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WATANI STEEL

WATANI IRON STEEL COMPANY
(A Saudi Joint Stock Company-Listed)
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

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INDEPENDENT AUDITOR'S REPORT
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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF WATANI IRON STEEL COMPANY
(A Saudi Joint Stock Company-Listed)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Watani Iron Steel Company (the "Company") as at 31 December 2022, and its financial performance and its 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 Saudi Organization for Chartered and Professional Accountants (SOCPA).

We have audited the financial statements of the Company, which comprise of the following:

- The statement of financial position as at 31 December 2022;
- The statements of profit or loss and other comprehensive income for the year then ended;
- The statement of changes in equity for the year then ended;
- The statement of cash flows for the year then ended, and;
- The notes to the financial statements, including a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with Intenational 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 Financial Statements* section of our report. We are independent from the Company in accordance with the 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 year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF WATANI IRON STEEL COMPANY
(A Saudi Joint Stock Company-Listed)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

KEY AUDIT MATTERS (Continued)

Key Audit Matters	How our audit addressed the key audit matter
Inventory Valuation	
As at 31 December 2022, the Company's inventories balance was 67,818,728 SR (2021: 50,024,999 SR) . 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 impairment and the provision of obsolete inventory. Refer to Note 5-4 of the financial statements for accounting policy and Note 8 for the related disclosures in the accompanying financial statements.	We have performed the following procedures: - Evaluate the design and implementation of the system of internal control related to management's procedures for identifying and evaluating the provision for obsolete inventory and the provision of impairment; - Evaluated the Company's policy for provision for obsolete inventories; - 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; - By attending a physical count of a sample of inventory, we performed a sample-based check to validate the physical count results; - 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

TO THE SHAREHOLDERS OF WATANI IRON STEEL COMPANY
(A Saudi Joint Stock Company-Listed)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OTHER INFORMATION

Other information consists of the information included in the Company's 2022 annual report, other than the financial statements and our auditor's 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 do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the concolidated 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 International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA and Regulations for Companies and the Company's Bylaws 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 the 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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF WATANI IRON STEEL COMPANY
(A Saudi Joint Stock Company-Listed)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

TO THE SHAREHOLDERS OF WATANI IRON STEEL COMPANY
(A Saudi Joint Stock Company-Listed)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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 year 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.

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

Ibrahim A. Al Bassam
Certified Public Accountant
License No. 337
Riyadh: 16 Shabaan 1444 H
Corresponding to: 8 March 2023

WATANI IRON STEEL COMPANY
(A Saudi Joint Stock Company-Listed)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	6	264,744,092	282,673,182
Intangible assets	7	25,944,262	25,944,262
Total non-current assets		290,688,354	308,617,444
Current assets			
Inventory	8	67,818,728	50,024,999
Prepayments and other debit balances	9	5,258,101	7,677,394
Bank Balances		11,863,798	4,701,456
Total current assets		84,940,627	62,403,849
Total assets		375,628,981	371,021,293
EQUITY AND LIABILITIES			
Equity			
Share capital	1	121,100,000	121,100,000
Statutory reserve	10	18,235,056	13,279,792
Actuarial reserve	12-2	271,622	(529,556)
Retained earnings		97,975,471	53,378,094
Total equity		237,582,149	187,228,330
LIABILITY			
Non-current liabilities			
Employees' end-of-service benefits	12-2	5,625,963	5,486,978
Total non-current liabilities		5,625,963	5,486,978
Current liabilities			
Long-term borrowings - current portion	11	-	45,400,000
Short-term borrowings	11-1	76,902,786	76,226,248
Trade payables	13	37,485,811	27,442,732
Accrued expense and other credit balances	14	16,735,595	27,989,742
Provision for Zakat	16-c	1,296,677	1,247,263
Total current liabilities		132,420,869	178,305,985
Total liabilities		138,046,832	183,792,963
Total equity and liabilities		375,628,981	371,021,293

Capital commitments and contingent liabilities 23

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 28 form an integral part of these financial statements.

Watani Iron Steel Company
(A Saudi Joint Stock Company- Listed)
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2022	2021
Sales	17	595,642,245	622,892,946
Cost of sales	18	(524,268,463)	(554,472,510)
Gross profit		71,373,782	68,420,436
Selling and marketing expenses	19	(333,465)	(268,472)
General and administrative expenses	20	(14,543,982)	(13,429,060)
Operating profit		56,496,335	54,722,904
Finance cost	21	(6,974,747)	(6,808,002)
Other income, net	22	1,327,730	989,999
Provision for impairment in receivables	9-1	-	(600,000)
Net profit for the year before zakat		50,849,318	48,304,901
Zakat	16-b	(1,296,677)	(1,247,263)
Net profit for the year		49,552,641	47,057,638
Items of other comprehensive income:			
Items that will not be reclassified subsequently to the statement of profit or loss:			
Actuarial Gain / (losses) employees for post-employment benefits	12-2	801,178	(157,717)
Total comprehensive income		50,353,819	46,899,921
Basic and diluted earnings per share from total comprehensive income for the year	24	4.09	3.89

