WATANI IRON STEEL COMPANY
(A Closed Joint Stock Company - Listed)
Financial Statements
For the year ended 31 December 2021
together with the Independent Auditor's Report

Taple of context	**Pages**

Ibrahim Ahmed Al-Bassam & Co
Certified Public Accountants - Al-Bassam & Co.
(member firm of PKF International)

INDEPENDENT AUDITOR'S REPORT

To The Shareholders of Watani Iron Steel Company
(A Closed Joint Stock Company – Listed)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Watani Iron Steel Company ("the Company"), which comprise the statement of financial position as at December 31, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ('SOCPA').

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements section* of our report. We are independent of the Company in accordance with professional code of conduct and ethics, that are endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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INDEPENDENT AUDITOR'S REPORT (Continued)

To The Shareholders of Watani Iron Steel Company
(A Closed Joint Stock Company - Listed)

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

1) Inventory Valuation	
As at 31 December 2021, the Company's inventories balance was 50,024,999 Saudi Riyals (2020: 52,082,743 Saudi Riyals) . Inventory are stated at the lower of cost and net realizable value and provision is made by the Company, where necessary, for obsolete inventory. The management determines the level of obsolescence of inventory considering the nature, aging profile and sales expectations using historical trends and other qualitative factors. Further, at each reporting date, management reviews the valuation of inventory and costs of inventory is written down where inventory is forecasted to be sold at below cost. We consider this as a key audit matter due to the significant judgments and key assumptions applied by the management in determining the provision of obsolete inventory. *Refer to Note 5-3 of the financial statements for accounting policy and Note 8 for the related disclosures in the accompanying financial statements.*	Our audit procedures included: - Assessed the design and implementation, and tested the effectiveness of the Company's control around determination and monitoring of the provision for obsolete inventory; - Evaluated the Company's policy for provision for obsolete inventories by performing retrospective testing, comparing historical estimates with actual results; - Tested the accuracy of inventory aging report used by the Company in the valuation of the provision of obsolete inventory. - Checked that the provision for obsolete inventory is computed in accordance with the Company's policy and based on the inventory's aging report; - Inquired for any identified obsolete inventory during our attendance of physical counts; - Tested the net realizable values of finished goods inventory by considering actual sales post-year-end and the assumptions used by the management to check whether inventory is valued at the lower of cost and net realizable value.

INDEPENDENT AUDITOR'S REPORT (Continued)

To The Shareholders of Watani Iron Steel Company
(A Closed Joint Stock Company – Listed)

Report on the Audit of the Financial Statements (Continued)

Other information
Other information consists of the information included in the Company's 2021 annual report, other than the financial statements and our auditors' report thereon. Management is responsible for the other information in its annual report.

Our opinion on the 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 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with IFRSs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the SOCPA, and the applicable requirements of the Regulation for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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INDEPENDENT AUDITOR'S REPORT (Continued)

To The Shareholders of Watani Iron Steel Company
(A Closed Joint Stock Company – Listed)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT (Continued)

To The Shareholders of Watani Iron Steel Company
(A Closed Joint Stock Company – Listed)

Report on the Audit of the Financial Statements (Continued)

***Auditor's Responsibilities for the Audit of the Financial Statements* (Continued)**
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

For Al Bassam & Co.
Riyadh, Kingdom of Saudi Arabia

Ibrahim Ahmed Al-Bassam
Chartered Accountant
License no. 337

البسام وشركاؤه
محاسبون قانونيون
رقم الترخيص ٥٢٠/١١/٣٢٣
C.R.1010385804
license 520/11/323
Al-Bassam & Co.
Certified Public Accountants

4 Sha'aban 1443 H
7 March 2022 G

WATANI IRON STEEL COMPANY
(A Closed Joint Stock Company - Listed)
Statement of Financial Position
As at 31 December 2021
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	6	**282,673,182**	297,021,778
Intangible assets	7	**25,944,262**	25,944,262
Total non-current assets		**308,617,444**	322,966,040
Current assets			
Inventories	8	**50,024,999**	52,082,743
Trade receivable,	9	-	-
Prepayments and other receivables	10	**7,677,394**	3,808,966
Balances at banks		**4,701,456**	8,445,181
Total current assets		**62,403,849**	64,336,890
Total assets		371,021,293	**387,302,930**
EQUITY AND LIABILITIES			
Equity			
Share capital	1	**121,100,000**	121,100,000
Statutory reserve	11	**13,279,792**	8,574,028
Actuarial reserve	13-2	**(529,556)**	(371,839)
Retained earnings		**53,378,094**	11,026,220
Total equity		**187,228,330**	140,328,409
LIABILITY			
Non-current liabilities			
Long-term loans	12	-	42,300,000
Employees' post-employment benefits	13-2	**5,486,978**	4,444,264
Total non-current liabilities		**5,486,978**	46,744,264
Current liabilities			
Long-term borrowings - current portion	12	**45,400,000**	25,000,000
Short-term borrowings	12-1	**76,226,248**	105,552,070
Trade payable		**27,442,732**	27,289,353
Accrued expenses and other payables	14	**27,989,742**	41,449,318
Provision for Zakat	16-c	**1,247,263**	939,516
Total current liabilities		**178,305,985**	200,230,257
Total liabilities		**183,792,963**	246,974,521
Total equity and liabilities		**371,021,293**	387,302,930
Contingent liabilities and capital commitments	21		

Financial Manager	**Executive Manager**	**Chief Board of Directors**
Mohammed Hamdi Ahmed	**Yousuf Mohammed Al Tarif**	**Abdul Karim Mohammed Al Rajhi**

The accompanying notes 1 to 29 form an integral part of these financial statements.

WATANI IRON STEEL COMPANY
(A Closed Joint Stock Company – Listed)
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2021
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2021	2020
Sales	17	622,892,946	459,411,422
Cost of sales	18	(554,472,510)	(403,014,955)
Gross profit		68,420,436	56,396,467
Selling and marketing expenses	19	(268,472)	(375,069)
General and administrative expenses	20	(13,429,060)	(11,889,365)
Income from operation		54,722,904	44,132,033
Finance cost	12	(6,808,002)	(7,923,153)
Provision for impairment in trade receivables	9-1	-	(1,311,219)
Provision for impairment in prepayments receivables	10-1	(600,000)	(3,328,634)
Other income, net	21	989,999	451,474
Net income before zakat		48,304,901	32,020,501
Zakat	16-b	(1,247,263)	(939,516)
Net income for the year		47,057,638	31,080,985
Basic and diluted earnings per share from net income for the year	24	3,89	2,57
Other comprehensive income:			
Items that will not be reclassified subsequently to the statement of profit or loss:			
Actuarial losses employees for post-employment benefits	13-2	(157,717)	(96,572)
Total comprehensive income		46,899,921	30,984,413

Financial Manager	Executive Manager	Chief Board of Directors
Mohammed Hamdi Ahmed	Yousuf Mohammed Al Tarif	Abdul Karim Mohammed Al Rajhi

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WATANI IRON STEEL COMPANY
(A Closed Joint Stock Company - Listed)
Statement of Changes in Equity
For the year ended 31 December 2021
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Actuarial reserve	Retained earnings	Total
Balance at 1 January 2020		121,000,000	5,465,929	(275,267)	18,853,334	145,043,996
Capital increase		100,000	-	-	-	100,000
Net income for the year		-	-	-	31,080,985	31,080,985
Transferred to statutory reserve	11	-	3,108,099	-	(3,108,099)	-
Dividends distributed	22	-	-	-	(35,800,000)	(35,800,000)
Other comprehensive income	13	-	-	(96,572)	-	(96,572)
Balance at 31 December 2020		121,100,000	8,574,028	(371,839)	11,026,220	140,328,409
Net profit for the year		-	-	-	**47,057,638**	**47,057,638**
Transferred to statutory reserve	11	-	**4,705,764**	-	**(4,705,764)**	-
Other comprehensive income	13	-	-	**(157,717)**	-	**(157,717)**
Balance at 31 December 2021		**121,100,000**	**13,279,792**	**(529,556)**	**53,378,094**	**187,228,330**

Financial Manager	**Executive Manager**	**Chief Board of Directors**
Mohammed Hamdi Ahmed	**Yousuf Mohammed Al Tarif**	**Abdul Karim Mohammed Al Rajhi**

The accompanying notes 1 to 29 form an integral part of these financial statements.

