



حديد وطني
WATANI STEEL

Watani Iron Steel Company
(A Saudi Joint Stock Company)
Interim Condensed Financial Statements
For the six-month period ended 30 June 2024
Together with the Independent Auditor's Review Report

Watani Iron Steel Company
(A Saudi Joint Stock Company)
Interim Condensed Financial Statements Together with the Independent Auditor's Review Report (Unaudited)
For the six-month period ended 30 June 2024

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**INDEPENDENT AUDITOR'S REVIEW REPORT ON THE
INTERIM CONDENSED FINANCIAL STATEMENTS**

**TO THE SHAREHOLDERS OF WATANI IRON STEEL COMPANY
A SAUDI JOINT STOCK COMPANY
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 2024 and the related interim statement of profit or loss and other comprehensive income, for the 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 material 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 PKF Al-Bassam
Chartered Accountants**

Ibrahim Ahmed Al-Bassam
Certified Public Accountant
License No. 337
Riyadh: 22 Safar 1446 H
Corresponding to: 26 August 2024



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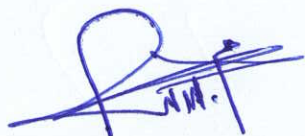
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Watani Iron Steel Company
(A Saudi Joint Stock Company)
Interim Statement of Financial Position
As of 30 June 2024
(All amounts in Saudi Riyals unless otherwise stated)

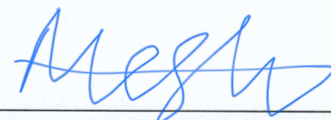
	Note	30 June 2024 (Unaudited)	31 December 2023 (Audited)
<u>ASSETS</u>			
Non-current assets			
Property, plant and equipment	5	263,811,346	273,896,231
Intangible assets		25,944,262	25,944,262
Projects under construction	6	5,550,918	2,374,024
Total non-current assets		295,306,526	302,214,517
Current assets			
Inventory		54,461,540	63,541,537
Prepayments and other debit balances		7,509,311	4,284,157
Trade receivables		367,536	-
Cash and cash equivalents		9,844,521	9,509,407
Total current assets		72,182,908	77,335,101
Total assets		367,489,434	379,549,618
<u>EQUITY AND LIABILITIES</u>			
Equity			
Share capital	10	181,650,000	181,650,000
Statutory reserve		18,235,056	18,235,056
Actuarial reserve		884,018	884,018
Retained earnings		45,080,664	41,670,316
Total equity		245,849,738	242,439,390
LIABILITIES			
Non-current liabilities			
Employees' post-employment benefits		6,667,511	6,108,720
Total non-current liabilities		6,667,511	6,108,720
Current liabilities			
Short-term loans	9	69,322,185	91,156,636
Trade payables		37,272,840	32,776,071
Accrued expense and other credit balances		8,272,426	6,935,195
Zakat provision	8	104,734	133,606
Total current liabilities		114,972,185	131,001,508
Total liabilities		121,639,696	137,110,228
Total equity and liabilities		367,489,434	379,549,618
Capital commitments and contingent assets and liabilities	11		



Financial Manager
Mohammed Hamdi Ahmed



Chief Executive Officer
Yousuf Mohammed Al Turaif



Board of Directors Chairman
Meshal Abdul Karim Al Rajhi


The accompanying notes 1 to 16 form an integral part of these interim financial statements.

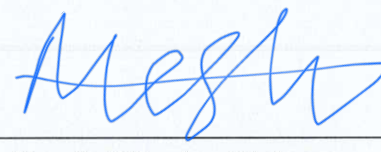
Watani Iron Steel Company
(A Saudi Joint Stock Company)