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 28 form an integral part of these financial statements

Watani Iron Steel Company
(A Saudi Joint Stock Company-Listed)
Statement of Changes in Equity
For the year ended 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Actuarial reserve	Retained earnings	Total
Balance at 1 January 2021		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		-	4,705,764	-	(4,705,764)	-
Other comprehensive loss	12	-	-	(157,717)	-	(157,717)
Balance at 31 December 2021		121,100,000	13,279,792	(529,556)	53,378,094	187,228,330
Net profit for the year		-	-	-	49,552,641	49,552,641
Transferred to statutory reserve	10	-	4,955,264	-	(4,955,264)	-
Other comprehensive income	12	-	-	801,178	-	801,178
Balance **at 31 December 2022**		**121,100,000**	**18,235,056**	**271,622**	**97,975,471**	**237,582,149**

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 28 form an integral part of these financial statements

Watani Iron Steel Company
(A Saudi Joint Stock Company-Listed)
Statement of Cash Flows
For the year ended 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2022	2021
Cash flows from operating activities			
Net profit for the year before Zakat		**50,849,318**	48,304,901
Adjustments for:			
Depreciation of property, plant and equipment	6	**19,910,402**	19,735,728
(Gain) / Losses from disposal property, plant and equipment	22	**(14,960)**	29,110
Interest income on short term loans	21	**6,974,747**	6,808,002
finance cost on employees' post-employment benefits	12-2	**123,138**	112,046
Provision for Employees' end-of-service benefits	12-2	**894,631**	873,554
Provision for impairment in Prepayments and Other debit balances	9-1	**-**	600,000
		78,737,276	76,463,341
Changes in:			
Inventory		**(17,793,729)**	2,057,744
Prepayments and other debit balances		**2,419,293**	(4,468,428)
Trade payables		**10,043,079**	153,379
Accrued expenses and other credit balances		**(11,254,147)**	(13,459,576)
Employees' end-of-service benefits paid	12-2	**(77,606)**	(100,603)
Zakat paid	16-c	**(1,247,263)**	(939,516)
Net cash generated from operating activities		**60,826,903**	59,706,341
Cash flows from investing activities			
Purchase of property, plant and equipment	6	**(1,981,352)**	(5,416,242)
Proceed from the sales of property, plant and equipment		**15,000**	-
Net cash used in investing activities		**(1,966,352)**	(5,416,242)
Cash flows from financing activities			
Proceeds from short-term borrowings	11-1	**237,700,000**	218,600,000
Repayment of short-term borrowings	11-1	**(237,926,248)**	(248,652,070)
Repayment of long-term borrowings	11-2	**(45,400,000)**	(21,900,000)
Finance cost paid		**(6,071,961)**	(6,081,754)
Net cash used in financing activities		**(51,698,209)**	(58,033,824)
Net change in bank balances		**7,162,342**	(3,743,725)
Bank balances at beginning of the year		**4,701,456**	8,445,181
Bank balances at end of the year		**11,863,798**	4,701,456
Non-cash transactions from operating activities			
Write off the provision for impairment in the value of advance payments and other debit balances		**-**	600,000
Non-cash transactions from financing activities			
Depreciation of deferred interest and commissions from prepayments and other debit balances to Saudi Industrial Development Fund loan		**3,100,000**	3,100,000

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 28 form an integral part of these financial statements

1. LEGAL STATUS AND OPERATIONS

Watani Iron Steel Company ("The Company") is a Saudi joint stock company-listed. The Company initially commenced trading as limited liability on 23/8/1429H corresponding to 24/8/2008 and operates under the Companies Law in the Kingdom of Saudi Arabia under Commercial Registration No, 1010255409.

The company also operates under an industrial facility license issued by the Ministry of Industry an Mineral Resources Facility number 331389 with decision No. (411102103252) dated 9/7/1444H (corresponding to 9/7/2023). 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- Laws , are represented in practicing and implementing manufacturing industries.

On 21/11/1441H (corresponding to 12/7/2020), the extraordinary general assembly agreed to increase the company's capital by issuing 10,000 shares at a value of 100 thousand SR, which were paid in cash from the shareholders, and the capital was increased from 121 million SR to 121.1 SR divided into 12,110,000 shares.The company's capital at the date of the accompanying financial statements is 121.1 million SRdivided into 12,110,000 fully-paid ordinary shares, the value of each share is 10 SR.

On 11/7/1444H (corresponding to 2/2/2023), the company updated its By Laws and the legal form of the company was changed to become a listed Saudi joint stock company instead of a listed closed joint stock company.

The Company's Head Office is located at Al Hyt District, Al Kharj Old Street, P.O. Box 355355, Riyadh 11383, Kingdom of Saudi Arabia ("Saudi Arabia").

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 issued by the Saudi Organization for Chartered and professional Accountant ("SOCPA"). (Hereinafter referred to as the International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia)

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, 2022, the company's current liabilities exceeded its current assets by an amount of 47,482,242 SR (31 December 2021: 115,902,136 SR) which is mainly due to the loan balance amounting to 76,902,786 SR as of 31 December 2022 (31 December 2021: 121,626,248 SR). Despite the deficit in working capital, the company has a positive operating cash flow of 60,826,903 SR as of 31 December 2022 (31 December 2021: 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 11).

