



حديد وطني
WATANI STEEL

WATANI IRON STEEL COMPANY
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF WATANI IRON STEEL COMPANY
(A SAUDI JOINT STOCK COMPANY)

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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 Watani Iron Steel Company (“the Company”) as at 31 December 2024, 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 that are endorsed by the Saudi Organization for Certified Public Accountants (SOCPA).

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

- Statement of financial position as at 31 December 2024;
- Statement of profit or loss and other comprehensive income for the year then ended;
- Statement of changes in equity for the year then ended;
- Statement of cash flows for the year then ended, and;
- Notes to the financial statements, comprising material accounting policies and other explanatory information.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the code of professional 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 (CONTINUED)

TO THE SHAREHOLDERS OF WATANI IRON STEEL COMPANY
(A SAUDI JOINT STOCK COMPANY)

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

KEY AUDIT MATTERS (CONTINUED)

Key audit matters	How we addressed key audit matters during review
Revenue recognition	
<p>With reference to the accounting policy related to revenue recognition, the company's revenues for the year ended December 31, 2024 amounted to SAR 553,305,344 (2023: SAR 370,108,596).</p> <p>Revenue is considered one of the essential indicators for measuring performance, and this results in the existence of inherent risks in the revenue recognition process, by recognizing revenues at more than their value.</p> <p>Revenues are recognized upon delivery of goods to customers.</p> <p>As a result of the essential risks related to the revenue recognition process, and the importance of the value of revenues, revenue recognition was considered a key audit matter.</p> <p>The accounting policy for revenue recognition is explained in Note No. (3.16), and the details of revenues are presented in Note No. (18), in the attached financial statements.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ■ Evaluating the appropriateness of the company's policy related to revenue recognition based on International Financial Reporting Standard No. (15) "Revenue from Contracts with Customers"; ■ Evaluating the design and implementation of internal control systems related to management's procedures related to revenue recognition; ■ Cut-off procedures to verify that revenue is recorded in the correct periods; ■ Test of details for a sample of revenue transactions and comparing them with supporting documents to verify the accuracy of the recorded revenue; ■ Executing analytical procedures, by obtaining an analysis of sales according to the quantities sold and selling prices to judge the reasonableness of the amount of revenue included in the accompanying financial statements; ■ We evaluated the adequacy of the disclosures used in the financial statements related to the revenue item; ■ We inquired from management representatives about their knowledge of fraud risks, and whether there were actual cases of fraud.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE SHAREHOLDERS OF WATANI IRON STEEL COMPANY
(A SAUDI JOINT STOCK COMPANY)

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OTHER INFORMATION

The other information comprises the information included in the Company's 2024 Annual Report, other than the financial statements and the auditor's report thereon. Management is responsible for the other information included 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 described above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have no further determination 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.

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 misstatements, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE SHAREHOLDERS OF WATANI IRON STEEL COMPANY
(A SAUDI JOINT STOCK COMPANY)

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS
(CONTINUED)**

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risk 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 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 Branch's ability to continue as a going concern. If we conclude that the material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in 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 auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the transactions and events they represent in a manner that achieves fair presentation.

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 confirming our compliance with relevant ethical requirements related to independence and communicate all relationships and other matters that could reasonably be thought to affect our independence. Where applicable, we also report on related safeguards.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE SHAREHOLDERS OF WATANI IRON STEEL COMPANY
(A SAUDI JOINT STOCK COMPANY)

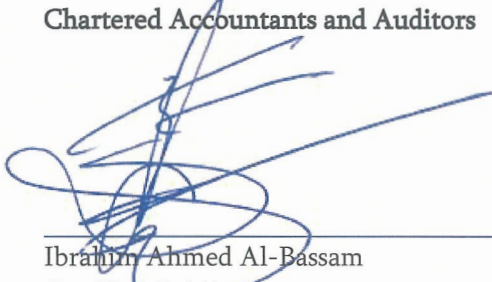
(5 /5)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS
(CONTINUED)

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

For PKF Al-Bassam
Chartered Accountants and Auditors



Ibrahim Ahmed Al-Bassam
Certified Public Accountant
License No. 337
Riyadh - Kingdom of Saudi Arabia
4 Ramadan 1446H
Corresponding to: 4 March 2025



WATANI IRON STEEL COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2024	2023
ASSETS			
Non-current assets			
Property, plant and equipment	5	255,900,168	273,896,231
Projects under construction	7	6,881,225	2,374,024
Intangible assets	6	25,944,262	25,944,262
Total non-current assets		288,725,655	302,214,517
Current assets			
Inventory	8	64,818,666	63,541,537
Trade receivables	9	2,680,650	-
Prepayments and other debit balances	10	1,758,269	4,284,157
Balances at banks		12,058,909	9,509,407
Total current assets		81,316,494	77,335,101
Total assets		370,042,149	379,549,618
EQUITY AND LIABILITIES			
Equity			
Share capital	11	181,650,000	181,650,000
Statutory reserve	12	18,235,056	18,235,056
Actuarial reserve	14-2	(67,504)	884,018
Retained earnings		51,538,221	41,670,316
Total equity		251,355,773	242,439,390
LIABILITIES			
Non-current liabilities			
Employees' end-of-service benefits	14-2	8,242,884	6,108,720
Total non-current liabilities		8,242,884	6,108,720
Current liabilities			
Short-term borrowings	13	64,158,681	91,156,636
Trade payables		37,029,918	32,776,071
Accrued expense and other credit balances	15	8,993,065	6,935,195
Provision for Zakat	17-c	261,828	133,606
Total current liabilities		110,443,492	131,001,508
Total liabilities		118,686,376	137,110,228
Total equity and liabilities		370,042,149	379,549,618

