



حديد وطني
WATANI STEEL

WATANI IRON STEEL COMPANY
(A Saudi Joint Stock Company-Listed)
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
TOGETHER WITH THE INDEPENDENT AUDITOR'S REVIEW REPORT

WATANI IRON STEEL COMPANY
(A Saudi Joint Stock Company-Listed)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

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**PKF****Ibrahim Ahmed Al-Bassam
& Co. Certified Public Accountants****INDEPENDENT AUDITOR'S REVIEW REPORT ON THE
INTERIM CONDENSED FINANCIAL STATEMENTS****TO THE SHAREHOLDERS OF WATANI IRON STEEL COMPANY
A SAUDI JOINT STOCK COMPANY - LISTED
RIYADH, KINGDOM OF SAUDI ARABIA**

(1 / 1)

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of WATANI IRON STEEL COMPANY (the "Company") as of 30 June 2023 and the related interim statement of profit or loss and other comprehensive income, for six-month period then ended, and the interim statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

For Al-Bassam & Co.**Ibrahim Al-Bassam**
Certified Public Accountant
License No. 337

Riyadh: 19 Safar 1445 H

Corresponding to: 4 September 2023

**RIYADH**Tel. +966 11 206 5333 | P.O Box 69658
Fax +966 11 206 5444 | Riyadh 11557**JEDDAH**Tel. +966 12 652 5333 | P.O Box 15651
Fax +966 12 652 2894 | Jeddah 21454**AL KHOBAR**Tel. +966 13 893 3378 | P.O Box 4636
Fax +966 13 893 3349 | Al Khobar 31952

WATANI IRON STEEL COMPANY
(A Saudi Joint Stock Company-Listed)
INTERIM STATEMENT OF FINANCIAL POSITION
AS OF 30 JUNE 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	30 June 2023 (Unaudited)	31 December 2022 (Audited)
<u>ASSETS</u>			
Non-current assets			
Property, plant and equipment		258,124,731	264,744,092
Intangible assets		25,944,262	25,944,262
Total non-current assets		284,068,993	290,688,354
Current assets			
Inventories		66,995,689	67,818,728
Prepayments and other receivables		2,474,310	5,258,101
Cash and cash equivalents		13,943,173	11,863,798
Total current assets		83,413,172	84,940,627
Total assets		367,482,165	375,628,981
<u>EQUITY AND LIABILITIES</u>			
Equity			
Share capital	8	181,650,000	121,100,000
Statutory reserve		18,235,056	18,235,056
Actuarial reserve		271,622	271,622
Retained earnings		38,658,473	97,975,471
Total equity		238,815,151	237,582,149
LIABILITIES			
Non-current liabilities			
Employees' post-employment benefits		6,804,719	5,625,963
Total non-current liabilities		6,804,719	5,625,963
Current liabilities			
Short-term loans	7	82,258,221	76,902,786
Trade payable		25,585,871	37,485,811
Accrued expense and other credit balances		13,953,009	16,735,595
Zakat provision	6	65,194	1,296,677
Total current liabilities		121,862,295	132,420,869
Total liabilities		128,667,014	138,046,832
Total equity and liabilities		367,482,165	375,628,981



Financial Manager
Mohammed Hamdi Ahmed



Chief Executive Officer
Yousuf Mohammed Al Tarif



Chief Board of Directors
Abdul Karim Mohammed Al Rajhi

The accompanying notes 1 to 13 form an integral part of these interim condensed financial statements.