3. New standards, amendments to standards and interpretations

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022.

3-1. Amendments to IAS 16, IAS 37

- 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.

3.New standards, amendments to standards and interpretations (continued)

3-1. Amendments to IAS 16, IAS 37 (continued)

- 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 Financial Statements during the year.

3-2. 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 1 January 2023 and earlier application is permitted; Management expects that the interpretations and amendments of these new standards will be adopted in the Company's financial statements when applicable, and the application of these interpretations and amendments may not have any material impact on the Company's financial statements in the period of initial application.

3-2-1Amendments 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.

3-2-2 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.

3-2-3 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.

4. Significant accounting estimates and assumption

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 assumption s 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.

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

Defined benefit plans

The cost of the defined benefit plan and the present value of the obligation is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate.

4-Significant accounting estimates and assumption (continued)

Defined benefit plans (continued)

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AAA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

The mortality rate is based on publicly available mortality tables for Saudi Arabia. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and increases are based on expected future inflation rates for Saudi Arabia.

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 non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing off the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the Cash Generating Unit ("CGU") being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for termination benefits and exit costs, if any, also involve management's judgment in estimating the expected cash outflows for severance payments and site closures or other exit costs. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

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 Current versus non-current classification

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

(a) it expects to realise the asset, or intends to sell or consume it, in the entity's normal operating cycle;
(b) it holds the asset primarily for the purpose of trading;
(c) it expects to realise the asset within twelve months after the reporting date; or
(d) the asset is cash or a cash equivalent, unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.

A liability is current when:

(a) it expects to settle the liability in the entity's normal operating cycle;
(b) it holds the liability primarily for the purpose of trading;
(c) the liability is due to be settled within twelve months after the reporting date;
(d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after reporting date.

The Company classifies all other liabilities as non-current.

5-2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, except for land and capital work-in-progress which are stated at cost and are not depreciated. Capital work-in-progress represents costs directly attributable to new projects in progress and are capitalized as property, plant and equipment when the project is completed. However, depreciation of these assets under construction begins when the asset is ready for use.

Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the company and the amount can be measured reliably.

Finance costs on borrowings to finance the construction of a asset, if any, are capitalized over the period of time required to complete and prepare the qualifying asset for use.

When the major components of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. All other repair and maintenance costs are recognized in the statement of profit or loss and other comprehsive income as incurred.

As follows the estimated deprecation rates of assets that will be depreciated:

Description	**Percentage**
Buildings	4% to 20%
Machine and equipment	From 5% to 20%
Computers	25%
Vehicles	25%
Tools	From 14% to 20%
Furniture	From 14% to 25%

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 and other comprehsive income.

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- Significant accounting policies (continued)

5-3 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. An intangible asset with an indefinite useful life is not amortised, but is tested annually for impairment. When an intangible asset is disposed of, the gain or loss on disposal is included in profit or loss and other comprehsive income.

A summary of the policies applied to the Company's intangible asset is, as follows:

Type	Concession right
Useful lives	Indefinite useful life
Amortisation method used	Not amortised
Internally generated or acquired	Acquired

The company has entered into an agreement with Saudi Electricity Company at 20 Oct 2010 to deliver electrical service with a capacity of 38 KV ampere in order to feed the factory and the company has incurred the cost of delivery of the electricity and also incurred licenses to use the electricity station. The station is build on the company's land and it is handover to Saudi Electricity Company for operation, and its mission is to deliver power continuously to the factory. The company is an operator and must recognize the station as intangible assets.

5-4 Inventory

Inventory includes finished goods, work in process, raw materials, and spare parts,

Work in process

Work in process inventories are the material that have been partially completed through production process. The cost of work in process includes the cost of raw materials, labor and appropriate general production overheads. The cost is determined using the weighted average method.

Spare parts

Spare parts inventory are the items that have been used to replace damaged equipments and tools. Spare parts costs include the purchase cost on weighted average basis

Raw materials

Raw material inventories are the materials that will be used in the production process to produce the finished goods. Raw material costs are the purchase cost of the materials measured using the weighted average method.

Finished Goods

Finished goods are the goods that have been completed from the production process but not yet sold to the customers. The finished goods are stated at cost or net realizable value whichever is lower. The cost 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.

Management estimates the net realizable value of inventories, considering the most reliable evidence at the time of the estimates are used and making provision for obsolete inventories. These estimates take into account changes in demand for goods, technological changes, and fluctuations in price and quality. Accordingly, the company takes these factors into account to calculate the provision for obsolete, stagnant and damaged inventories.

Spare parts are valued at cost or net realizable value, whichever is lower. The provision for slow and obsolete inventories, if any, is estimated at each reporting date.

5- Significant accounting policies (continued)

5-5 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.

5-6 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 and other comprehsive income.

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 and other comprehsive income.

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 profit or loss and other comprehensive income.

5-7 Equity reserves

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

5-8 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.