WATANI IRON STEEL COMPANY
(A Closed Joint Stock Company – Listed)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2021
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2021	2020
Cash flows from operating activities			
Net income for the year before Zakat		**48,304,901**	32,020,501
Adjustments for:			
Depreciation of property, plant and equipment	6	**19,735,728**	19,743,670
Losses from disposal property, plant and equipment	21	**29,110**	150
Finance Cost	12	**6,808,002**	7,923,153
Provision for impairment in trade receivables	9-1	**-**	1,311,219
Provision for employees' post-employment benefits	13-2	**985,600**	920,281
Provision for impairment in prepayments and other receivables	10-1	**600,000**	3,328,634
		76,463,341	65,247,608
Changes in:			
Inventory		**2,057,744**	(12,005,425)
Trade receivables		**-**	3,262,323
Prepayments and other receivables		**(4,468,428)**	1,238,067
Trade payables		**153,379**	7,381,486
Accrued expenses and other balance payable		**(13,459,576)**	11,126,448
Due to related parties		**-**	(80,831)
Employees' post-employment benefits paid	31-2	**(100,603)**	(46,529)
Zakat paid	16-c	**(939,516)**	(773,526)
Net cash generated from operating activities		**59,706,341**	75,349,621
Cash flows from investing activities			
Additions to property, plant and equipment	6	**(5,416,242)**	(515,083)
Additions to intangible assets		**-**	(35,625)
Net cash used in investing activities		**(5,416,242)**	(550,708)
Cash flows from financing activities			
Proceeds from short-term borrowings	12-1	**218,600,000**	268,580,000
Repayment of short-term borrowings	12-1	**(248,652,070)**	(278,980,000)
Repayment of long-term borrowings	12-2	**(21,900,000)**	(25,000,000)
Finance cost paid		**(6,081,754)**	(7,071,083)
Capital increase	1	**-**	100,000
Dividends distributed	22	**-**	(35,800,000)
Net cash used in financing activities		**(58,033,824)**	(78,171,083)
Net change in cash and cash equivalents		**(3,743,725)**	(3,372,170)
Cash and cash equivalents at beginning of the year		**8,445,181**	11,817,351
Cash and cash equivalents at end of the year		**4,701,456**	8,445,181

Non-cash transactions

Depreciation of deferred interest and commissions from prepayments and other receivables to Saudi Industrial Development Fund loan	**3,100,000**	2,040,000
Transfer from spare parts inventory to property, plant and equipment	-	311,149
Write-off of provision for impairment of trade receivables	-	1,311,219
Write-off of provision for impairment of prepayments and other receivables	**600,000**	3,328,634
Transfer projects under progress to prepayments and other receivables	-	3,928,633

Financial Manager	**Executive Manager**	**Chief Board of Directors**
Mohammed Hamdi Ahmed	**Yousuf Mohammed Al Tarif**	**Abdul Karim Mohammed Al Rajhi**

The accompanying notes 1 to 29 form an integral part of these financial statements

1. Legal status and operations

Watani Iron Steel Company)“The Company”(was established as a Saudi closed joint stock company under the Companies Law in the Kingdom of Saudi Arabia under Commercial Registration No on (1010255409) 23/8/1429Hcorresponding to 24\8\2008 issued in Riyadh, where the capital of the Ccompany amounted to 2 million SR divided to 2,000 shares equal in value, with the value of each share SR. On 1,000 7/3/1433H corresponding to 20/1/2012the capital has been increased ,to 80 million SR divided to 80,000 shares equal in value, with the value of each share 1,000 SR. The increase of 78 million SRhas been fulfilled by transferring the partners' current account to the capital increase account. On 24/8/1434H corresponding to 3/7/2013 the capital have been increased to 120 ,million Saudi riyals divided into 120 thousand shares equal in value, the value of each share is 1,000 Saudi riyals. The increase of 40 million Saudi riyals has been fulfilled through in-kind shares and is represented by steel factory equipment for the full value of the increase. On 16/12/1435H corresponding to 19/12/2013 the capital has been increased to 130 million SR, divided to 130,000 shares equal in value, the value of each share is 1,000 SR. and the 10 million SR increase has been fulfilled by in-kind shares which is oven and machine to make pallets. On 19/2/1437H corresponding to 1/12/2015 the capital has been increased to 180 million SR, divided to 180,000 shares equal in value, value of each share is 1,000 SR. and the increase of capital by 50 million SR has been fulfilled by transferring balance payables to partners current accounts which is capital increase account. On 17/10/1438H corresponding to 11/7/2017 the capital has been decreased for the purpose of amortizing losses amounting to 130 million SR, divided to 130,000 equal in value, the value of each share is 1,000 SR. On 22/2/1440H corresponding to 31/10/2018 the capital has been decreased for the purpose of amortizing losses amounting to 121 million SR, divided to 121,000 equal in value, the value of each share is 1,000 SR.

On 13/9/1441H corresponding to 6/5/2020 the partners decided to transfer the company with its rights and obligations from a limited liability company to a closed joint stock company with a capital of 121 million SR divided into 12,100,000 shares, the value of each share is 10 SR all of which are fully paid ordinary shares, and the company was registered in the joint stock companies under Ministerial decision No. (Q / 4260) dated 13/9/1441H corresponding to 6/5/2020and Ministerial decision No. (Q / 4261) dated 10/11/1441H corresponding to 1/7/2020.

On 21/11/1441H ((corresponding to 12/7/2020, the extraordinary general assembly agreed to increase the company's capital to 121.1 million SR divided into 12,110,000 fully paid in cash by the shareholders.The company’s capital at the date of the accompanying financial statements is 121.1 millionSRdivided into 12,110,000 fully-paid ordinary shares, the value of each share is 10.

The approval of the Capital Market Authority was obtained, and a registration document for its purchase was published on the Tadawul website on 30/12/2020. On 1442/7/5 H (corresponding to 2021/2/17 AD), the company's shares were listed and trading began in the Saudi Stock Exchange under the symbol (9513).

The company also operates under an industrial facility license issued by the Ministry of Industry and Mineral Resources (formerly the Ministry of Energy, Industry and Mineral Resources) withdecision No dated (411102103252) .8/7/1441H (corresponding to 3/3/2020).
The activities of the company are represented in the manufacture of primary iron products in the form of blocks of substrates and waste after being melted, as well as the manufacture of sheets plates, strip coils, bar bars, wire corners, and clips of all shapes.
The activities of the company, as stated in the By- Lows are represented in practicing , and implementing manufacturing industries.

(All amounts in Saudi Riyals unless otherwise stated)

2. Basis of preparation

2-1. Statement of compliance

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

2-2. Measurement basis

These financial statements have been prepared in accordance with the historical cost principle, except for recognizing employees end-of-service benefits at the present value of future obligations using the projected unit credit method.

2-3. Going concern

As of December 31, 2021, the company's current liabilities exceeded its current assets by an amount of 115,902,136 SR (31 December 2020: 135,893,367 SR) which is mainly due to the loan balance amounting to 121,626,248 SR, (31 December 2020: 130,520,070 SR). Despite the deficit in working capital, the company has a positive operating cash flow of 59,706,341 SR, which is an indication of the company's ability to meet its obligations when they are due. The management also believes that it is able to benefit from new facilities if required. Accordingly, the financial statements have been prepared on the basis of the going concern principle, and the loans continue to be classified according to the original repayment terms (Note 12).