Capital commitments and contingent liabilities and assets 24

Financial Manager
 Mohammed Hamdi Ahmed

Executive Manager
 Yousuf Mohammed Al Tarif

Board of Directors Chairman
 Mishal Abdul Karim Al Rajhi

The accompanying notes 1 to 30 form an integral part of these financial statements.

Watani Iron Steel Company
(A Saudi Joint Stock Company)
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

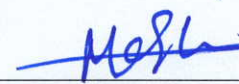
	Note	2024	2023
Revenue	18	553,305,344	370,108,596
Cost of revenue	19	(519,626,248)	(345,675,477)
Gross profit		33,679,096	24,433,119
Selling and marketing expenses	20	(1,827,733)	(764,556)
General and administrative expenses	21	(14,749,360)	(13,037,558)
Impairment of trade receivables	9	(1,340,325)	-
Operating profit		15,761,678	10,631,005
Finance cost	22	(6,687,771)	(7,003,934)
Other income, net	23	1,055,826	751,380
Net profit for the year before zakat		10,129,733	4,378,451
Zakat	17-b	(261,828)	(133,606)
Net profit for the year		9,867,905	4,244,845
Items of other comprehensive income:			
Items that will not be reclassified subsequently to the statement of profit or loss:			
Actuarial (loss) / gain for employees' end-of-service benefits	14-2	(951,522)	612,396
Total comprehensive income for the year		8,916,383	4,857,241
Earning per share			
Basic and diluted earnings per share from net income for the year	25	0.05	0.02



Financial Manager
Mohammed Hamdi Ahmed



Executive Manager
Yousuf Mohammed Al Tarif



Board of Directors Chairman
Mishal Abdul Karim Al Rajhi

The accompanying notes 1 to 30 form an integral part of these financial statements

Watani Iron Steel Company

(A Saudi Joint Stock Company)

Statement of Changes in Equity**For the year ended 31 December 2024**

(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Actuarial reserve	Retained earnings	Total
Balance at 1 January 2023		121,100,000	18,235,056	271,622	97,975,471	237,582,149
Net profit for the year		-	-	-	4,244,845	4,244,845
Other comprehensive income	14	-	-	612,396	-	612,396
Increase in share capital through transfer from retained earnings	11	60,550,000	-	-	(60,550,000)	-
Balance at 31 December 2023		181,650,000	18,235,056	884,018	41,670,316	242,439,390
Net profit for the year		-	-	-	9,867,905	9,867,905
Other comprehensive loss	14	-	-	(951,522)	-	(951,522)
Balance at 31 December 2024		181,650,000	18,235,056	(67,504)	51,538,221	251,355,773



Financial Manager
Mohammed Hamdi Ahmed



Executive Manager
Yousuf Mohammed Al Tarif



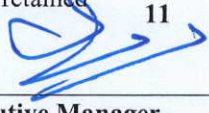
Board of Directors Chairman
Mishal Abdul Karim Al Rajhi

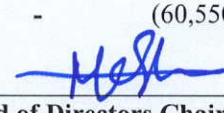
The accompanying notes 1 to 30 form an integral part of these financial statements

Watani Iron Steel Company
(A Saudi Joint Stock Company)
Statement of Cash Flows
For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2024	2023
Cash flows from operating activities			
Net profit for the year before Zakat		10,129,733	4,378,451
Adjustments for:			
Depreciation of property, plant and equipment	5	20,839,644	19,905,337
(Gain) / losses from disposal of property, plant and equipment	23	(5,164)	24
Impairment of trade receivables	9	1,340,325	-
Adjustments from zakat assessment	17-c	9,922	-
Finance cost	22	6,408,398	6,675,122
Interest cost for employees' end-of-service benefits	22	279,373	328,812
Current service cost for employees' end-of-service benefits	14-2	1,357,657	965,779
		40,359,888	32,253,525
Changes in:			
Inventory		(1,277,129)	4,277,191
Trade receivables		(4,020,975)	-
Prepayments and other debit balances		2,525,888	973,944
Trade payables		4,253,847	(4,709,740)
Accrued expenses and other credit balances		2,057,870	(9,800,400)
Cash generated from operating activities		43,899,389	22,994,520
Employees' end-of-service benefits paid	14-2	(454,388)	(199,438)
Zakat paid	17-c	(143,528)	(1,296,677)
Net cash generated from operating activities		43,301,473	21,498,405
Cash flows from investing activities			
Additions to property, plant and equipment	5	(2,848,417)	(29,057,500)
Additions to projects under construction	7	(4,507,201)	(2,374,024)
Proceed from the sales of property, plant and equipment		10,000	-
Net cash used in investing activities		(7,345,618)	(31,431,524)
Cash flows from financing activities			
Proceeds from short-term borrowings	13	216,000,000	271,000,000
Repayment of short-term borrowings	13	(244,156,636)	(257,902,786)
Finance cost paid		(5,249,717)	(5,518,486)
Net cash (used in) / generated from financing activities		(33,406,353)	7,578,728
Net change in banks balances		2,549,502	(2,354,391)
Banks balances at beginning of the year		9,509,407	11,863,798
Banks 5 balances at end of the year		12,058,909	9,509,407
Non-cash transactions from financing activities			
Increase in share capital through transfer from retained earnings	11	-	(60,550,000)