Interim Statement of Profit or Loss and Other Comprehensive Income
For the six-month period ended 30 June 2024
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the six-month period ended 30 June (Unaudited)	
		2024 (Unaudited)	2023 (Unaudited)
Sales		273,997,878	159,786,512
Cost of sales		(259,038,628)	(147,978,549)
Gross profit		14,959,250	11,807,963
Selling and marketing expenses		(948,352)	(206,847)
General and administrative expenses		(7,761,473)	(7,277,819)
Operating profit		6,249,425	4,323,297
Finance cost	9	(3,285,166)	(3,305,581)
Other income, net		550,823	280,480
Net profit for the period before zakat		3,515,082	1,298,196
Zakat	8	(104,734)	(65,194)
Net profit for the period		3,410,348	1,233,002
Other comprehensive income items for the period		-	-
Total Comprehensive income for the period		3,410,348	1,233,002
Earning per share			
Basic and diluted earnings per share from net profit for the period	12	0.02	0.01


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Watani Iron Steel Company
(A Saudi Joint Stock Company)
Interim Statement of Changes in Equity
For the six-month period ended 30 June 2024
(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 2023						
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
Comprehensive income for the period		-	-	-	-	-
Increase in share capital from retained earnings	10	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
For the six-month period ended 30 June 2024						
At 1 January 2024 (audited)		181,650,000	18,235,056	884,018	41,670,316	242,439,390
Net profit for the period		-	-	-	3,410,348	3,410,348
Comprehensive income for the period		-	-	-	-	-
Balance at 30 June 2024 (unaudited)		181,650,000	18,235,056	884,018	45,080,664	245,849,738



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Watani Iron Steel Company
(A Saudi Joint Stock Company)
Interim Statement of Cash Flows
For the six-month period ended 30 June 2024
(All amounts in Saudi Riyals unless otherwise stated)

		For the six-month period ended 30 June 2024	For the six-month period ended 30 June 2023
	Note	(Unaudited)	(Unaudited)
Cash flows from operating activities			
Net profit for the period before Zakat		3,515,082	1,298,196
Adjustments for:			
Depreciation of property, plant and equipment	5	10,418,253	9,874,819
Employees' post-employment benefits		674,259	1,309,546
Finance cost		3,285,166	3,305,581
Losses from disposal property, plant and equipment		-	24
		17,892,760	15,788,166
Changes in:			
Inventory		9,079,997	823,039
Prepayments and other debit balances		(3,225,154)	2,783,791
Trade receivables		(367,536)	-
Trade payables		4,496,769	(11,899,940)
Accrued expense and other credit balances		1,337,231	(2,782,586)
Cash generated from operating activities		29,214,067	4,712,470
Zakat paid	8	(133,606)	(1,296,677)
Employees' post-employment benefits paid		(115,468)	(130,790)
Net cash generated from operating activities		28,964,993	3,285,003
Cash flows from investing activities			
Additions to property, plant and equipment	5	(333,368)	(3,255,482)
Additions to projects under construction	6	(3,176,894)	-
Net cash used in investing activities		(3,510,262)	(3,255,482)
Cash flows from financing activities			
Proceeds from short-term loans	9	95,000,000	121,000,000
Repayment of short-term loans	9	(118,156,636)	(116,902,786)
Finance cost paid		(1,962,981)	(2,047,360)
Net cash (used in) / generated from financing activities		(25,119,617)	2,049,854
Net change in cash and cash equivalent		335,114	2,079,375
Cash and cash equivalent beginning of the period		9,509,407	11,863,798
Cash and cash equivalent at the end of the period		9,844,521	13,943,173

Non-cash transactions

Transfer from retained earnings to increase share capital	10	-	60,550,000
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Watani Iron Steel Company
(A Saudi Joint Stock Company)
Notes to the Interim Condensed Financial Statements
For the six-month period ended 30 June 2024
(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 and Mineral Resources with decision No. (451110133264) dated 25/6/1445H (corresponding to 7/1/2024). 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 2/2/2023), the company updated its By Laws and the legal form of the company was changed to become a Saudi joint stock company instead of a closed joint stock company.

On 17/11/1444H (corresponding to 6/6/2023), the extraordinary general assembly approved increasing the company’s capital to 181,650,000 Saudi riyals divided into 18,165,000 shares by capitalizing 60,550,000 Saudi riyals from retained earnings by granting one share for every two shares owned.

On 23/3/1445H (corresponding to 8/10/2023), the extraordinary general assembly agreed to split the nominal value of the company’s shares so that the nominal value of the share after the amendment became one Saudi riyal.