3. New standards and interpretations

Amendments

A number of new amendments to standards, enlisted below, are effective this year but they do not have a material effect on the Company's Financial Statements, except for where referenced below

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	January 1, 2021	These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the .amendments to IFRS 9
IFRS 16	Amendments to IFRS 16 Leasing - Covid-19 Related Rent Concessions	April 1, 2021	This amendment extend the exemption from assessing whether a COVID-19-related rent concession is a lease modification for ,payments originally due on or before June 30 rather than payment due on or before) 2022 .(June 30, 2021

(All amounts in Saudi Riyals unless otherwise stated)

3- New standards and interpretations (continued)

New standards, amendments, and revised IFRS issued but not yet effective (continued)

The Company has not applied the following new and revised IFRSs and amendments to IFRS that have been issued but are not yet effective.

Amendments to standard	**Description**	**Effective for annual years beginning on or after**	**Summary of the amendment**
IAS 37	– Onerous Contracts Cost of Fulfilling a Contract	January 1, 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the .amendments
IFRS 16, IFRS 9 IAS 41 and IFRS 1	Annual Improvements to –IFRS Standards 2018 2020	January 1, 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements IFRS 9: The amendment clarifies that in applying the '10percent' test to assess ,whether to derecognize a financial liability an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first .applies the amendment IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair .value IFRS 1: The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation .difference
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of 'testing whether an .'asset is functioning properly

(All amounts in Saudi Riyals unless otherwise stated)

New standards, amendments and revised IFRS issued but not yet effective (continued)

The Company has not applied the following new and revised IFRSs and amendments to IFRS that have been issued but are not yet effective

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 3	Reference to the Conceptual Framework	January 1, 2022	The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of .the 1989 Framework
IFRS 17	Insurance Contracts	January 1, 2023	This is comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts .(IFRS 4) that was issued in 2005
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of a liability would not impact its .classification
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements
IAS 8	Amendment to definition of accounting estimate	January 1, 2023	This amendments regarding the definition of accounting estimates to help entities to distinguish between accounting policies and accounting .estimates
IAS 12	Income taxes	January 1, 2023	This amendment deals with clarification regarding accounting of deferred tax on transactions such as leases and decommissioning obligations
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a .subsidiary

Management anticipates that these new standards interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

4. Significant accounting estimates and judgments

In preparing these financial statements, management has used judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which are the basis for making judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. A revision of accounting estimates is recognized in the period in which the estimates are revised if the revision affects only that period, or in the revision period and future periods if the revision affects both current and future periods.

Important judgments in applying the company's accounting policies

The following are the significant judgments, except for the estimations described below made by management in the process of applying the company's accounting policies that have a material effect on the amounts recognized in the financial statements.

Impact of the COVID-19 pandemic on expected credit losses

On March 11, 2020, the World Health Organization declared the outbreak of the Coronavirus)"Covid-19"(a pandemic in recognition of its rapid spread throughout the world. This outbreak has also affected the GCC region, including Saudi Arabia. Governments around the world have taken ,steps to contain the spread of the virus. Saudi Arabia in particular has implemented border closures issued social distancing directives and imposed a kingdom-wide curfew.

Oil prices have also seen significant fluctuations during the current period, not only due to demand problems arising from Covid-19 as global economies stop closing, but also supply problems due to the volume that preceded the epidemic.

Collectively, these current events and prevailing conditions require the Company to analyze the potential impact of these events on the Company's business operations. The Board of Directors and the Company's management have assessed the situation and, accordingly, have activated business continuity planning and other risk management practices to manage the business disruption that the ,COVID-19 outbreak has caused to its operations and financial performance. In the current situation the size and duration of this outbreak and its impact on credit, market and operational risks remain uncertain, and the Board of Directors and management of the company are constantly assessing the evolving situation in coordination with regulatory agencies and further quantification of the impact cannot be ascertained at this stage.

Determine the discount rate to calculate the present value

Discount rates represent the current market assessment of the risks involved in scheduling cash flows, taking into account the time value of money and the individual risks of the underlying assets that have not been included in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the company

Actuarial valuation of employees' end of service benefits

The cost of employee end-of-service benefits ("employee benefits") under the defined benefit program is determined using the projected unit credit method. The actuarial valuation involves making various assumptions that may differ from actual developments in the future. These assumptions include determining the discount rate, future salary increases, mortality and employee turnover. Given the complexity of the evaluation and its long-term nature; The defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are adjusted on an .annual basis, or more frequently, if necessary.

4-Significant accounting estimates and judgments (continued)

Fair value measurement and valuation process

Certain assets and liabilities of the Company have been measured at fair value for financial reporting purposes. The Company's management is responsible for determining appropriate valuation inputs .and methods for measuring fair value.

In estimating the fair value of an asset or a liability, the Company uses market observable data to the extent available. In the event that Level 1 inputs are not available, the company will hire accredited third-party evaluators to conduct the assessment. Company management works closely with approved external evaluators to determine appropriate inputs and valuation techniques in the model.

Impairment of Inventory

At the repot, date the Company's management determines whether there is any impairment in inventories. The determinations of impairment require significant decisions to be made involving valuation factors that include the natural of the industry and market condition.

Useful lives of property, plant and equipment and intangible assets

As explained in Note 5, the Company estimates the useful lives of its property, plant and equipment at the end of each annual reporting period. These estimates are determined after considering the expected usage of the assets or depreciation arising from physical use. Management reviews the residual value and useful lives annually and future depreciation charges will be adjusted as management believes that the useful lives differ from previous estimates.

Zakat provision

,The management has evaluated the zakat position taking into consideration the local zakat legislations the resolutions issued periodically and the agreements. The interpretation of legislative decrees and agreements is not always clear and requires completion of the assessment by the Zakat, Tax and Customs Authority.

5. Significant accounting policies

5-1 Property, plant and equipment

Property, plant and equipment are recognized in principle at the cost of acquisition, including any costs directly attributable to returning the assets to the site and the condition necessary to enable them to operate in the manner intended by the company management. These assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, if any.

When the major components of items property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged on statement of profit or loss and other comprehensive income and calculated on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. As follows the estimated deprecation rates of assets that will be depreciated:

Description	Percentage
Buildings	5% to%20
Machine and equipment	From 5% to 33.3%
Computers	%25
Vehicles	%25
Tools	From 15% to 20%
Furniture	From 15% to 20%

If there is an indication that there has been a significant change in the useful life or residual value of an item, future depreciation is revised to reflect the new estimates.
An item of property, plant and equipment and any significant part that is recognized initially is derecognised when it has been disposed of or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Items such as spare parts, auxiliary equipment and servicing equipment, if any, are recognized in .accordance with this IFRS when they meet the definition of property, plant and equipment Otherwise, these items are classified as inventory.

5-2 Intangible assets

The intangible asset is initially recognized at cost equal to the fair value of the consideration paid at the time the asset was acquired. Intangible assets with specific useful lives are stated at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated using the straight-line method to allocate the cost of the assets over their useful lives. Intangible assets with no useful life are stated at cost less impairment, if any.
Profits and losses arising from the disposal of intangible assets are included in the statement of profit and loss and other comprehensive income.

5- Significant accounting policies (continued)

5-3 Inventory

Inventory includes finished goods, work in process, raw materials, warehouse supplies and spare parts, and it is stated at cost or net realizable value whichever is lower. Cost includes the cost of materials and all expenditures directly related to the manufacturing process as well as the appropriate amount of other costs, based on normal operating capacity. The cost of finished goods includes the cost of raw materials, labor and appropriate general production overheads. The cost of inventory is determined using the weighted average method.
The net realizable value consists of the estimated selling price during the normal course of business after deducting additional production costs for completion and selling and marketing expenses.
The company reviews the carrying value of the inventory regularly, and when needed, the stock is reduced to the net realizable value or provision for obsolete items is created if there is any change in the pattern of use and / or the physical shape of the related stock.