WATANI IRON STEEL COMPANY

(A Saudi Joint Stock Company-Listed)

INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

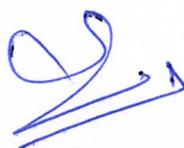
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	For the six-month period ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
Sales		159,786,512	311,357,058
Cost of sales		(147,978,549)	(275,109,922)
Gross profit		11,807,963	36,247,136
Selling and marketing expenses		(206,847)	(171,453)
General and administrative expenses		(7,277,819)	(7,245,747)
Operating profit		4,323,297	28,829,936
Finance cost	7	(3,305,581)	(3,210,781)
Other income, net		280,480	540,982
Net profit before zakat		1,298,196	26,160,137
Zakat	6	(65,194)	(672,454)
Net income for the period		1,233,002	25,487,683
Other comprehensive income items for the period		-	-
Total Comprehensive income for the period		1,233,002	25,487,683
Earning per share			
Basic and diluted earnings per share	10	0.07	1.40



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WATANI IRON STEEL COMPANY
(A Saudi Joint Stock Company-Listed)
INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Actuarial reserve	Retained earnings	Total
For the six-month period ended 30 June 2022						
As at 1 January 2022 (audited)		121,100,000	13,279,792	(529,556)	53,378,094	187,228,330
Net profit for the period		-	-	-	25,487,683	25,487,683
Other comprehensive income for the period		-	-	-	-	-
Balance at 30 June 2022 (unaudited)		121,100,000	13,279,792	(529,556)	78,865,777	212,716,013
For the six-month period ended 30 June 2023						
As at 1 January 2023 (audited)		121,100,000	18,235,056	271,622	97,975,471	237,582,149
Net profit for the period		-	-	-	1,233,002	1,233,002
Other comprehensive income for the period		-	-	-	-	-
Increase in share capital	8	60,550,000	-	-	(60,550,000)	-
Balance at 30 June 2023 (unaudited)		181,650,000	18,235,056	271,622	38,658,473	238,815,151



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WATANI IRON STEEL COMPANY
(A Saudi Joint Stock Company-Listed)
INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(All amounts in Saudi Riyals unless otherwise stated)

	For the six-month period ended	
	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period before Zakat	1,298,196	26,160,137
Adjustments for:		
Depreciation of property, plant and equipment	9,874,819	9,952,122
Provision for employees' post-employment benefits	1,309,546	738,020
Finance cost	3,305,581	3,210,781
Losses from disposal property, plant and equipment	24	-
	<u>15,788,166</u>	<u>40,061,060</u>
Changes in:		
Inventories	823,039	(27,123,280)
Prepayments and other receivables	2,783,791	2,725,270
Trade payables	(11,899,940)	9,797,693
Accrued expense and other credit balances	(2,782,586)	(8,584,238)
CASH GENERATED FROM OPERATING ACTIVITIES	<u>4,712,470</u>	<u>16,876,505</u>
Zakat paid	(1,296,677)	(1,247,263)
Employees' post-employment benefits paid	(130,790)	(20,312)
Net cash generated from operating activities	<u>3,285,003</u>	<u>15,608,930</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,255,482)	(1,074,966)
Net cash used in investing activities	<u>(3,255,482)</u>	<u>(1,074,966)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	121,000,000	131,100,000
Short-term loans paid	(116,902,786)	(115,326,248)
Long-term loans paid	-	(13,450,000)
Finance cost paid	(2,047,360)	(2,436,399)
Net cash generated from / (used in) financing activities	<u>2,049,854</u>	<u>(112,647)</u>
Net change in cash balances at banks	<u>2,079,375</u>	<u>14,421,317</u>
Cash and cash equivalents at beginning of the period	<u>11,863,798</u>	<u>4,701,456</u>
Cash and cash equivalent at the end of the period	<u>13,943,173</u>	<u>19,122,773</u>

Non-cash transactions

Amortization of deferred commissions from prepayments and other receivables related to SIDF	7	-	1,550,000
Transfer from retained earnings to increase share capital	8	60,550,000	-



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WATANI IRON STEEL COMPANY

(A Saudi Joint Stock Company-Listed)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

(All amounts in Saudi Riyals unless otherwise stated)

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 issued in Riyadh.