5-9 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.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle a present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that payment will be received and the amount of the receivable can be measured reliably.

5- Significant accounting policies (continued)

5-10 Contingent liabilities

All possible liabilities 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.

5-11 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.

5-12 Zakat

According to ZATCA 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 ZATCA and income in the period in which the final assessments are issued.

5-13 Employee benefits

Short-term obligations

The obligations related to wages and salaries, including accumulated vacations, travel tickets 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 experts 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:

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 and other comprehsive income.

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 profit or loss and other comprehensive income.

5- Significant accounting policies (continued)

5-14 Foreign currency

Transactions in foreign currencies are recorded in Saudi Riyals at the rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date . Differences arising on settlement or translation of monetary items are recognised in cost of sales. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

5-15 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.

5-16 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 principle 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:

Revenue from contracts with customers

The Company is in the business of sales of rebar steel and billets. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. The company recognizes revenue from contracts with customers by following the steps as mentioned in IFRS 15:

Step (1): Identify the contract (s) with the customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and clarifies the foundations and criteria that must be fulfilled for each contract.

Step (2): Identify the performance obligations in the contract. A performance obligation is an undertaking stipulated inthe contract with the customer to transfer a good or service to the customer.

Step (3): Determine the transaction price: The transaction price represents the amount of compensation that the company expects to have the right in exchange for transferring the promised goods or services to the customer except the amounts that are collected on behalf of third parties.

Step (4): Allocate the transaction price to the performance obligations stipulated in the contract. For contracts that involve more than one performance obligation, the Company will allocate the transaction price to each performance obligation, in an amount that the Company expects to have the right to fulfill each performance obligation.

Step (5): Recognize revenue when (or as) the entity satisfies a performance obligation.

5- Significant accounting policies (continued)

5-16 Revenue recognition (continued)

The Company recognizes revenue when it satisfies a performance obligation by transferring control of the goods to a customer based on the transaction price allocated to each performance obligation.The following are some of the key indicators used by the Company in determining when control is transferred to the client:

1- The company has the right to collect fees for the service.
2- The customer has a legal document for the product,
3- Customer acceptance of the product.

Sale of goods

Revenue is income arising from the sale of goods in the ordinary course of the Company's activities, net of value added taxes, Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer. Revenue from sale of goods is recorded at the fair value of consideration received or receivable, net of returns and allowances and trade discounts.

5-17 Selling, marketing, general and administrative expenses

Selling, marketing, 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.

5-18 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.

5-19 leases

The Company assesses whether a contract is or contains a lease. A contract is or contains a lease if it gives the right to control the use of an identified asset for a period of time in exchange for consideration.

Right of use assets and lease liabities

The assets and liabilities arising from the lease are initially measured on a present value basis.
The "right-of-use" asset is measured at cost, which consists of:

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

Right-of-use assets are subsequently measured at cost less accumulated depreciation.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments 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.

5- Significant accounting policies (continued)
5-19 leases (continued)

The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.
Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated Statement of Profit or Loss. Short-term leases are leases with a lease term of 12 months or less
Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. 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.
In determining the lease term, the management generally considers certain factors including historical lease durations and major improvements to leased properties over the lease term that have significant economic benefit to the Company's operations, the importance of the leased asset to the Company's operations, and whether alternatives are available to the Company and business disruptions that require the replacement of the leased asset.
The Company applies the exception for recognizing leases that are considered to be of low value. Lease payments for short-term leases (leases of 12 months or less) and leases of low-value assets are recognized as an expense on a straight-line basis over the term of the lease.

5-20 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 ZATCA, 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, ZATCA as part of purchase asset or expenses items in statement of financial positio.

5-21 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- Significant accounting policies (continued)

5-22 Financial instruments

5-22-1 Financial assets

5-22-1-1 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.

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.

Bank balances

Prepayments and other debit balances

Prepayments and other debit balances are measured at amortized cost and comprise of advance to suppliers, prepaid subscription and other current financial assets.

b) Financial assets at fair value through other comprehensive income

Equity instrument

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

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

The Company does not have equity instruments at fair value through OCI as of 31 December 2022.

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.

5-22-1-2 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 financial asset 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 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.

5-22-1-3 Impairment of financial asset

The company assesses the expected credit losses over the life of its financial assets carried at amortized cost.

5- Significant accounting policies (continued)
5-22 Financial instruments (continued)

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

The company uses a provision matrix on calculating ECL on financial assets 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:

- It has no reasonable expectation of recovering all or part of the financial asset.

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 and other comprehsive income.

5-22-2-1. 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.

5-22-2-2. 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 and other comprehsive income when the liabilities are derecognized, as well as through the amortization process.

Trade payable
Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the suppliers or not.

Loans and borrowings
Loans and borrowings are measured at amortized cost and comprise of short-term loans.

5-22-2-3. 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 statement of profit or loss and other comprehsive income.

5-22-3 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.

5-22-4 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:

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.

5- Significant accounting policies (continued)
5-22-2 Financial liabilities (continued)
5-22-4 fair value hierarchy of financial instruments (continued)
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).

5-22-5 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.