5-4 Cash and cash equivalents
Cash and cash equivalents include cash in banks and bank deposits that mature after three months or less, if any. It also includes bank overdrafts that are an integral part of the company's cash management and are likely to fluctuate from overdraft to positive balances.

5-5 Impairment of non-financial assets
At each reporting date, the non-financial assets are reviewed to determine whether there is an indication that those assets have incurred an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of similar assets), is estimated and compared to its carrying amount. If the estimated recoverable amount is less the carrying amount is reduced to its estimated recoverable amount, and the impairment loss is recognized immediately in the statement of profit or loss.

Impairment occurs when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is greater than its fair value less costs of disposal and value in use.
The recoverable amount is sensitive to the discount rate used for the (discounted cash flow) model as well as expected future cash flows and the growth rate used for extrapolation purposes.

Similarly at each reporting date, inventory is assessed for any impairment by comparing the carrying amount of each inventory asset (or group of similar assets) to its selling price less costs to complete and sell. If there is a decrease on one of the inventory asset (or group of similar asset), its carrying amount is reduced to the selling price less the costs necessary to complete and sell, and the impairment loss is recognized immediately in the statement of profit or loss.

When the impairment loss entry is subsequently reversed, the carrying amount of the assets (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and selling, in the case of inventory), provided that the carrying amount does not increase in excess of the carrying amount that would have been determined had no impairment loss been recognized for those assets for the previous year. The reversal of the impairment loss is recognized immediately in the statement of comprehensive income or comprehensive loss.

5-6 Equity reserves

The share capital represents the nominal (nominal) value of the shares that have been issued. Retained earnings include all current and prior period retained earnings. All transactions with the owners of the company are recorded separately within equity.

5-7 Statutory reserves

In accordance with the company's articles of association and the companies law in the Kingdome of Saudi Arabia, 10% of the net profit for the year is transferred to the statutory reserve until the reserve reaches 30% off the capital. This reserve is not distributable to shareholders. However, it can be used to raise capital after obtaining shareholder approval.

5- Significant accounting policies (continued)

5-8 Provisions

A provision is recognized if, as a result of past events, it appears that the company has a present legal or contractual obligation whose amount can be estimated reliably and that it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

5-9 Contingent liabilities

All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence one or more uncertain future events that are not under the full control of the company, or all current obligations arising from past events but not established for the following reasons: (1) there is no possibility that an outflow of resources embedded in the economic benefits will be required to settle the obligation, or (2) the obligation amount cannot be measured sufficient reliability; they all must be evaluated at each statement of financial position and disclosed in the company financial statements as possible liabilities.

5-10 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Assumptions are removed from the statement of financial position when the obligation specified in the contract is discharged, canceled or expires. Borrowings are classified as a current liability when the remaining maturity date is less than 12 months.

5-11 Zakat

According to GAZT terms the company is subject to zakat. Zakat provision of the company is recognized and charged in the statement of profit or loss and other comprehensive income. Additional zakat liabilities are calculated, if any, which relate to assessments of previous years by the GAZT and income in the period in which the final assessments are issued.

5-12 Employee benefits

Short-term obligations

The obligations related to wages and salaries, including non-cash benefits, accumulated vacations, travel tickets, children's education and furniture expected to be paid in full within 12 months after the end of the period in which employees provide related services, they are recognized in relation to employee services until the end of the reporting period and measured at the amounts expected to be paid when the obligations are settled. Current employee benefit obligations are shown in the statement of financial position.

employee end of employment benefits

The obligation or asset recognized in the statement of financial position in connection with a defined end-of-service benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method.

The present value of the receivable obligation is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds that are determined in the currency in which the benefits will be paid, and that have terms that approximate the terms of the relevant obligation.

Defined benefit costs are categorized as:

5- Significant accounting policies (continued)

5-12 Employee benefits (continued)

Service cost

Service costs include current service and past service is recognized in profit of loss immediately.

Changes in the present value of defined benefit obligations resulting from program adjustments or labor reductions are recognized directly in the statement of profit or loss and other comprehensive income as past service costs.

Interest cost

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in the employee benefits account in the statement of profit or loss.

Remeasurement of gains or losses

Remeasurement of gains or losses arising from experience adjustment and changes in actuarial assumptions in the period in which they occur are recognized in the statement of comprehensive income.

5-13 Foreign currency

at the spot rates of its functional currency on the date that the transaction qualifies for recognition. Monetary assets and obligations denominated in foreign currencies are translated at the spot exchange rates for the functional currency at the reporting date.

Differences arising from the settlement or transfer of monetary items are recognized in the statement of comprehensive income.

5-14 Finance cost

Borrowing costs directly attributable to acquisition, construction or production of qualifying assets are capitalized over a period of time necessary to complete and prepare the asset for its intended use or sale. Other finance costs are expensed in the period in which they are incurred and are recorded as 'finance expenses'. Finance costs consist of interest and other costs that the company incurs in connection with the borrowing of funds.

5-15 Revenue recognition

Revenue is recognized at an amount that reflects the consideration that the entity expects to receive in exchange for transferring goods or services to customer. This is based on the principle that revenue is generated when a good is controlled or service is transferred to a customer. Revenue is measured at the fair value of the received or receivable, subject to contractually specified payment terms and excluding taxes or fees. Revenue arrangements are evaluated based on specific criteria to determine whether the company is acting as manager or agent. The specific recognition criteria described below must be met before revenue is recognized. In the absence of specific criteria, the above policy will be applied, and the revenue is recorded as earned and accrual.

The income generating activities of the company are as follows:

a) Revenues from sales of goods

The company recognizes revenue when controlling the products sold and the transfers to the customer, which will be considered in the context of the five-step approach application of the applicable shipping terms.

b) Sales return

When a contract with the customer provides the right to return goods within a specified period, the company calculates the right of the return when the customer requests it and contractual terms are met.

No element of financing is considered to exist as sales are made either on a cash basis or on a term basis consistent with market practice.

5- Significant accounting policies (continued)

5-16 Selling, distribution, general and administrative expenses

Selling, distribution, general and administrative expenses include direct and indirect costs that are not specifically part of cost of sales. Allocation between cost of sales and selling, distribution, general and administrative expenses, when required, is made on a consistent basis. The company recognizes marketing support from sellers in selling and distribution expenses on an accrual basis.

5-17 Earnings per share

The company displays basic and diluted earnings per share (if any) per ordinary share. Basic earnings are calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year, adjusted by the number of ordinary shares repurchased or issued during the year. Diluted earnings per share are adjusted for profit or loss attributable to the company's ordinary shareholders and the weighted average number of shares outstanding during the year with the effect of all potentially issued ordinary stock.

5-18 leases

Assets held through other leases are classified as operating leases which are not recognized in the company's statement of financial position. Operating lease payments under operating leases are charged to the statement of profit or loss over the term of the leases.

5-19 Value added tax

Revenues, expenses and assets are recognized after deducting VAT, except for:

When the VAT incurred in connection with the purchase of assets or services in non-refundable from GAZT, in this case, the transaction tax is recognized as part of the cost of purchasing the asset or as part of the expense's items, where applicable; and Receivables and payables that are included with the transaction tax amount.

The net amount of VAT recoverable from, or payable to, GAZT as part of purchase asset or expenses items in statement of financial positio**.**

5-20 Transactions and balances in foreign currencies

Transactions in foreign currencies are converted into Saudi Riyals using the exchange rate prevailing on the date of the transactions. Foreign exchange profits and losses resulting from the settlement of these transactions and from remeasurement of monetary items denominated in foreign currency at the rates prevailing at the end of the year are recognized in the statement of profit or loss and other comprehensive income. Non-monetary items are not retranslated at the end of the year and are measured at historical cost (they are translated using the exchange rates on the date of the transaction), except for non-monetary items at fair value, which are translated using the exchange rates at the date on which the fair value was determined.