On 15/11/1445H (corresponding to 23/5/2024), the company submitted a request to Capital Market Authority “CMA” to move from the NOMU Market to the Main Market.

The company's capital at the date of the accompanying financial statements amounts to 181,650,000 SR, divided into 181,650,000 ordinary shares, the nominal value of each share being 1 SR.

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”).

The financial statements included the company's accounts and the following branch accounts:

Branch	CR Number	Date	City
Watani Iron Steel Company	1010909080	16 Muharram 1445H	Riyadh

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 2023. 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 2023.

Watani Iron Steel Company
(A Saudi Joint Stock Company)
Notes to the Interim Condensed Financial Statements
For the six-month period ended 30 June 2024
(All amounts in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

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, 2024, the Company's current liabilities exceeded its current assets by SAR 42,789,277 (December 31, 2023: SR 53,666,407) despite the shortfall in working capital, the Company has a positive operating cash flow of SR 28,964,993, 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 financial statements are presented in Saudi Riyals, which is the functional currency of the Company.

3. USE OF ESTIMATES AND ASSUMPTIONS

The preparation of these interim 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 2024 and have been explained in the company's annual financial statements, but they do not have a material impact on the company's interim financial statements.

5. PROPERTY, PLANT, AND EQUIPMENT

During the six months period ended 30 June 2024, the company made additions to property and equipment amounting to 333,368 SR (31 December 2023: 29,057,500 SR).

During the six-month period ended 30 June 2024, depreciation expenses amounted to 10,418,253 SR (30 June 2023: 9,874,819 SR).

6. PROJECTS UNDER CONSTRUCTION

During the six months period ended 30 June 2024, the company made additions to projects under constructions amounting to 3,176,894 SR (31 December 2023: 2,374,024 SR), which is a new branch under construction belonging to the company's main commercial register in the city of Riyadh, Al-Masfah district, to conduct new business that includes wholesale and retail of wood, cork, plastic products, metal blocks. The project is expected to be completed during the year 2024, and the construction costs will be capitalized under the company's property, plant and equipment upon completion.

Watani Iron Steel Company
(A Saudi Joint Stock Company)
Notes to the Interim Condensed Financial Statements
For the six-month period ended 30 June 2024
(All amounts in Saudi Riyals unless otherwise stated)

7. 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 June 2024		For the six-month period ended 30 June 2023	
	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	90,000	-	93,000	-
Salaries and wages and equivalents	-	1,427,250	-	1,315,250
End of service	-	69,176	-	131,251
	730,000	1,596,426	733,000	1,546,501

8. ZAKAT PROVISION

8-1 Zakat base

The Company submitted its return to the Zakat, Tax and Customs Authority ("ZATCA") until the year ended 31 December 2023 and the Company obtained a certificate from the ZATCA valid until 2 Thul-Qi'dah 1446H corresponding to 30 April 2025. The company also received a final assessment for the year 2017 and no amendments have been made, and the year ended 31 December 2023 is under assessment, and the company did not receive any final zakat assessments for the years from 2018 to 2023.

On August 21, 2024, the Company received a letter from the Zakat, Tax and Customs Authority ("the Authority") stating that some items were re-evaluated to calculate the zakat base for the activity of the year 2023, which resulted in an initial assessment, the additional amount to be proven and paid to the Zakat, Tax and Customs Authority (ZATCA) amounted to 9,922 Saudi Riyals.

8-2 Zakat provision movement

The following is summary of zakat movement:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Balance at the beginning of the period / year	133,606	1,296,677
Charged during the period / year	104,734	133,606
Payments during the period / year	(133,606)	(1,296,677)
Balance at the end of the period / year	104,734	133,606

9. LOANS

The company entered into a credit facility agreements with local banks with total amount of SR 115.5 million as the facility limits were rotated during the period SR 95 Million as of 30 June 2024 (31 December 2023: SR 271 million), with several local banks. It includes short-term loan facilities, financing participation and Murabaha contracts, and letter of credit facilities at variable Islamic Murabaha rates agreed upon with banks. These facilities include a financial guarantee letter amounting to SR 10 million and a deferred purchase of currencies amounting to SR 500 thousand.