Financial Manager
Mohammed Hamdi Ahmed


Executive Manager
Yousuf Mohammed Al Tarif


Board of Directors Chairman
Mishal Abdul Karim Al Rajhi

The accompanying notes 1 to 30 form an integral part of these financial statements

Watani Iron Steel Company
(A Saudi Joint Stock Company)
Notes to the Financial Statements
For the year ended 31 December 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. 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 entity no. 331389 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 3/23/1445H (corresponding to 10/8/2023), 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.

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.

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. Statement of compliance

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

2-3. Presentation and Functional currency

These financial statements are presented in Saudi Riyal (“SR”), which is the Company’s functional and presentation currency and all values are rounded to the nearest SR, except when otherwise indicated.

2-4 New standards, amendments to standards and interpretations

2-4-1 New and amended IFRS standards issued and effective in the year 2024

The following amendments to standards relevant to the Company are effective for the annual periods beginning on or after January 1, 2024 (unless otherwise stated). The Company adopted these standards and / or amendments, however, there is no significant impact of these on the financial statements:

Amendments to standards	Description	Effective from accounting period beginning on or after	Summary of amendment
IAS 1	Classification of liabilities as current or non-current	January 1, 2024	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right, and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of liability would not impact its classification.
IFRS 16	Leases on sale and leaseback	January 1, 2024	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024	These amendments require to add disclosure requirements to enhance transparency of supplier finance arrangements, and ‘signposts’ within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

Watani Iron Steel Company
(A Saudi Joint Stock Company)
Notes to the Financial Statements
For the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION (continued)

2-4 New standards, amendments to standards and interpretations (continued)

2-4-2 New and amended IFRS Standards issued but not yet effective

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

Amendments to standards	Description	Effective from accounting period beginning on or after	Summary of amendment
IAS 21	Lack of Exchangeability	January 1, 2025	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.
IFRS 9 and IFRS 7	Classification and measurement of financial instruments	January 1, 2026	Clarification of the requirements for the timing of recognition and de-recognition of certain financial assets and liabilities, with a new exception for certain financial liabilities settled through the electronic cash transfer system, Clarify and add additional guidance to assess whether a financial asset meets the single payments criterion for principal and interest
IFRS 18	Presentation and disclosure in the financial statements	January 1, 2027	This standard sets out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure that those statements provide appropriate information that truthfully reflects the entity's assets, liabilities, equity, income and expenses.
IFRS 19	Subsidiaries that are not subject to public accountability: disclosures	January 1, 2027	The standard sets out the disclosure requirements that an entity is allowed to apply in lieu of the disclosure requirements contained in other IFRS.

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

3. Significant accounting policies

The Company has applied the following accounting policies consistently to all periods presented in these financial statements, unless otherwise stated. Below is a summary of the accounting policies applied by the company:

3-1 Classification of assets and liabilities as current and non-current

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.

3-2 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability will take place either:

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

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

The fair value measurement of a non-financial asset considers the ability of market participants to provide economic benefits by using the asset for the best benefit, or by selling it to another market participant for the best benefit.

The Company uses valuation techniques that are appropriate to circumstances and conditions and have sufficient data to measure fair value, maximize the use of relevant observable inputs, and minimize the use of unobservable inputs substantially.

All assets and liabilities whose fair values are measured or disclosed at their fair values in the financial statements are categorized within the fair value hierarchy set out below based on the lowest level inputs that is significant to the fair value measurement as a whole:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.

Level 2: valuation techniques in which the lowest level of significant inputs is used for the fair value measurement and can be observable either directly (i.e., prices) or indirectly (i.e., derived from prices).

Level 3: valuation techniques in which the lowest level inputs are used for the fair value measurement. (Unobservable inputs).

For assets and liabilities recognized in the financial statements at fair value on an ongoing basis, the Company determines whether transfers have taken place between levels of the hierarchy above by reassessing categorization (based on the lowest level inputs that are significant to the fair value measurement as a whole) at the end of each reporting period. The Company sets out policies and procedures for both recurring fair value measurement and non-recurring fair value measurement.

3. Significant accounting policies (continued)

3-2 Fair value measurement (continued)

At each reporting date, The Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Company also compares the change in the fair value of each asset or liability with other external sources to determine whether the change is reasonable. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3-3 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 comprehensive income as incurred.

Depreciation is calculated from the date an item of property, plant and equipment is available for use or, in relation to self-constructed assets, from the date such assets are ready for use.

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

<u>Description</u>	<u>Percentage</u>
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 comprehensive 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.