5-23 Segment reports
(a) Operational segment
An operating segment is a component of a company that relates its activities from which it derives revenues and incurs expenses, including revenues and expenses related to transactions with any other components of the company.
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
A geographical segment is associated with the provision of products or services in a specific economic environment that is subject to risks and rewards that differ from those of segments of business in other economic environments.
There are no geographical sectors for the company, as all revenues generated from the company's activities are made within the Kingdom of Saudi Arabia, and therefore there are no geographical sectors to be disclosed.

5-24 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 shareholders. The amount distributed is deducted directly from the equity of the shareholders and recognized as a liability (dividends).

(All amounts in Saudi Riyals unless otherwise stated)

6. Property, plant and equipment

	2022							
	Lands	**Buildings**	**Machine and equipment**	**Computer**	**Vehicles**	**Tools**	**Furniture**	**Total**
Cost								
Cost at 1 January 2022	9,691,100	34,046,708	344,981,857	1,568,053	2,092,854	639,654	1,917,373	394,937,599
Additions	-	-	1,791,247	30,429	-	67,138	92,538	1,981,352
Disposals	-	-	-	(92,401)	(261,040)	-	-	(353,441)
Balance end of the year	9,691,100	34,046,708	346,773,104	1,506,081	1,831,814	706,792	2,009,911	396,565,510
Accumulated depreciation								
As at 1 January	-	9,924,927	97,242,705	1,499,538	1,500,594	384,789	1,711,864	112,264,417
Depreciation for the year	-	1,674,614	17,894,703	27,741	162,024	76,379	74,941	19,910,402
Disposal	-	-	-	(92,368)	(261,033)	-	-	(353,401)
Balance end of the year	-	11,599,541	115,137,408	1,434,911	1,401,585	461,168	1,786,805	131,821,418
Net book value in								
31 December 2022	**9,691,100**	**22,447,167**	**231,635,696**	**71,170**	**430,229**	**245,624**	**223,106**	**264,744,092**

Depreciation allocation as follows:	**2022**	2021
Cost of manufacturing	**19,753,450**	**19,533,397**
Selling and marketing expenses (note 19)	**743**	**743**
General and administrative expenses (note 20)	**156,209**	**201,588**
	19,910,402	**19,735,728**

(All amounts in Saudi Riyals unless otherwise stated)

6.Property, plant and equipment (continued)

	2021							
	Lands	**Buildings**	**Machine and equipment**	**Computer**	**Vehicles**	**Tools**	**Furniture**	**Total**
Cost								
Cost at 1 January 2021	7,691,600	32,546,208	343,875,394	1,535,167	1,508,754	702,572	2,390,493	390,250,188
Additions	1,999,500	1,500,500	1,106,463	32,886	584,100	13,219	179,574	5,416,242
Disposals	-	-	-	-	-	(76,137)	(652,694)	(728,831)
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
Accumulated depreciation								
As at 1 January	-	8,317,754	79,406,614	1,466,041	1,424,008	333,470	2,280,523	93,228,410
Depreciation for the year	-	1,607,173	17,836,091	33,497	76,586	101,061	81,320	19,735,728
Disposal	-	-	-	-	-	(49,742)	(649,979)	(699,721)
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
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

*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. The company is in process to release the assets as the loan has been paid during the year and the agreement has finished (note 11-2)

(All amounts in Saudi Riyals unless otherwise stated)

7. Intangible assets

	31 December 2022	31 December 2021
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 2022	31 December 2021
Spare parts and supplies	**17,586,598**	17,340,249
Work in process	**20,271,902**	9,497,031
Finished goods	**15,553,211**	7,386,599
Raw material	**14,342,287**	13,737,923
Goods in transit	**64,730**	2,063,197
	67,818,728	50,024,999

During 2022, SR 441,863,323 (2021: SR 470,817,085) was recognised as an expense for inventories carried at net realizable value. This is recognised in cost of revenues.

9. Prepayments and other debit balances

	31 December 2022	31 December 2021
VAT receivables	**2,254,287**	4,372,415
Advance to suppliers	**2,060,844**	2,390,999
Prepaid insurance expenses	**730,361**	629,038
Prepaid subscriptions	**118,977**	214,903
Advances to employees	**79,049**	57,539
Prepaid rent	**14,583**	12,500
	5,258,101	7,677,394

9-1 Provision impairment in prepayment and other debit balances Movement

	31 December 2022	31 December 2021
Balance at the beginning of the year	**-**	-
Charged during year	**-**	600,000
Written off during year**	**-**	(600,000)
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 and then the provision has been written off. 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 2022.(note 23)

(All amounts in Saudi Riyals unless otherwise stated)

10. 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.

