,746
Net monetary gain on intangible assets	7	1,407,897	-
Net monetary gain on inventory		12,667,454	5,210,327
Impairment loss on property, plant and equipment	5	8,616,116	31,391,746
Impairment on goodwill	23	25,206,754	-

37 BOARD OF DIRECTORS' APPROVAL

These consolidated financial statements were approved by the Board of Directors on March 15, 2023.