Capital works in process

Assets under construction or development are capitalized in capital works in process, then the cost of assets under construction or development is transferred to the appropriate category of property and equipment or intangible assets (depending on the nature of the project), upon bringing the asset to the site and/or the condition necessary to be able to operate in the manner intended by Management. The expenditures of capital works in process includes the acquisition price, the cost of construction / development and any other costs directly attributable to capital works originated or acquired under management's consideration. The expenditures associated with testing capital works in process items (before they are ready to use) are capitalized net of proceeds from the sale of any production during the test period. Capital works in process are not depreciated or amortized.

3- Significant accounting policies (continued)

3-4 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 comprehensive income.

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

<i>Type</i>	Concession right
<i>Useful lives</i>	Indefinite useful life
<i>Amortisation method used</i>	Not amortised
<i>Internally generated or acquired</i>	Generated

The company has entered into an agreement with Saudi Electricity Company at 20 October 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 Watani Iron Steel Company's land and it is handover to Saudi Electricity Company for operation, and its mission is to deliver power continuously to the factory. Watani Iron Steel Company is an operator and must recognize the station as intangible assets.

3-5 Leases

The Company applies the recognition exemption for short-term leases (i.e. leases with a term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for low-value leases. Lease payments on short-term, low-value leases are recognised as an expense on a straight-line basis over the lease term. Operating lease payments under operating leases are charged to the statement of profit or loss and other comprehensive income over the term of the leases.

3-6 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 comprehensive 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 comprehensive 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.

3- Significant accounting policies (continued)

3-7 Inventory

Inventories consist of finished goods, work-in-process goods, raw materials, spare parts and supplies. Inventories are valued at the lower of cost or net realizable value. Cost is determined on the weighted average basis. Realizable value is the difference between the estimated selling price in the ordinary course of business less the estimated costs of completion and the expenses of making the sale.

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.

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.

3-8 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.

3-9 Trade receivables

Accounts receivable represent amounts due from customers for the sale of goods in the ordinary course of business and do not bear interest. If the credit exceeds normal credit terms, accounts receivable are measured at amortized cost using the effective interest method. The carrying amounts of accounts receivable and other receivables are reviewed at the end of each reporting period to determine whether there is any objective evidence that the amounts are not recoverable. In this case, an impairment loss is recognized immediately in the statement of profit or loss.

3-10 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.

3-11 Cash dividends and non-cash dividends to shareholders

Cash or non-cash dividends to shareholders are recognized as liabilities upon approval of the distribution, and according to the Regulations for Companies in Kingdom of Saudi Arabia, dividends are approved when confirmed by the shareholders. Dividends are deducted immediately from equity and recognized as a liability.

3- Significant accounting policies (continued)

3-12 Borrowings

Borrowings are initially recognized at fair value (as proceeds received), net of transaction costs, if any. long-term borrowings are subsequently measured at amortized cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the statement of profit or loss over the borrowing term using the effective interest method. Fees paid on the facility are recognized as the borrowing costs to the extent that it is probable that the facility will be withdrawn partially or in full. In such case, the fees are deferred until the facility is withdrawn, capitalized in prepayments for liquidity services to the extent that there is no evidence the facility may be withdrawn partially or in full, and are amortized over the underlying facility term.

Borrowings are derecognized of the statement of financial position when the obligation is charged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including non-cash assets transferred or liabilities assumed, is recognised in the statement of profit or loss within other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer the settlement of the obligation for at least 12 months after the financial reporting year.

3-12-1 Borrowing costs

General and specific borrowings directly attributable to the acquisition, construction or production of qualifying assets are capitalized during the time period required to complete and prepare the asset for its intended use or sale, as applicable. Qualifying assets are assets that necessarily take a substantial time period to become ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings until spent on qualifying assets is deducted from the borrowing costs qualifying for capitalization.

Other borrowing costs are expensed for the year as incurred in the statement of profit or loss.

3-13 Employee benefits

3-13-1 Short-term obligations

Liabilities for wages and salaries, including non-cash benefits, accumulated leave and travel tickets expected to be paid in full within 12 months after the end of the period in which the employees provide the related services, are recognized based on the services provided by the employees until the end of the reporting period of financial statements, and measured by amounts expected to be paid when the liabilities are settled. The liability is presented as current employee benefits obligation under accrued expenses in the statement of financial position.

3-13-2 Long-term employee benefits and other related obligations

The liability or asset is recognized in the statement of financial position in respect of defined benefits. The employee end-of-service benefits obligation is the present value of the defined benefits obligation in the reporting year, and the defined benefits obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefits obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Defined benefit costs are categorized as follows:

Service Cost

Service costs include current service costs and past service costs which are recognized immediately in the consolidated statement of profit or loss.

Changes in the present value of the defined benefits obligation resulting from plan amendments or curtailments are recognized immediately in the statement of profit or loss as employee end-of-service benefit expense.

3. Significant accounting policies (continued)

3-13 Employee benefits (continued)

3-13-2 Long-term employee benefits and other related obligations (continued)

Interest Cost

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

Re-Measurement Gains or Losses

Re-measurement gains or losses arising from adjustments and changes in actuarial assumptions are recognized in the year in which they occur, immediately in the statement of comprehensive income.

3-14 Zakat

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority in Kingdom of Saudi Arabia (“the Authority”) and the zakat liability is recognized and charged to the statement of profit or loss for the current period. Additional zakat liabilities, if any, relating to the final assessments for prior years by the Authority are recognized in the period in which the final assessments are issued.