11. Borrowings

	31 December 2022	31 December 2021
Loans from local banks (11-1)	**76,000,000**	75,500,000
Accrued finance expenses for local banks	**902,786**	726,248
Total loans from local banks	**76,902,786**	76,226,248
Saudi Industrial Development Fund (11-2)	**-**	48,500,000
Deferred Interest and commissions	**-**	(3,100,000)
Net borrowings	**-**	45,400,000
Total borrowings	**76,902,786**	121,626,248
Less: current portion		
Loans from local banks	**76,902,786**	76,226,248
Saudi Industrial Development Fund	**-**	45,400,000
Total current portion	**76,902,786**	121,626,248
Net non-current portion	**-**	-

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 covenants 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 breach of covenants has no impact on the Company's financial statement as all the remaining loans are current as of 31 December 2022. The company has a positive operating cash flow of 60,826,903 SR during 2022 (2021: 59,706,341 SR), which is an indication of the company's ability to meet its obligations when they are due

11-1 Loans from local banks

The company entered into a credit facility agreements with total amount of SR 105 million of which SR 76 million as of 31 Decmber 2022 (2021: SR 75.5 million) were used 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, these facilities are charged with financing costs specified in the facility agreements, represented in the SIBOR rate plus 2%.

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 2022	31 December 2021
Balance at the beginning of the year	**76,226,248**	105,552,070
Proceeds during the year	**237,700,000**	218,600,000
Repayment during the year	**(237,926,248)**	(248,652,070)
Accrued finance cost	**902,786**	726,248
Balance end of the year	**76,902,786**	76,226,248

(All amounts in Saudi Riyals unless otherwise stated)

11. Borrowings (continued)

11-2 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 Saudi Industrial Development Fund loan instalments were restructured based on the Fund's approval on Rabi' al-Awwal 14, 1442 H corresponding to October 31, 2020, where the first instalment was restructured to be 14 million Saudi riyals on Jumada al-Akher 15 1442H corresponding to January 28, 2021, and the last instalments amounted to 24.25 million Saudi Riyals Rabi' Al-Akhir 15 1444 Corresponding to November 9, 2022 .

On 22 May 2022, the company submitted a request to the fund to postpone the remaining of the installment due on 16 May 2022, amounting to 9,250,000 SR for an additional two months, and on 9 June 2022, it was approved by the Fund to postpone the payment of the remaining part of the due installment. The deferred maturity will be on 15 July 2022, provided that the remaining terms of the loan agreement remain unchanged, unless they conflict with the letter of approval. The company has paid on 18 and 19 July 2022 the amount of 9,250,000 of the deferred installement. The last installment was paid on 27 December 2022. According to the loan contract agreement between the company and the Saudi Industrial Development fund No.2383, all assets of the factory will be released upon the expiry of the loan repayment during 2022. The company is in process to release the assets mortaged to the Fund as the loan has expired.

12. 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 2022, 31 December 2021 by an independent qualified actuary using the projected unit credit method.

12-1 Key actuarial assumptions

	31 December 2022	31 December 2021
	(percentage)	
Estimated rate of increase in employee salaries	**2%**	2%
Discount rate	**5.95%**	2.75%

12-2 The movement in the present value of defined benefit obligations

	31 December 2022	31 December 2021
Present value at the beginning of the year	**5,486,978**	4,444,264
Current Service Cost	**894,631**	873,554
Interest Cost	**123,138**	112,046
Payments during the year	**(77,606)**	(100,603)
Actuarial (gain) / loss through OCI	**(801,178)**	157,717
	5,625,963	5,486,978

	31 December 2022	31 December 2021
Less than a year	**23,774**	27,028
1-5 years	**1,249,729**	1,220,806
More than 5 years	**4,352,460**	4,239,144
	5,625,963	5,486,978

(All amounts in Saudi Riyals unless otherwise stated)

12, Employees' end of service benefits (continued)

12-3 The sensitivity of the defined benefit obligation to changes in the weighted average of the key assumptions is:

	Change in assumption	31 December 2022	31 December 2021
Discount rate	1+%	**5,250,118**	5,120,419
	1-%	**6,053,315**	5,903,774
Long-term salaries	1+%	**6,081,346**	5,931,113
	1-%	**5,218,700**	5,089,777
Employee turnover rate	Employee turnover rate 10% higher	**9,213,658**	10,056,050
	Employee turnover rate 10% lower	**8,538,730**	8,608,126

13. Trade payables

	31 December 2022	31 December 2021
Trade payables	**37,485,811**	27,442,732
	37,485,811	27,442,732

Terms and conditions of the above financial liabilities:

* Trade and other credit balances are non-interest bearing and have a term of three months

14. Accrued expense

	31 December 2022	31 December 2021
Advances from customers	**12,995,775**	23,414,645
Employees' accruals	**1,927,454**	2,439,949
Board Remuneration	**1,579,000**	1,547,000
GOSI	**147,921**	147,145
Accrued consulting fees (SIDF)	**81,000**	184,000
Others	**4,445**	257,003
	16,735,595	27,989,742

15. Transaction and balances with related parties

A. Transactions with related parties

There were no transaction with related parties during the year and the balances are zero.

B. Key management

Key management personnel of the Company comprise of key members of the management having authority and responsibility for planning, directing and controlling the activities of the Company.

Transactions with key management personnel are represented in the salaries, bonuses, and allowances of the members of the board of directors, sales and expenses on behalf that the committees that took place during the year between the company and members of the board of directors, the members of the committees and the executive management.