The company also operates under an industrial facility license issued by the Ministry of Industry an Mineral Resources with entity No. 331389 decision No. (441110124607) dated 9/7/1444H (corresponding to 31/1/2023). 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 11/7/1444H (corresponding to 2 February 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 Basis of compliance

These interim condensed financial statements have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and should be read in conjunction with the Company financial statements for the year ended on 31 December 2022. They do not include all of the information and disclosures required in the annual statements to prepare a complete set of financial statements; however, the accounting policies and explanatory notes are included to explain events and the important transactions to understand the changes in the Company financial position and its performance since 31 December 2022.

2-2 Basis of measurement

The interim condensed financial statements have been prepared on a historical cost basis, except for recognition of employees' end of service benefits at the present value of future obligations using the expected unit addition method.

2-3 Going concern

As at June 30, 2023, the Company’s current liabilities exceeded its current assets by SAR 38,449,123 (December 31, 2022: SR 47,480,242) despite the shortfall in working capital, the Company has a positive operating cash flow of SR 3,285,003 (31 December 2022: SR 60,826,903), which is an indication of the Company's ability to meet its obligations as they fall due. The management also believes that it is able to take advantage of the new facilities if required. Accordingly, the financial statements have been prepared on a going concern basis, and loans continue to be classified according to their original repayment terms.

2-4 Functional and presentation currency

These interim condensed financial statements are presented in Saudi Riyals, which is the functional currency of the Company.

WATANI IRON STEEL COMPANY
(A Saudi Joint Stock Company-Listed)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(All amounts in Saudi Riyals unless otherwise stated)

3. USE OF ESTIMATES AND ASSUMPTIONS

The preparation of these interim condensed financial statements required management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates.

The significant estimates made by management when applying the Company's accounting policies and the significant sources of estimation uncertainties were the same as those shown in the last annual financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

4-1 New standards, amendment to on standards and interpretations

There are new standards and a number of amendments to the standards that are effective as of 1 January 2023, and they were clarified in the company's annual financial statements, but they do not have a material impact on the company's interim condensed financial statements.

4-2 Standards issued that have not yet been effective.

The following is a statement of the new standards and amendments to the standards applied for the years beginning on or after 1 January 2024.

4-2-1 IFRS Sustainability S1

The objective of IFRS S1 is to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to users of general-purpose financial reports in making decisions relating to providing resources to the entity.

4-2-2 IFRS Sustainability S2

The objective of IFRS S2 is to require an entity to disclose information about its climate-related risks and opportunities that is useful to users of general-purpose financial reports in making decisions relating to providing resources to the entity.

5. TRANSACTION AND BALANCES WITH RELATED PARTIES

A. Transactions with related parties

There was no transaction with related parties during the period and the balances are zero.

B. Key management

Transactions with related parties are represented in the salaries, bonuses, and allowances of the members of the board of directors, that took place during the period between the company and members of the board of directors, the members of the committees and the executive management.

	For the six-month period ended 30 Jun 2023 (unaudited)		For the six-month period ended 30 Jun 2022 (unaudited)	
	BOD members and committee	Executive management	BOD members and committee	Executive management
BOD members and committee remuneration benefits	640,000	100,000	640,000	100,000
Board and committee attendance allowance	93,000	-	63,000	-
Salaries and wages and equivalents	-	1,315,250	-	1,254,300
Benefits and production incentives	-	-	-	50,750
End of service	-	131,251	-	153,979
	733,000	1,546,501	703,000	1,559,029

WATANI IRON STEEL COMPANY

(A Saudi Joint Stock Company-Listed)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

(All amounts in Saudi Riyals unless otherwise stated)

6. ZAKAT PROVISION**6-1 Zakat base**

The Company submitted its return to the Zakat, Tax and Customs Authority (“ZATCA”) until the year ended 31 December 2022 and the Company obtained a certificate from the ZATCA valid until 21 Shawwal 1445H corresponding to 30 April 2024. 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 2022.