The Company is only qualified to pay zakat. And since the reversal of timing differences, if any, is not expected to have any material impact on zakat amount in the foreseeable future, no deferred tax liability or asset has been recognized in these financial statements.

3-14-1 Value added tax

The expenses and assets are recognized net of VAT amount, except for:

- When the VAT incurred on the purchase of assets or services is not recoverable from the tax authorities, in this case VAT is recognized as part of the cost of purchasing the assets or expensed, if applicable, and/or
- When receivables and payables are stated including VAT amount

Net VAT recoverable from / or payable to the tax authorities is recorded as part of prepaid expenses and other current assets or accrued expenses and other current liabilities in the statement of financial position.

3-15 Financial instruments

(1) Classification and measurement of financial assets and liabilities

On initial recognition, financial assets are classified as financial assets measured at amortized cost, or at fair value through comprehensive income (“FVOCI”) - debt investments, or at fair value through comprehensive income (“FVOCI”) - equity investments, or at fair value through profit or loss (“FVTPL”).

A financial asset is measured at amortized cost if it meets both of the following criteria and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments are measured at FVOCI if they meet both of the following criteria and are not designated at FVTPL:

- It is held within a business model whose objective is to collect contractual cash flows and sell financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, for an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in investment fair value within comprehensive income. This election is made on an investment-by-investment basis.

3. Significant accounting policies (continued)

3-15 Financial instruments (continued)

(1) Classification and measurement of financial assets and liabilities (continued)

All financial assets not designated as measured at amortized cost or at FVOCI as described above are measured at FVTPL. This includes all derivative assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements of measurement at amortized cost or FVOCI or as financial assets at FVTPL, if so, it eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets (unless they are accounts receivable without a significant financial component initially measured at the transaction price) are initially measured at fair value plus, for the item not measured at FVTPL, transaction costs that are directly attributable to their acquisition.

The following accounting policies are applied to the subsequent measurement of financial assets.

Financial assets carried at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the statement of profit or loss.
Financial assets carried at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. Amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss is recognized in the statement of profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. Net other gains and losses are recognized in comprehensive income. On derecognition, gains and losses accumulated in comprehensive income are reclassified to the statement of profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividends clearly represent a recovery of part of the cost of the investment. Other gains and losses are recognized in the statement of other comprehensive income and are never reclassified to the statement of profit or loss.

Disposal

Financial assets

A financial asset (or part of a group of similar financial assets) is mainly derecognized (i.e., derecognized of the Company's statement of financial position) in the following cases:

- The rights to receive cash flows from the asset have been expired.
- The Company has transferred its rights to receive cash flows from the asset or assumed an obligation to pay cash flows received in full without delay to a third party under a “pass-through” arrangement; and (a) substantially transferred all the risks and rewards of the asset; or (b) transferred control over the asset and the Company has neither transferred nor retained substantially the risks and rewards of the financial asset.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability is recognized at fair value based on the modified terms.

On derecognition of a financial liability, the difference between the carrying amount derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the statement of profit or loss.

3. Significant accounting policies / policy information (continued)

3-15 Financial instruments (continued)

(2) Impairment of financial assets

The Financial assets measured at amortized cost comprise of accounts receivable, prepaid expenses, other receivables and cash at banks.

Loss allowances are measured based on lifetime ECL: these are credit losses that arise from all possible default events over the expected life of the financial instrument.

The Company measures loss allowances at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit rating, including forward-looking information.

ECL Measurement

ECL is a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between contractual cash flows due to the Company and cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

The Company assesses at each reporting date whether financial assets carried at amortised cost and debt securities carried at fair value through comprehensive income are credit-impaired. A financial asset is assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Impairment Presentation

Loss allowances on the financial assets measured at amortized cost are deducted from the carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor has no assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the writeoff. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of outstanding amounts.

Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a current legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

3-16 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.

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3. Significant accounting policies (continued)

3-16 Revenue recognition (continued)

The Company recognizes revenue under IFRS 15 using the following five-steps model:

Step 1: Identify the contract with the customer	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each contract that must be met.
Step 2: Identify the performance obligations	A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price	The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price	For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for fulfilling each performance obligation.
Step 5: Revenue recognition	The Company recognizes revenue (or as) it fulfils a performance obligation by transferring a promised good or service to the customer under a contract.

Identify the contract with the customer

The Company performs a careful assessment of the terms and conditions of the contracts with its customers because the revenues are recognized only when the performance obligations of the contracts with the customers are fulfilled. Changes in the contract scope or price (or both) are considered a modification of the contract and the Company determines whether this change will be considered a new contract or as part of the current contract.

Identify the performance obligations

Once the Company identifies the contract with the customer, it evaluates the contractual terms and normal business practices to identify all contracted services and determine whether any of those contracted services (or a bundle of contracted services) will be treated as separate performance obligations.

Determine the transaction price

The Company determines the transaction price as the amount of consideration it expects to be entitled in exchange for. This includes an estimate of any variable consideration and the impact of a significant financing component (i.e., the time value of money) and the fair value of any non-cash consideration and the impact of any consideration paid or payable to a customer (if any). The variable consideration is limited to the amount for which there is a high probability of no significant reversal in the amount of accrued revenue recognized when the uncertainty associated with the variable consideration is subsequently resolved.