Watani Iron Steel Company
(A Saudi Joint Stock Company)
Notes to the Interim Condensed Financial Statements
For the six-month period ended 30 June 2024
(All amounts in Saudi Riyals unless otherwise stated)

9. LOANS (CONTINUED)

Some of these loans contain bank covenants, and a breach of these covenants may lead to renegotiation with lenders. These covenants are monitored on a periodic basis by the management. In the event of a possible breach or breach of these pledges, measures are taken by the administration to ensure the fulfilment of these covenants. Failure to adhere to covenants has no impact on the company's financial statements as all remaining loans are in current liability as of 30 June 2024. The company has operating cash flows amounting to SR 28,964,993 during the period ended 30 June 2024 (30 June 2023: 3,285,003 Saudi riyals), which is an indication of the company's ability to fulfil its obligations when they are due.

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

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Balance at the beginning of the period / year	91,156,636	76,902,786
Proceed during the period / year	95,000,000	271,000,000
Paid during the period / year	(118,156,636)	(257,902,786)
Accrued finance expenses for the period / year	1,322,185	1,156,636
Balance at the end of the period / year	69,322,185	91,156,636

Finance cost:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Loans from local banks	3,285,166	6,675,122

10. 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).

On 23 Rabi' al-Awwal 1445H (corresponding to October 8, 2023), the extraordinary general assembly approved the split of the company's shares so that the nominal value of the share after the amendment became SR 1, bringing the number of shares to 181,650,000 ordinary shares.

11. CAPITAL COMMITMENT AND CONTINGENT ASSETS AND LIABILITIES

A) Capital Commitment

There is no capital commitment for the company on 30 June 2024.

B) Contingent liabilities

There are no contingent liabilities for the company on 30 June 2024.

C) Contingent assets

The company has a contingent asset as at 30 June 2024 of SR 2,784,508, which is a refund of the purchase amounts of Salman Jawhar Al Jawhar Scrap Melting Factory, based on the letter of the liquidation trustee of Salman Jawhar Al Jawhar Scrap Melting Factory Company due to the inability to transfer the ownership of the plant from Salman Jawhar Scrap Melting Factory Company to Watani Iron Steel Company.

Watani Iron Steel Company
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Notes to the Interim Condensed Financial Statements
For the six-month period ended 30 June 2024
(All amounts in Saudi Riyals unless otherwise stated)

12. EARNING PER SHARE

Ordinary earnings per share were calculated by dividing the profit for the period attributable to the company's shareholders by the number of ordinary shares outstanding at the end of the period. Diluted earnings per share are the same as basic earnings per share, as the company does not have any dilutive instruments.

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Net profit for the period attributed to ordinary share holders	3,410,348	1,233,002
Average of number of issued ordinary shares	181,165,000	181,165,000
Earning per share	0.02	0.01

The weighted average number of shares outstanding during the six-month period ending on 30 June 2023 has been retroactively adjusted as a result of the capital increase (Note 10).

13. 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 remitting 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".

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's principal financial liabilities include borrowing, 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.

14-1 Financial Assets

	30 June 2024	31 December 2023
Financial assets at amortised cost:		
Prepayments and other debit balances	4,093,736	38,352
Cash and cash equivalent	9,844,521	9,509,407
Total financial assets	13,938,257	9,547,759

14-2 Financial liabilities

	Effective interest rate	Maturity	30 June 2024	31 December 2023
Short-term borrowings	Note 9	Less than 1 year	69,322,185	91,156,636
Trade payables	Interest free	Less than 1 year	37,272,840	32,776,071
Accrued expense and other credit balances	Interest free	Less than 1 year	2,728,155	3,053,823
			109,323,180	126,986,530

14-3 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.