5-21 Financial instruments

5-21-1 Financial assets

5-21-1-1 Classification of financial assets

On initial recognition, the financial assets are classified as measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. However, the company as at the reporting date only held financial assets carried at amortized cost and fair value through profit or loss.

5-21 Financial instruments (continued)
5-21-1 Financial assets (continued)
5-21-1-1 Classification of financial assets (continued)

a) Financial assets at amortized cost.

A financial asset is measured at amortized cost if it meets the following two conditions and is not designated at fair value through profit or loss:

- Holds assets in a business model whose objective is to hold assets to collect contractual cash flows.
- The contractual terms of the financial assets perform on specified dates to cash flows that are only payments of principal and dividends on the principal amount receivable.

b) Financial assets at fair value through other comprehensive income

Equity instrument

On initial recognition, for an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes at fair value through other comprehensive income, and this choice is made based on the investment for the investment.

c) Financial assets at fair value through profit or loss

All other financial assets are classified as measured at fair value through profit or loss, for example (held-for-trading equity and dept securities not classified as not at amortized cost or at fair value through other comprehensive income).

In addition, on initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized value, at fair value through other comprehensive income or at fair value through profit or loss if that eliminates or significantly reduces the accounting mismatches that might otherwise arise.

5-21-1-2 derecognition of financial assets

A financial asset or part of a financial assets is derecognized when:

1) The right to receive cash flows from the asst has expired, or
2) The company has transferred its right to receive cash flows from the asset or 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:
1) The company has transferred substantially all the risks and advantages of the asset.
2) The company neither transfer nor retains substantially all the risks and advantages of the asset nor retains control of the financial asset.

5- Significant accounting policies (continued)

5-21 Financial instruments (continued)

5-21-1 Financial assets (continued)

5-21-1-3 Impairment of financial asset

The company assesses on a forward-looking basis the expected credit losses over the life of its financial assets carried at amortized cost.

The company applies the simplified approach as permitted by IFRS 9, which requires recognition of expected losses over the life of initial recognition of receivables.

The company uses a provision matrix on calculating ECL on receivables to estimate lifetime ECL, with certain provision rates applied to contractual obsolescence sets that are past due. The provision matrix has been developed taking into consideration the probability of default and loss in the event of default which has been derived from the historical statement of the company and has been adjusted to reflect the expected future outcome and which includes macroeconomic factors.

Other instruments are considered low risk and the company uses a temporary matrix in expected ECL.

A financial asset is written off only when:

1) It is past due, and
2) There is no reasonable expectation of recovery

If financial assets are written of, the company continues to engage in enforcement activities to attempt to recover outstanding receivables. When receivables are made, after write-off, they are recognized in the statement of profit or loss.

5-21-2 Financial liabilities

5-21-2-1. Initial recognition

Financial liabilities are initially recognized at fair value and in the case of loans and facilities, the fair value of the consideration received less directly attributable transaction costs.

5-21-2-2. Subsequent measurement

After initial recognition, the financial liability is subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized, as well as through the amortization process.

5-21-2-3. derecognition of financial liabilities

A financial liability is derecognized when the obligation under the obligation is discharged, canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability, and the difference in the related carrying amounts is recognized in the profit or loss list.

5-21-3 Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount is recorded in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The right must not be legally enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

5-21-4 fair value hierarchy of financial instruments

The company classifies the fair value of its financial instruments in the following hierarchy based on the inputs used in its valuation

5- Significant accounting policies (continued)

5-21 Financial instruments (continued)

Level one

the fair value of financial instruments listed in active markets is based on the closing price quoted at the statement of financial position date. Examples include commodity derivatives and other financial assets such as equity investment and dept securities.

Level two

the fair value of financial instruments that are not traded in an active market is determined using valuation techniques using observable market data. These valuation methods include discounted cash flows, standard valuation models based on market standards for interest rates, yield curves or foreign exchange rates, dealer rates for similar instruments, and the use of comparable business transactions.

Level three

The fair value of financial instruments that are measured based on the entity's own valuations using inputs not based on observable market data (unobservable inputs).

5-21-5 Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and liability and of allocating interest income and expense over the relevant period. The effective interest rate is the rate the exactly discounts estimated future cash receipt (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the dept instrument, or, where applicable, the period shorter to net book value on initial recognition.

5-22 Segment reports

(a) Operational segment

There are no operational sectors in the company, as the company's main activity is the manufacture of reinforcing steel and primary iron products in the form of blooks of substrates and waste after re-melting.

(b) Geographical segment

The company has no geographical sectors, as all revenues from the company's activities are made within the kingdom of Saudi Arabia, and therefore there are no geographical sectors to be disclosed.

5-23 distributions of cash dividends and non-dividends to shareholders

Dividends in cash or other than cash to shareholders are recognized as liabilities when the distribution is approved. According to the Companies Law in the Kingdom of Saudi Arabia, dividends are approved upon approval by the partners. The amount distributed is deducted directly from the equity of the partners and recognized as a liability.

(All amounts in Saudi Riyals unless otherwise stated)

6. Property, plant and equipment

	2021								2020
	Lands	**Buildings**	**Machine and equipment**	**Computer**	**Vehicles**	**Tools**	**Furniture**	**Total**	**Total**
Cost									
Cost at 1 January2021	**7,691,600**	**32,546,208**	**343,875,394**	**1,535,167**	**1,508,754**	**702,572**	**2,390,493**	**390,250,188**	393,904,051
Additions	**1,999,500**	**1,500,500**	**1,106,463**	**32,886**	**584,100**	**13,219**	**179,574**	**5,416,242**	826,232
Disposals	--	--	--	--	--	(76,137)	(652,694)	**(728,831)**	(4,480,095)
Balance end of the year	**9,691,100**	**34,046,708**	**344,981,857**	**1,568,053**	**2,092,854**	**639,654**	**1,917,373**	**394,937,599**	390,250,188
Accumulated depreciation									
Accumulated depreciation at 1 January	--	**8,317,754**	**79,406,614**	**1,466,041**	**1,424,008**	**333,470**	**2,280,523**	**93,228,410**	74,036,052
Depreciation for the year	--	**1,607,173**	**17,836,091**	**33,497**	**76,586**	**101,061**	**81,320**	**19,735,728**	19,743,670
Accumulated depreciation of disposals	--	--	--	--	--	**(49,742)**	**(649,979)**	**(699,721)**	(551,312)
Balance end of the year	**--**	**9,924,927**	**97,242,705**	**1,499,538**	**1,500,594**	**384,789**	**1,711,864**	**112,264,417**	93,228,410
Net book value in									
31 December 2021	**9,691,100**	**24,121,781**	**247,739,152**	**68,515**	**592,260**	**254,865**	**205,509**	**282,673,182**	
31 December 2020	**7,691,600**	**24,228,454**	**264,468,780**	**69,126**	**84,746**	**369,102**	**109,970**		297,021,778

*The company entered into a loan agreement with the Saudi Industrial Development Fund to help finance the expansion of its factory for the production of iron billets and rebar, as the factory's assets were mortgaged to the fund (note 12-2)

Depreciation allocation as follows:	**31 December 2021**	31 December 2020
Cost of manufacturing	**19,533,397**	19,369,706
Selling and marketing expenses (note 19)	**743**	583
General and administrative expenses (note 20)	**201,588**	373,381
	19,735,728	19,743,670

(All amounts in Saudi Riyals unless otherwise stated)

7. Intangible assets

	31 December 2021	31 December 2020
Electrical service delivery station *	**25,908,637**	25,908,637
Engineering design programs	**35,625**	35,625
	25,944,262	25,944,262

* The intangible assets represented in the electrical service delivery station where the Company entered into an agreement with the Saudi Electricity Company on 12 Dhu al-Qi'dah 1431H corresponding to October 20, 2010, to deliver the electrical service to feed Watani iron and steel factory throughout the plant’s lifetime.