Consideration is determined based on the transaction price agreed with the customers and there are no other promises in the contract with customers that are identified as separate performance obligations that must be allocated a portion of the transaction price. When determining the transaction price for the services, the Company took into account the impact of variable consideration, the existence of significant financing components, noncash consideration and consideration payable to the customer (if any) and concluded that such consideration amounts are not included in the transaction price.

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3. Significant accounting policies (continued)

3-16 Revenue recognition (continued)

Determine the transaction price (continued)

Contract modifications, such as change orders, are considered as part of the current contract, with cumulative adjustments to revenue. For substantial contract modifications, a separate contract may be recognized, based on the management's assessment of the following factors:

- The contract scope increases due to the addition of promised goods or services and can be distinguished themselves; and
- The contract price increases by the compensation that reflects the entity's standalone selling prices for the additional promised goods or services and any appropriate adjustments to that price to reflect the conditions of the contract.

There were no substantial modifications to the contracts during the year ended 31 December 2024.

Allocate the transaction price

When identifying the performance obligations and the transaction price, the transaction price is allocated to the performance obligations, which is usually proportionate to their standalone selling prices (i.e., on a relative standalone future selling price basis). When determining the standalone selling prices, the Company must use observable information, if any. If the standalone selling prices are not directly observable, the Company uses estimates based on reasonably available information.

Revenue recognition

The Company recognizes revenue in accordance with the terms and conditions contained in the contracts concluded with the customers to the extent that the performance obligations related to the contracts with customers are fulfilled by the Company by transferring control of a contracted service to the customer, which can be transferred over time period or at some point in time. When fulfilling a performance obligation over a time period, the Company determines the progress under the contract based on the input or output method, which works to measure the best completed performance to date. The specified method is applied consistently to similar performance obligations and in similar circumstances. The Company believes that it fulfills its performance obligations in its contracts with customers at some point in time, and therefore it recognizes revenue when it fulfills its obligations under its contracts with customers.

Revenue from contracts with customers

The company engages in the trade of rebar and billet iron. Revenues from contracts concluded with customers are recognized when control of the goods or services is transferred to the customer in an amount that reflects the compensation that the company is expected to be entitled to in exchange for those goods or services. The company has generally been found to act as principal in all of its revenue arrangements because it controls the goods or services before transferring them to the customer.

3-16-1 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.

3-17 Expenses

Cost of revenue

All expenses are recognized on an accrual basis. Operating costs are recognized on a historical cost basis. This includes cost of goods sold, direct and indirect manufacturing expenses.

Selling and marketing expenses

Selling and marketing expenses consist of the salaries and wages of sales workers, shipping and transportation costs, and the costs of advertising and brochures.

General and administrative expenses

General and administrative expenses comprise of the costs that are not necessarily part of the marketing expenses, cost of revenues, finance costs or zakat expenses.

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3. Significant accounting policies (continued)

3-18 Earnings per share

Basic earnings / (losses) per share

Basic earnings per share is calculated by dividing:

- Profit / (loss) attributable to the shareholders of the Company, after deducting any equity service costs other than common stock by the weighted average number of common stock outstanding during the financial period.

Diluted earnings / (losses) per share

The figures used to determine the basic earnings / (losses) per share are adjusted for the diluted earnings per share, considering:

- The impact of interest after income tax and other finance costs associated with the dilution of potential common stock.
- The weighted average number of additional common stock that would have been outstanding assuming the conversion of all common stock is affected by the potential dilution.

3-19 Foreign currency transactions and balances

Foreign currency Transactions are translated into SAR using the exchange rate ruling on the date of the transactions. Foreign exchange gains and losses on these transactions adjustment and on the re-translation of monetary items denominated in foreign currency at the exchange rates ruling at year-end, are recognized in the consolidated statement of profit and loss and other comprehensive income.

Non-monetary items are not re-translated at year-end and are measured at historical cost (they are translated using the exchange rates ruling on the date of the transaction), except for non-monetary items measured at fair value, which are translated using the exchange rates ruling on the date when the fair value was determined.

3-20 Provisions

Provisions are recognized in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation amount. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate, which reflects current market assessments of time value of money and liability-specific risks. In discounting, the increase in the provision is recognized as finance cost in the statement of profit or loss.

3-21 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 contingent liabilities.

3-22 Contingent assets

Contingent assets typically arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity.

3-23 Segment reports

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 blocks of substrates and waste after re-melting.

3. Significant accounting policies (continued)

3-23 Segment reports (continued)

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.

3-24 Climate-related matters

The Company considers climate-related matters in estimates and assumptions, where appropriate. This assessment includes a wide range of possible impacts on the group due to both physical and transition risks. Climate-related matters increase the uncertainty in estimates and assumptions underpinning several items in the financial statements. Even though climate-related risks might not currently have a significant impact on measurement, the Company is closely monitoring relevant changes and developments, such as new climate-related legislation.