(All amounts in Saudi Riyals unless otherwise stated)

15.Transaction and balances with related parties (continued)

The most important transactions with key management personnel are as follows:

	31 December 2022		31 December 2021	
	Board members and committees	**Executive management**	**Board members and committees**	**Executive management**
Remunerations of Board Members, Committees and Executive Management	**1,280,000**	**200,000**	1,280,000	150,000
Board and committee attendance allowances	**99,000**	**-**	117,000	-
Salaries, wages and equivalents	**-**	**2,508,600**	-	2,328,600
Bonuses	**-**	**76,050**	-	80,850
End of service	**-**	**215,092**	-	257,583
	1,379,000	**2,999,742**	1,397,000	2,817,033

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, 2021 and the company obtained a certificate from ZATCA valid until Ramadan 29 1443H corresponding to April 30, 2022. The company also received a final assessment for the year 2017, and the company did not receive any zakat assessments for the years from 2018 to 2021.

B- Zakat provision movement

	2022	2021
Net adjusted profit (A)	**51,867,087**	49,890,501
Adds:		
Share capital	**121,100,000**	121,100,000
Reserves	**13,551,414**	8,574,028
Retained Earning	**53,378,094**	11,026,220
Provisions	**1,833,042**	4,343,661
Other additions		
Deducts		
Intangible assets	**(25,944,262)**	(25,944,262)
Net fixed assets	**(264,744,092)**	(282,673,182)
Other deductions	**-**	(17,340,249)
Zakat base (B)	**(48,958,717)**	(131,023,283)
Zakat 2.5% (of the adjusted net profit or the Zakat base, whichever is higher)	**1,296,677**	1,247,263
Zakat by 2.5% from net adjusted profit	**1,296,677**	1,247,263

C- Zakat provision movement

	2022	2021
Balance at the beginning of the year	**1,247,263**	939,516
Charged during the year	**1,296,677**	1,247,263
Paid during the year	**(1,247,263)**	(939,516)
Balance end of the year	**1,296,677**	1,247,263

(All amounts in Saudi Riyals unless otherwise stated)

17. Sales

	2022	2021
Steel Sales	**595,642,245**	622,892,946
	595,642,245	622,892,946

	2022	2021
At a point in time	**595,642,245**	622,892,946
Over Time	**-**	-
Total Revenue	**595,642,245**	622,892,946

18. Cost of sales

	2022	2021
Consumed material	**441,863,323**	470,817,085
Energy expenses	**32,320,800**	33,035,917
Depreciation of property, plant, and equipment	**19,066,466**	19,521,918
Salaries wages and equivalents	**18,002,780**	18,917,130
Maintenance and repairs	**11,011,598**	9,988,158
Other	**2,003,496**	2,192,302
	524,268,463	554,472,510

19. Selling and marketing expenses

	2022	2021
Salaries, wages and equivalents	**308,058**	237,819
Depreciation of property, plant, and equipment (note 6)	**743**	743
Others	**24,664**	29,910
	333,465	268,472

20. General and administrative expenses

	2022	2021
Salaries, wages, and equivalents	**9,503,298**	8,202,488
Professional and consulting fees	**1,790,220**	1,641,942
Key management remuneration	**1,579,000**	1,547,000
Electricity, water, and communication	**589,772**	455,875
Depreciation of property, plant, and equipment (note 6)	**156,209**	201,588
Transportation and transfer and missions	**135,450**	168,128
Medical insurance	**182,480**	166,664
Subscription and charges	**112,597**	135,598
Rent	**109,167**	65,000
Hospitality	**47,539**	39,472
Bank charges	**6,588**	11,827
Others	**331,662**	793,478
	14,543,982	13,429,060

21. Finance cost

	2022	2021
bank borrowing (note 11-1)	**3,855,127**	3,487,873
loan from SIDF (note 11-2)	**3,100,000**	3,100,000
Other finance cost	**19,620**	220,129
	6,974,747	6,808,002

(All amounts in Saudi Riyals unless otherwise stated)

22. Other revenue, net

	2022	2021
Sales of production waste	**1,312,770**	1,019,109
Gain /(Losses) from disposal of property plant and equipment	**14,960**	(29,110)
	1,327,730	989,999

23. Capital commitment and contingent liabilities

A) Capital Commitment

There is no capital commitment for the company on 31 December 2022.

B) Contingent liabilities

	2022	2021
Contingent liability	**14,894,900**	14,894,900
	14,894,900	14,894,900

The company entered into a contract with Salman Al Johar Scrap Melting Factory on 29 March 2018 to purchase the property, plant and equipment of the factory for the purpose of increasing the capacity of the production line for the melting area. The amount of the contract is SR 18 million, the company has made payments to purchase the fixed assets amounting to SR 3.9 million and then the company has written off the advance payment made to the other party as Salman Al Johar Scrap Melting Factory went bankcrupt and there is court decision that do not allow Salman Al Johar Scrap Melting Factory to take any action in their assets util the liquidation process is done. The above amount is the remaing from the total amount of the contract.