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Notes to the Interim Condensed Financial Statements
For the six-month period ended 30 June 2024
(All amounts in Saudi Riyals unless otherwise stated)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

14-3-1 Commission rate risks

Commission rate risk is exposure to various risks associated with the impact of fluctuations in prevailing commission rates on the company's financial position and cash flows. The Company is exposed to commission rate risk on its interest-bearing assets and liabilities, which mainly represent bank facilities and loans. Management limits commission rate risk by monitoring interest rate changes. Management monitors changes in commission rates and believes that the cash flow and interest rate risks on the fair value of the Company are immaterial.

14-3-2 Currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates, foreign currency risk arises when future commercial transactions, assets and liabilities are recognized in a currency other than the Saudi Riyal. . 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 .

14-3-3 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. Company'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:

	<u>30 June 2024</u>	<u>31 December 2023</u>
Variable interest rate loans	69,322,185	91,156,636

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 company.

	Interim Statement of Profit and loss and Other Comprehensive Income			
	2024		2023	
	100 points more	100-points discount	100 points discount	100-points more
Variable interest rate loans	<u>6,932,219</u>	<u>(6,932,219)</u>	<u>9,115,664</u>	<u>(9,115,664)</u>
Changes in cash flow	<u>6,932,219</u>	<u>(6,932,219)</u>	<u>9,115,664</u>	<u>(9,115,664)</u>

- There is no effect on the statement of equity

14-4 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.

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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

14-5 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.

	Carrying amount	Less than a year	1-5 years	More than 5 years
30 June 2024				
Short-term Borrowings	69,322,185	69,322,185	-	-
Trade payables	37,272,840	37,272,840	-	-
Accrued expense and other credit balances	8,272,426	8,272,426	-	-
	114,867,451	114,867,451	-	-
	Carrying amount	Less than a year	1-5 years	More than 5 years
31 December 2023				
Short-term loans	91,156,636	91,156,636	-	-
Trade payables	32,776,071	32,776,071	-	-
Accrued expense and other credit balances	6,935,195	6,935,195	-	-
	130,867,902	130,867,902	-	-

14-6 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 .

14-7 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.

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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

14-7 Fair value (continued)

	Carrying value			Fair value			
	Financial assets at FVTOCI	Amortized cost	Total	Level 1	Level 2	Level 3	Total
As at 30 June 2024							
Financial assets							
Prepayments and other debit balances	-	4,093,736	4,093,736	-	-	-	-
Cash and cash equivalent	-	9,844,521	9,844,521	-	-	-	-
	-	13,938,257	13,938,257	-	-	-	-
Financial liabilities							
Short-term loans	-	69,322,185	69,322,185	-	-	-	-
Trade payables	-	37,272,840	37,272,840	-	-	-	-
Accrued expense and other credit balances	-	8,272,426	8,272,426	-	-	-	-
	-	114,867,451	114,867,451	-	-	-	-

	Carrying value			Fair value			
	Financial assets at FVTOCI	Amortized cost	Total	Level 1	Level 2	Level 3	Total
As at 31 December 2023							
Financial assets							
Prepayments and other debit balances	-	38,352	38,352	-	-	-	-
Cash and cash equivalent	-	9,509,407	9,509,407	-	-	-	-
	-	9,547,759	9,547,759	-	-	-	-
Financial liabilities							
Short-term Borrowings	-	91,156,636	91,156,636	-	-	-	-
Trade payables	-	32,776,071	32,776,071	-	-	-	-
Accrued expense and other credit balances	-	6,935,195	6,935,195	-	-	-	-
	-	130,867,902	130,867,902	-	-	-	-

15. SUBSEQUENT EVENTS

On August 21, 2024, the Company received a letter from the Zakat, Tax and Customs Authority stating that some items were re-evaluated to calculate the Zakat base for the activity of the year 2023, which resulted in an initial assessment, the additional amount to be proven and paid to the Zakat, Tax and Customs Authority ("ZATCA") amounted to 9,922 Saudi Riyals.

Management believes that there are no significant subsequent events since the end of the period that may require disclosure or amendment to these interim financial statements except as disclosed, above.

16. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements for the period ended 30 June 2024, have been approved by the Board of Directors on 16 Safar 1446H corresponding 20 August 2024.