6-2 Zakat provision movement

The following is summary of zakat movement:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Balance at the beginning of the period / year	1,296,677	1,247,263
Charged during the period / year	65,194	1,296,677
Payments during the period / year	(1,296,677)	(1,247,263)
Balance at the end of the period / year	65,194	1,296,677

7. LOANS

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Loans from local banks (note 7-1)	81,000,000	76,000,000
Accrued finance expenses for local banks	1,258,221	902,786
Total loans	82,258,221	76,902,786

Less: current portion

Loans from local banks	82,258,221	76,902,786
Total current portion	82,258,221	76,902,786

Non-current portion

	-	-
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	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Financing cost analysis		
Loans from local banks	3,298,277	3,855,127
Saudi Industrial Development Fund	-	3,100,000
Other bank expenses	7,304	19,620
	3,305,581	6,974,747

7-1 Loans from local banks

The company entered into a credit facility agreements with total amount of SR 105 million of which SR 81 million as of 30 June 2023 (31 December 2022: SR 76 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%. Facility agreements contain terms and covenants. As of June 30, 2023, the company was committed to the terms of the financing agreements.

The following is a statement of the movement of short-term loans during the period / year:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Balance at the beginning of the period / year	76,902,786	76,226,248
Proceed during the period / year	121,000,000	237,700,000
Paid during the period / year	(116,902,786)	(237,926,248)
Accrued finance expenses for the period / year	1,258,221	902,786
Balance at the end of the period / year	82,258,221	76,902,786

WATANI IRON STEEL COMPANY

(A Saudi Joint Stock Company-Listed)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

(All amounts in Saudi Riyals unless otherwise stated)

8. SHARE CAPITAL

On 17 Dhul Qi'dah 1444H (corresponding to 6 June 2023), the Extraordinary General Assembly approved an increase in the company's capital by an amount of 60,550,000 SR from 121,100,000 SR to 181,650,000 SR, by capitalizing 60,550,000 SR from the retained earnings by granting one share for each two shares owned, i.e. an increase in the number of shares by 6,055,000 shares, so that the number of ordinary shares becomes 18,165,000 ordinary shares, the value of the share is 10 Saudi riyals. The legal procedures were completed on 5 Muharram 1445H (corresponding to 23 July 2023).

The table below shows the impact of the proposed capital increase:

	Before the proposed increase	Proposed increase	After the proposed increase
Share Capital	121,100,000	60,550,000	181,650,000
Number of ordinary shares	12,110,000	6,055,000	18,165,000

9. CAPITAL COMMITMENT AND CONTINGENT LIABILITIES**A) Capital Commitment**

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

B) Contingent liabilities

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
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 bankrupt and there is court decision that do not allow Salman Al Johar Scrap Melting Factory to take any action in their assets until the liquidation process is done. The above amount is the remaining from the total amount of the contract.

10. EARNING PER SHARE

Basic and diluted earnings per share from net profit is calculated by dividing the profit for the period attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the six-month period ended 30 Jun 2023 (unaudited)	For the six-month period ended 30 Jun 2022 (unaudited) Restated
Net profit for the period attributed to ordinary share holders	1,233,002	25,487,683
Average of number of issued ordinary shares	18,165,000	18,165,000
Basic and diluted earnings per share from net profit for the period	0.07	1.40

The weighted average number of shares outstanding during the six-month period ending on 30 June 2022 has been retroactively adjusted as a result of the capital increase.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

(All amounts in Saudi Riyals unless otherwise stated)

11. 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".

12. SUBSEQUENT EVENTS

- According to the Board of Directors meeting on 14 Safar 1445H corresponding to 30 August 2023, it recommended that the nominal value of the share be divided from 10 SR to 1 SR, while keeping the company's capital unchanged, so that the number of the company's shares becomes 181,650,000 shares instead of 18,165,000 shares.

- According to the Board of Directors meeting on 14 Safar 1445H corresponding to 30 August 2023 by agreeing to move the Company to the main market and the appointment a financial advisor for the purposes of the transition constructive. On the requirements of the updated and amended Listing Rules under its Resolution No (1-108-2022) on 23 Rabi-Al-Awwal 1444H corresponding to 19 October 2022.

13. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements for the period ended 30 June 2023, have been approved by the Board of Directors on 14 Safar 1445H corresponding 30 August 2023.