24. Earnings per share

Diluted earnings per share is calculated by dividing the profit for the year attributable to shareholders of the company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	2022	2021
Net profit attributed to ordinary share holders	**49,552,641**	47,057,638
Estimated average of number of issued ordinary shares	**12,110,000**	12,110,000
Basic and diluted earnings per share	**4.09**	3.89

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 remelting 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 credit balances, due to related parties, and loans. The Company's principal financial assets consist of cash and bank balances, trade receivables, Prepayments and other debit balances, 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 Financial Assets

	2022	2021
Financial assets at amortised cost:		
Prepayments and other debit balances	**79,049**	57,539
Balances at banks	**11,863,798**	4,701,456
	11,942,847	4,758,995

(All amounts in Saudi Riyals unless otherwise stated)

26. Financial instruments and risk management (continued)

26-2 Financial Liabilities

	Effective interest rate	Maturity	2022	2021
Short-term borrowings	Note 11	Less than 1 year	**76,902,786**	76,226,248
Trade payables	Interest free	Less than 1 year	**37,485,811**	27,442,732
Accrued expense and other credit balances	Interest free	Less than 1 year	**3,739,820**	4,575,097
			118,128,417	108,244,077

26-3 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.

26-3-2 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 company'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.

Companuy’s 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:

	2022	2021
Variable interest rate loans	**76,902,786**	121,626,248

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			
	2022		2021	
	100 points more	**100-points discount**	100 points discount	100-points more
Variable interest rate loans	**7,690,279**	**(7,690,279)**	12,162,625	(12,126,625)
Changes in cash flow	**7,690,279**	**(7,690,279)**	12,162,625	(12,126,625)

There is no effect on the equity statement

26-3-3 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. . The company's exposure to foreign currency risk is mainly limited to Euro, Bahraini Dinar, United Arab Emirates Dirham, and US dollar transactions. The company's management believes that its exposure to foreign currency risk is limited as the Saudi riyal is pegged to the US dollar, AED, and BHD. Fluctuations in the Euro exchange rates are monitored on an ongoing basis. As at 31 December 2022, the company has no outstanding balance in foreign currenct other than US dollar.

(All amounts in Saudi Riyals unless otherwise stated)

26.Financial instruments and risk management (continued)

26-4 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:

Credit rating	2022	2021
A1	**1,209,414**	2,213,003
A2	**10,391,968**	66,235
A3	**262,416**	2,422,218
	11,863,798	4,701,456

26-5 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 2022	Carrying amount	Less than a year	1-5 years	More than 5 years
Short-term Borrowings	**76,902,786**	**76,902,786**	**-**	**-**
Trade payables	**37,485,811**	**37,485,811**	**-**	**-**
Accrued expense and other credit balances	**16,735,595**	**16,735,595**	**-**	**-**
	131,124,192	**131,124,192**	**-**	**-**
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 expense and other credit balances	27,989,742	27,989,742	-	-
	177,058,722	177,058,722	-	-

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.

(All amounts in Saudi Riyals unless otherwise stated)

26.Financial instruments and risk management (continued)

26-5 Liquidity risk (Continued)

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

	2022	2021
Borrowings	**76,902,786**	121,626,248
Less:		
Balances at banks	**(11,863,798)**	(4,701,456)
Net dept	**65,038,988**	116,924,792
Total equity attributable to the company's shareholders	**237,582,149**	187,228,330
Net dept to equity ratio	**27.4%**	62.5%

26-6 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.

26-7 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 credit balances.

	Carrying value			**Fair value**			
As at 31 December 2022	**Financial assets at FVTOCI**	**Amortized cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets							
Prepayments and other debit balances	--	**79,049**	**79,049**	--	--	--	--
Balances at banks	--	**11,863,798**	**11,863,798**	--	--	--	--
	--	**11,942,847**	**11,942,847**	--	--	--	
Financial liabilities							
Short-term Borrowings	--	**76,902,786**	**76,902,786**	--	--	--	--
Trade payables	--	**37,485,811**	**37,485,811**	--	--	--	--
Accrued expense and other credit balances	--	**16,735,595**	**16,735,595**	--	--	--	--
	--	**131,124,192**	**131,124,192**	--	--	--	--

(All amounts in Saudi Riyals unless otherwise stated)

26.Financial instruments and risk management (continued)
26-7 Fair value (continued)

	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 debit balances	--	57,539	57,539	--	--	--	--
Bank Balances	--	4,701,456	4,701,456	--	--	--	--
	--	4,758,995	4,758,995				
Financial liabilities							
Current portion from short-term borrowings	--	45,400,000	45,400,000	--	--	--	--
Trade payables	--	27,442,732	27,442,732	--	--	--	--
Short-term Borrowings	--	76,226,248	76,226,248	--	--	--	--
Accrued Expense and other credit balances	--	27,989,742	27,989,742	--	--	--	--
	--	177,058,722	177,058,722	--	--	--	--

27. Subsequent Events

There is no events subsequent the year-end and no additional disclosure or adjustments require in the financial statements .

28. Approval of the financial statements

The financial statements for the year ended on December 31, 2022 were approved by the Company’s Board of Directors on 8/8/1444H corresponding to 28/2/2023.