There is no specific useful life for intangible assets, and accordingly, the company annually conducts a test to ensure that there is no impairment in the value of the asset, and this evaluation resulted in the absence of evidence of an impairment in the value of intangible assets.

8. Inventory

	31 December 2021	31 December 2020
Raw material	**13,737,923**	17,206,570
Spare parts and supplies	**17,340,249**	17,994,303
Work in process	**9,497,031**	12,475,123
Finished goods	**7,386,599**	4,081,897
Goods in transit	**2,063,197**	324,850
	50,024,999	52,082,743

9. Trade receivables

	31 December 2021	31 December 2020
Trade Receivable**	**-**	**1,311,219**
Provision for impairment in trade receivables (9-1)	**-**	-
Written of Provision for impairment in trade receivables (9-1)		**(1,311,219)**
	-	-

9-1 provision for impairment in trade receivables movement

	31 December 2021	31 December 2020
Balance at the beginning of the year	**-**	-
Charged during year	**-**	1,311,219
Written of during year	**-**	(1,311,219)
Balance at the end of the year	**-**	**-**

** As a result of the client’s inability to pay, the company filed a lawsuit against the customer for the value of the checks issued by the customer, and a court ruling was issued on 25 Jumada Al-Awal 1441H corresponding to 20 January 2020 in favor of the company under an implementation deed and the debt .is being collected in full. It is still under the procedure and there are no updates in the course of the case. During the year 2020, a provision was made for the entire indebtedness for non-collection of the indebtedness until the date of the financial statements (note 9). During the year 2020 the company's management agreed to write off the provision formed during the same year.

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(All amounts in Saudi Riyals unless otherwise stated)

10. Prepayments and other receivable

	31 December 2021	31 December 2020
VAT receivables	**4,372,415**	1,247,173
Advance to suppliers	**2,390,999**	1,231,108
Prepaid insurance expenses	**629,038**	565,656
Advances to purchase fixed assets**	**600,000**	3,928,634
Prepaid subscriptions	**214,903**	90,051
Advances to employees	**57,539**	49,978
Prepaid rent	**12,500**	25,000
Provision impairment in prepayment and other receivable (10-1)	**(600,000)**	(3,328,634)
	7,677,394	3,808,966

10-1 Provision impairment in prepayment and other receivable Movement

	31 December 2021	31 December 2020
Balance at the beginning of the year	**-**	-
Charged during year	**600,000**	3,328,634
Written off during year	**(600,000)**	(3,328,634)
Balance at the end of the year	**-**	**-**

**Advance payments to purchase fixed assets are the amounts paid under a factory purchase account for the purpose of increasing the capacity of the production line for the melting area. As a result of the project discontinuation, a provision for impairment was created against the advance payments to purchase the asset. There is no update on the possibility of resuming the purchase of the asset or refunding the advance payments. The issue is still under procedure and there are no changes during 2021

During the years 2021 and 2020, the company's management agreed to write off the provisions made during 2021 and 2020.

11. Statutory reserve

In accordance with Company's by-laws the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net profit for the year to a statutory reserve until such reserve equals 30% of its share capital. This Statutory Reserve is not available for distribution to shareholders.

12. Borrowings

	31 December 2021	31 December 2020
Loans from local banks (12-1)	**75,500,000**	104,700,000
Accrued finance expenses for local banks	**726,248**	852,070
Total loans from local banks	**76,226,248**	105,552,070
Saudi Industrial Development Fund (12-2)	**48,500,000**	73,500,000
Deferred Interest and commissions	**(3,100,000)**	(6,200,000)
Net borrowings	**45,400,000**	67,300,000
Total borrowings	**121,626,248**	172,852,070
Less: current portion		
Loans from local banks	**76,226,248**	105,552,070
Saudi Industrial Development Fund	**45,400,000**	25,000,000
Total current portion	**121,626,248**	130,552,070
Net non-current portion	-	42,300,000

(All amounts in Saudi Riyals unless otherwise stated)

12. Borrowings (continued)

Interest expenses	**31 December 2021**	31 December 2020
Loans from local banks (12-1)	**3,487,873**	5,457,309
Saudi Industrial Development Fund (12-2)	**3,100,000**	2,040,000
Bank charges and other	**220,129**	425,844
	6,808,002	7,923,153

Some of these loans contain bank covenants. The breach of these covenants may lead to re-negotiation with the banks. These covenants are monitored on a monthly basis by the management and in case of a breach or possible breach of these covenants, action is taken by the management to ensure that these conventions are fulfilled. It has been evident that the company is not committed to some of the covenant related to financial ratios contained in the agreements with banks and the Fund. The company had a letter from the Saudi Industrial Development Fund exempting it from the required ratio of working capital for the year 2021.

12-1 Loans from local banks

The company entered into a credit facility agreements with several local banks that include short-term loan facilities, financing of partnership and Murabaha contracts, and documentary credit facilities at variable Islamic Murabaha rates agreed upon with the banks, and the credit limits granted by banks amount to 85 million Saudi riyals. A short-term loan of 40 million Saudi riyals in favor of a local bank, as announced on the Tadawul website on June 15, 2021.
The following is a statement of the movement of short-term loans during the period that are due for repayment during the year ending in:

	31 December 2021	31 December 2020
Balance at the beginning of the year	**105,552,070**	115,100,000
Repayment during the year	**(248,652,070)**	(278,980,000)
Proceeds during the year	**218,600,000**	268,580,000
Accrued finance cost	**726,248**	852,070
Balance end of the year	**76,226,248**	105,552,070

12-2 Saudi Industrial Development Fund loan

The company entered into a loan agreement with the Saudi Industrial Development Fund amounting to 187 million Saudi riyals, on Rabi Al-Akher 12, 1435H corresponding to 12 February 2014 to help finance the expansion of the iron billets and rebar steel production plant, where all the factory assets were mortgaged in favor of the fund. The agreement with the Fund (note 7), on Jumada Al-Awwal 16, 1438H corresponding to February 13, 2017, in accordance with Article 4 of the loan contract referred to above, the two parties agreed to reduce the loan amount to 164 million Saudi riyals, the loan will be repaid in eleven installments Semi-annual. The first installment was paid on 17 Shaaban 1439H corresponding to May 3, 2018.

The Industrial Development Fund loan instalments were restructured based on the Fund’s approval on Rabi’ al-Awwal 14, 1442 AH corresponding to October 31, 2020 AD, where the first instalment was restructured to be 14 million Saudi riyals on Jumada al-Akher 15 1442 AH corresponding to January 28, 2021 AD, and the last instalments amounted to 24.25 million Saudi Riyals Rabi’ Al-Akhir 15 1444 Corresponding to November 9, 2022 .

(All amounts in Saudi Riyals unless otherwise stated)

12. Borrowings (continued)

12-2 Saudi Industrial Development Fund loan (continued)

During 2020, the company paid early instalments of 11 million SR, which represents part of the instalment due on May 27,2021, with a value of 18 million SR. the remainder of the instalments due on May 27,2021, amounting 7 million SR, in addition to the 18 million SR instalments due on November 20, 2021. Thus, the total paid amount of the loan until the date of December 31,2021 becomes 115.5 million SR, so that the balance outstanding and due on December 31,2021. In the amount of 48.5 million SR.

The company will pay the entire due and remaining installments of the Saudi Industural Development Fund loan during 2022 for the installment due on May 16, 2022, at a value of 24.25 million SR and the last installment due on November 09, 2022. According to the loan contract agreement between the company and the Development fund No.2383, all assets of the factory will be released upon the expiry of the loan repayment during 2022.