The items and considerations that are most directly impacted by climate-related matters are:

- Useful life of property, plant and equipment. When reviewing the residual values and expected useful lives of assets, the Company considers climate-related matters, such as climate-related legislation and regulations that may restrict the use of assets or require significant capital expenditures.
- Impairment of non-financial assets. The value-in-use may be impacted in several different ways by transition risk in particular, such as climate-related legislation and regulations and changes in demand for the Company's products. Even though the Company has concluded that no single climate-related assumption is a key assumption for 2024, the Company considered expectations for increased demand for goods sold by the Company and cost increases due to stricter recycling requirements in the cash-flow forecasts in assessing value-in-use amounts.

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 assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which are the basis for making judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. A revision of accounting estimates is recognized in the period in which the estimates are revised if the revision affects only that period, or in the revision period and future periods if the revision affects both current and future periods.

4-1 Significant judgments in applying the Company's accounting policies

In applying the Company's accounting policies, management has made the following judgments, which have a significant impact on the amounts recognized in the financial statements.

4-1-1 Going concern

As of 31 December 2024, the Company's current liabilities exceeded its current assets by SAR 29,126,998 (31 December 2023: SAR 53,666,407), which was mainly due to borrowings amounting to SAR 64,158,681 as of 31 December 2024 (31 December 2023: 91,156,636). Despite the deficit in working capital, the Company has an operating cash flow of 43,301,473 Saudi riyals as of 31 December 2024 (31 December 2023: 21,498,405 SR), which indicates the company's ability to meet its obligations when due. Management also believes that it is able to benefit from new facilities if required. Accordingly, the financial statements have been prepared on going concern basis.

4. Significant accounting estimates and assumption (continued)

4-1 Significant judgments in applying the Company's accounting policies (continued)

4-1-2 Depreciation of property, equipment

The Company's assets are depreciated on a straight-line basis their estimated economic useful lives.

4-2 Assumptions and estimation uncertainties

The estimates made by management in applying the Company's accounting policies that have a material impact on the amounts recognized in the financial statements are as follows:

4-2-1 Expected future free cash flows

The expected free cash flows are based on current expectations and specific objectives set for a five-year period. These are determined for CGUs in setting external objectives and expectations based on information and observations for the industry such as macroeconomic indicators and market circumstances. All assumptions used are challenged in setting objectives and expectations based on management's best estimates and expectations, which are subjective by nature. They include expectations for revenue growth and EBIT.

4-2-2 Actuarial valuation of employee end-of-service benefits

The present value of retirement obligations depends on several factors that are determined using actuarial valuations that use several assumptions. The assumptions used in determining the net cost (income) of retirement include the discount rate. Any change in these assumptions will have an impact on the carrying amount of retirement obligations.

The Company determines the appropriate discount rate at each year-end, which is the interest rate used to determine the present value of estimated future cash flows expected for settlement of end-of-service obligations. While determining the appropriate discount rate, the Company takes into account the interest rates on high-quality corporate bonds, provided that the bonds term is consistent with the estimated period for end-of-service benefits liabilities.

4-2-3 Useful lives of property and equipment and intangible assets

As described in Note (5), the Company estimates the useful lives of property and equipment at the end of each annual reporting period. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

4-2-4 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.

4-2-5 Zakat and Tax provision

The Company has assessed zakat and VAT status having regard to local zakat and tax legislation, decrees issued periodically and conventions. Interpretations of such legislation, decrees and conventions are not always clear and entail the completion of assessment by ZATCA.

4-2-6 Provision for obsolete, slow-moving and damaged inventory

Management estimates the net realizable value of inventories, taking into account the most reliable evidence at the time of using the estimates and making an allowance for obsolete inventory. These estimates take into account changes in demand for goods, technological changes, and price and quality fluctuations. Accordingly, the Company takes into account these factors to calculate the allowance for obsolete, and damaged inventory.

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

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5. Property, plant and equipment

	31 December 2024							Total
	Lands	Buildings	Machine and equipment	Computer	Vehicles	Tools	Furniture	
<u>Cost</u>								
Cost at 1 January 2024	17,434,558	44,413,800	357,253,260	1,519,754	2,194,514	726,161	2,035,778	425,577,825
Additions	-	458,126	2,233,649	22,114	-	16,440	118,088	2,848,417
Disposals	-	-	-	(88,812)	(82,000)	-	(276,009)	(446,821)
Balance at 31 December 2024	17,434,558	44,871,926	359,486,909	1,453,056	2,112,514	742,601	1,877,857	427,979,421
<u>Accumulated depreciation</u>								
As at 1 January 2024	-	13,317,352	132,944,159	1,426,573	1,583,661	541,396	1,868,453	151,681,594
Depreciation for the year	-	2,192,969	18,215,808	40,486	239,053	70,262	81,066	20,839,644
Disposal	-	-	-	(88,764)	(82,000)	-	(271,221)	(441,985)
Balance at 31 December 2024	-	15,510,321	151,159,967	1,378,295	1,740,714	611,658	1,678,298	172,079,253
<u>Net book value as at</u>								
31 December 2024	17,434,558	29,361,605	208,326,942	74,761	371,800	130,943	199,559	255,900,168

Depreciation allocation as follows:

	31 December 2024	31 December 2023
Cost of manufacturing (for production)	20,590,600	19,717,457
Selling and marketing expenses (note 20)	410	743
General and administrative expenses (note 21)	248,634	187,137
	20,839,644	19,905,337