13. Employees' end of service benefits

General description

The law provides for post-employment benefits for all employees who complete a qualifying period of service and are entitled to receive amounts mentioned under the labor law for each year of this service.

The annual provision is based on the actuarial valuation. The valuation was performed as of 31 December 2021, 31 December 2020 by an independent actuary, using the Projected Unit Credit Method.

13-1 Key actuarial assumptions

	31 December 2021	31 December 2020
	(percentage)	
Estimated rate of increase in employee salaries	**2%**	1%
Discount rate	**2.75%**	2.55%

13-2 The movement in the present value of defined benefit obligations

	31 December 2021	31 December 2020
Present value at the beginning of the year	**4,444,264**	3,473,940
Interest and Service Cost	**985,600**	920,281
Payments during the year	**(100,603)**	(46,529)
Actuarial losses through OCI	**157,717**	96,572
	5,486,978	4,444,264

	31 December 2021	31 December 2020
Less than a year	**27,028**	49,249
1-5 years	**1,220,806**	1,707,337
More than 5 years	**4,239,144**	2,687,678
	5,486,978	4,444,264

(All amounts in Saudi Riyals unless otherwise stated)

13, Employees' end of service benefits (continued)

13-3 The sensitivity of the defined benefit obligation to changes in the weighted average of the key assumptions is:

	Change in assumption	31 December 2021	31 December 2020
Discount rate	1+%	**5,120,419**	4,154,402
	1-%	**5,903,774**	4,773,860
Long-term salaries	1+%	**5,931,113**	4,798,256
	1-%	**5,089,777**	4,127,981
Employee turnover rate	Employee turnover rate 10% higher	**10,056,050**	8,417,102
	Employee turnover rate 10% lower	**8,608,126**	7,401,153

14. Accrued expenses and other balance payable

	31 December 2021	31 December 2020
Advances from customers	**23,414,645**	38,851,942
Employees' accruals	**2,439,949**	1,951,105
Board Remuneration	**1,547,000**	-
Accrued consulting fees	**184,000**	350,000
GOSI	**147,145**	123,243
Other	**257,003**	173,028
	27,989,742	41,449,318

15.Transaction and balances with related parties

Transactions with related parties are represented in the salaries and remuneration of senior management, sales, purchases and expenseson behalf that took place during the year between the company and the partners and between the company and parties owned by the shareholders or who own significant shares in its capital. The most important transactions with related parties and the resulting balances are as follows:

A. Transactions with related parties

Related party	Nature of relationship	Nature of transaction	Volume of transaction 31 December 2021	Volume of transaction 31 December 2020
Yousuf AlTarif Trading Est	Affiliate	Expenses on behalf	-	**143,992**
Abdul Karim Al Rajhi Steel Co	Affiliate	Sales	-	**59,850**

(All amounts in Saudi Riyals unless otherwise stated)

15.Transaction and balances with related parties (continued)

A. Key management

	31 December 2021		31 December 2020	
	Board members and committees	**Executive management**	**Board members and committees**	**Executive management**
Remunerations of Board Members, Committees and Executive Management	**1,280,000**	150,000	-	-
Board and committee attendance allowances	**117,000**	-	-	-
Salaries, wages and equivalents	**-**	2,328,600	-	1,871,850
Bonuses	**-**	80,850	-	41,700
End of service	**-**	257,583	-	151,033
	1,397,000	2,817,033	-	2,064,583

(All amounts in Saudi Riyals unless otherwise stated)

16. Zakat provision

A- Zakat base

The company submitted its assessments to the Zakat, Tax, and Customs Authority ("ZATCA") until the year ended ,on December 31 2020 and the company obtained a certificate from ZATCA valid until Ramadan 29 1443H corresponding to April 30, 2022.

B- Zakat provision movement

The following is summery of zakat movement:

	2021	2020
Net adjusted profit (A)	**49,890,501**	37,580,635
Adds:		
Share capital	**121,100,000**	121,100,000
Reserves	**8,574,028**	5,465,929
Retained Earning	**11,026,220**	
Long-term loans	**-**	125,850,000
Provisions	**4,343,661**	3,427,411
Other additions		26,014,500
Deducts		
Intangible assets	(25,944,262)	(25,944,262)
Net fixed assets	(282,673,182)	(297,021,778)
Other deductions	**(17,340,249)**	(34,940,969)
Zakat base (B)	**(131,023,283)**	(38,468,534)
Zakat 2.5% (of the adjusted net profit or the Zakat base, whichever is higher)	**1,247,263**	939,516
Zakat by 2.5% from net adjusted profit	**1,247,263**	939,516

C- Zakat provision movement

	2021	2020
Balanceat the beginning of the year	**939,516**	773,526
Charged during the year	**1,247,263**	939,516
Paid during the year	**(939,516)**	(773,526)
Balance end of the year	**1,247,263**	939,516

17. Sales

	2021	2020
Steel Seles	**622,892,946**	459,411,422
	622,892,946	459,411,422

18. Cost of sales

	2021	2020
Consumed material	**470,817,085**	325,701,002
Energy expenses	**33,035,917**	29,135,344
Depreciation of property, plant and equipment	**19,521,918**	18,831,262
Salaries wages and equivalents	**18,917,130**	16,899,211
Maintenance and repairs	**9,988,158**	8,991,894
Other	**2,192,302**	3,456,242
	554,472,510	403,014,955

(All amounts in Saudi Riyals unless otherwise stated)

19. Marketing and selling expenses

	2021	2020
Salaries, wages and equivalents	**206,672**	284,302
Depreciation (note 8)	**743**	583
Others	**61,057**	90,184
	268,472	375,069

20. General and administrative expenses

	2021	2020
Salaries, wages, and equivalents	**8,202,488**	6,732,568
Professional and consulting fees	**1,641,942**	2,892,075
Key management remuneration	**1,547,000**	-
Electricity, water, and communication	**455,875**	513,633
Depreciation (note 6)	**201,588**	373,381
Transportation and transfer and missions	**168,128**	169,244
Medical insurance	**166,664**	170,521
Subscription and charges	**135,598**	71,074
Rent	**65,000**	60,000
Hospitality	**39,472**	39,312
Bankcharges	**11,827**	25,728
Others	**793,478**	841,829
	13,429,060	11,889,365

21. Other revenue, net

	2021	2020
Losses from disposal of property plant and equipment	**(29,110)**	(150)
Other	**1,019,109**	451,624
	989,999	451,474

22. Dividends distributed

There are no dividends during the year 2021 (2020 on 7/9/1441H corresponding to (30/4/2020), the partners approved the distribution of part of the retained earnings from the year 2019 and part of the first quarter profits ending on 31/3/2020 to the partners of the company in an amount of 35,800,000).

23. Capital commitment and contingent liabilities

There is no capital commitment for the company on 31 December 2021.

	2021	2020
Suppliers	**14,894,900**	14,894,900
	14,894,900	14,894,900

24. Earnings per share

24-1 Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding at the end of the year of 12,110,000 share (2020: 12,110,000).

	2021	2020
Net profit attributed to ordinary share holders	**47,085,084**	31,080,985
Estimated average of number of issued ordinary shares	**12,110,000**	12,110,000
Basic and diluted earnings per share	**3,89**	2.57

(All amounts in Saudi Riyals unless otherwise stated)

25. Segment reporting

The main activity of the company is the manufacture of rebar and iron primary products in the form of billets from substrates and waste after re-melting them .
The company's foreign sales did not achieve any of the quantitative limits referred to in International Financial Reporting Standard No. (8) "Operational Segments".

26. Financial instruments and risk management

The Company's principal financial liabilities include trade and other payables, due to related parties, and loans. The Company's principal financial assets consist of cash and bank balances, trade receivables, prepayments and other receivables, and due from related parties. The main financial risks arising from the company's financial instruments are market risk, credit risk, liquidity risk, currency risk and concentration risk. Management reviews and conforms to policies to manage these risks.

26-1 Market risk

It is the risk of fluctuation in a financial instrument due to changes in prices prevailing in the market, such as foreign exchange rates and interest rates, which affects the company's income or the value of its financial instruments. Market risk management aims to manage and control exposure to market risk within acceptable limits while maximizing returns. There has been no change in the company's exposure to market risks or the way in which these risks are managed and how they are measured.

26-1-2 Interest rate risk

Interest rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the group's financial position and cash flows. The company is exposed to interest rate risk on its interest-bearing assets and liabilities, which mainly consist of bank facilities and loans. Management limits interest rate risk by monitoring changes in interest rates. Management monitors changes in interest rates and believes that the cash flow and interest rate risks to the fair value of the group are not significant.

Group receivables and payables carried at amortized cost are not subject to interest rate risk as defined in IFRS7 as the carrying amount or future cash flows will not change due to changes in market interest rates. Thus, the company is not exposed to fair value interest rate risk.

The company's exposure to changes in interest rates is as follows

	2021	2020
Variable interest rate loans	**121,626,248**	172,852,070

All existing credit facility agreements are concluded with local banks and are in compliance with the provisions of Islamic Sharia.

Sensitivity analysis
The following table shows the sensitivity of income to reasonably possible changes in interest rates, with other variables held constant, there is no direct impact on the equity of the group.

	Profit and loss Statement			
	2021		2020	
	100-points more	**100 points discount**	100-points more	100 points discount
Variable interest rate loans	12,162,625	(12,126,625)	17,285,207	(17,285,207)
Changes in cash flow	12,162,625	(12,126,625)	17,285,207	(17,285,207)

- -There is no effect on the equity statement

26.Financial instruments and risk management (continued)

26-1-2 Currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates, foreign currency risk arises when future commercial transactions, assets and liabilities are recognized in a currency other than the Saudi Riyal. In Saudi riyals. Management monitors the risks of fluctuations in exchange rates closely and on an ongoing basis, and based on its experience and market reactions, management does not believe that it is necessary to hedge against foreign exchange risks as most of the foreign exchange risks are relatively limited in the medium term.

26-2 Credit risk

It is the risk that one party will not be able to fulfill its obligations, causing financial losses to the other party. The company does not have significant concentration of credit risk. Cash and cash equivalents are deposited with local banks with high credit ratings. Trade and other receivables are mainly due from customers in the local market and are shown at their estimated collectible value. The company has policies in place to reduce its exposure to credit risk. The book value of the financial assets represent the maximum credit risk.
The following is the credit rating of the banks that the company deals with and their balance as on December 31, 2021: -

Credit rating	2021	2020
BAA1	-	1,999
A1	2,213,003	4,465,398
A2	66,235	1,054,853
A3	2,422,218	2,922,931
	4,701,456	8,445,181

26-3 Liquidity risk

It is the risk that the company will encounter difficulties in obtaining the necessary financing to meet obligations associated with financial instruments. Liquidity risk may arise when the inability to sell a financial asset quickly at a value close to its fair value. Liquidity risk is managed through regular monitoring of the adequacy of liquidity available to meet the company's financial obligations. The company's approach to managing liquidity is to ensure that it has sufficient liquidity to meet its liabilities when due, under normal and established conditions, without incurring unacceptable losses or risking damage to the company's reputation.
The following table summarizes the company's financial liabilities in the related maturity companies based on the remaining period at the balance sheet date and up to the contractual maturity date. The amounts shown in the table are the contractual undiscounted cash flows

31 December 2021	Carrying amount	Less than a year	1-5 years	More than 5 years
Long term Borrowings - current portion	45,400,000	45,400,000	--	--
Short-term Borrowings	76,226,248	76,226,248	--	--
Trade payables	27,442,732	27,442,732	--	--
Accrued expenses and other payables	27,989,742	27,989,742	--	--
	177,058,722	177,058,722	-	--

(All amounts in Saudi Riyals unless otherwise stated)

26.Financial instruments and risk management (continued)

31 December 2020	Carrying amount	Less than a year	1-5 years	More than 5 years
Long term borrowings - current portion	25,000,000	25,000,000	--	--
Short-term borrowings	105,552,070	105,552,070	--	--
Trade payables	27,289,353	27,289,353	--	--
Accrued expenses and other payables	41,449,318	41,449,318	--	--
Long-term borrowings	42,300,000	--	42,300,00	--
	241,590,741	199,290,741	42,300,00	--

The company's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The company monitors its capital base using the net dept to equity ratio. Net dept is calculated as loans less cash and cash equivalents.

The following is the net dept to equity ratio of the company at the end of the year:

Credit rating	31 December 2021	31 December 2020
Borrowings	121,626,248	172,852,070
Less:		
Balances at banks	(4,701,456)	(8,445,181)
Net dept	116,924,792	164,406,889
Total equity attributable to the company's shareholders	187,228,330	140,328,409
Net dept to equity ratio	62,5٪	117,2٪

26-4 Commodity price risk

It is the risk associated with changes in the prices of certain commodities, which the company is exposed to from an undesirable effect on the company's costs and cash flows. This risk in commodity prices arises from the expected purchases of some goods from the raw materials that the company uses.

(All amounts in Saudi Riyals unless otherwise stated)

26.Financial instruments and risk management (continued)

26-5 Fair value

The following tables show the carrying value and fair value of the financial assets and financial liabilities of the company, including levels of the fair value hierarchy, for financial assets and liabilities that are not measured at fair value and have a short-term maturity, it is assumed that the book value approximates its fair value and therefore it does not include fair value information for these financial instruments. It includes cash and cash equivalents, trade receivables, prepayments and other assets, loans, trade and other payables.

	Carrying value			Fair value			
As at 31 December 2021	**Financial assets at FVTOCI**	**Amortized cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets							
Prepayments and other receivables	--	**7,677,394**	**7,677,394**	--	--	--	--
Cash bank balances	--	**4,701,456**	**4,701,456**	--	--	--	--
	--	**12,378,850**	**12,378,850**	--	--	--	
Financial liabilities							
Current portion from short-term borrowings	--	**45,400,000**	**45,400,000**	--	--	--	--
Trade payable	--	27,442,732	27,442,732	--	--	--	--
Short-term borrowings	--	76,226,248	76,226,248	--	--	--	--
Accrued expenses and other payables	--	27,989,742	27,989,742	--	--	--	--
	--	**177,058,722**	**177,058,722**	--	--	--	--

	Carrying value			Fair value			
As at 31 December 2020	**Financial assets at FVTOCI**	**Amortized cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets							
Prepayments and other receivables	--	3,808,966	3,808,966	--	--	--	--
Cash and bank balances	--	8,445,181	8,445,181	--	--	--	--
	--	12,254,147	12,254,147				
Financial liabilities							
Current portion from short-term borrowings	--	25,000,000	25,000,000	--	--	--	--
Trade payable	--	27,289,353	27,289,353	--	--	--	--
short-term Borrowings	--	104,700,000	104,700,000	--	--	--	--
Accrued expenses and other payable	--	42,301,388	42,301,388	--	--	--	--
Long-term borrowings	--	42,300,000	42,300,000	--	--	--	--
	--	241,590,741	241,590,741	--	--	--	--

27. Reclassification

Some comparative figures for the year 2020 have been reclassified to conform to the current year's presentation.

28. Subsequent Events

The management believes that there have been no significant subsequent events since the year end that would require add.

29. .Approval of the financial statements

The financial statements for the year ended on December 31, 2021 were approved by the Company's Board of Directors on Rajab 27, 1443H corresponding to February 28, 2022.