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5. Property, plant and equipment (continued)

	31 December 2023							
	Lands	Buildings	Machine and equipment	Computer	Vehicles	Tools	Furniture	Total
<u>Cost</u>								
Cost at 1 January 2023	9,691,100	34,046,708	346,773,104	1,506,081	1,831,814	706,792	2,009,911	396,565,510
Additions	7,743,458	10,367,092	10,480,156	58,858	362,700	19,369	25,867	29,057,500
Disposals	-	-	-	(45,185)	-	-	-	(45,185)
Balance end of the year	17,434,558	44,413,800	357,253,260	1,519,754	2,194,514	726,161	2,035,778	425,577,825
<u>Accumulated depreciation</u>								
As at 1 January	-	11,599,541	115,137,408	1,434,911	1,401,585	461,168	1,786,805	131,821,418
Depreciation for the year	-	1,717,811	17,806,751	36,823	182,076	80,228	81,648	19,905,337
Disposal	-	-	-	(45,161)	-	-	-	(45,161)
Balance end of the year	-	13,317,352	132,944,159	1,426,573	1,583,661	541,396	1,868,453	151,681,594
<u>Net book value in</u>								
31 December 2023	17,434,558	31,096,448	224,309,101	93,181	610,853	184,765	167,325	273,896,231

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6. Intangible assets

	<u>31 December 2024</u>	<u>31 December 2023</u>
Electrical service delivery station *	25,908,637	25,908,637
Engineering design programs	35,625	35,625
	<u>25,944,262</u>	<u>25,944,262</u>

* 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.

7. Project under construction

As of 31 December 2024, the company made additions to projects under construction amounting to SAR 4,507,201 (31 December 2023: SAR 2,374,024) represent 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 was expected to be completed in 2024, but it was postponed to 2025 due to the failure to complete some technical matters. The completion rate reached 95%, and the construction costs will be capitalized under the company's property, machinery and equipment item upon completion.

	<u>31 December 2024</u>	<u>31 December 2023</u>
Construction and industrial supplies	3,804,061	1,588,478
Construction and industrial works	2,428,529	785,546
Public Safety Systems	648,635	-
	<u>6,881,225</u>	<u>2,374,024</u>

8. Inventory

	<u>31 December 2024</u>	<u>31 December 2023</u>
Finished goods	25,317,580	5,948,669
Raw material	20,850,825	21,521,141
Spare parts and supplies	17,093,432	17,657,081
Work in process	1,556,829	18,414,646
	<u>64,818,666</u>	<u>63,541,537</u>

During 2024, SR 432,332,451 (2023: SR 276,137,077) was recognised as an expense for inventories carried at net realizable value. This is recognised in cost of revenues (note 19).

9. Trade receivables

	<u>31 December 2024</u>	<u>31 December 2023</u>
Trade receivables*	4,020,975	-
Impairment provision for trade receivables	(1,340,325)	-
	<u>2,680,650</u>	<u>-</u>

*The amount of trade receivables is the sale of goods to an external customer through a letter credit with an international bank with a credit rating of B+ (according to Fitch), the company's management has formed a provision for impairment in the value of trade receivables equivalent to 33% of the total debt. Trade receivables are not subject to any interest.

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9. Trade receivables (continued)

The movement of the impairment provision in trade receivables is as follows:

	<u>31 December 2024</u>	<u>31 December 2023</u>
Balance at the beginning of the year	-	-
Provided during the year	1,340,325	-
	<u>1,340,325</u>	<u>-</u>

10. Prepayments and other debit balances

	<u>31 December 2024</u>	<u>31 December 2023</u>
Advance to suppliers	482,546	600,304
Prepaid insurance expenses	396,919	360,891
VAT receivables	337,492	2,879,931
Prepaid rent	200,667	202,000
Prepaid subscriptions	199,106	202,679
Employees' advances	117,644	38,352
Other	23,895	-
	<u>1,758,269</u>	<u>4,284,157</u>

11. Share Capital

On 17 Dhu al-Qi'dah 1444H (corresponding to 6 June 2023), the Extraordinary General Assembly approved increasing the Company's capital by SAR 60,550,000 from SAR 121,100,000 to SAR 181,650,000, by capitalizing SAR 60,550,000 from retained earnings, by granting one free share for every two shares owned, i.e. increasing the number of shares by 6,055,000 shares, bringing the number of ordinary shares to 18,165,000 ordinary shares, with a value of SAR 10 per share. The regulatory 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 would become one Saudi Riyal, so that the number of shares would become 181,650,000 ordinary shares.

12. Statutory reserve

On 9 Rabi' al-Thani 1445H corresponding to October 24, 2023, the Companies Law and the Company's By Laws were updated, therefore, the Company will not be subject to additional transfers in the financial statements for the year 2024 .

13. Borrowings

The Company has credit facilities with local banks with a total value of SAR 110.5 million, where the facility limits were rolled over during the year to SAR 216 million, and the outstanding balance is SAR 64.16 million as of December 31, 2024 (2023: SAR 91.16 million) with several local banks and financial institutions, including credit facilities in the form of deferred sale financing, financing of participation contracts, Murabaha and Tawarruq, documentary credit facilities, letters of guarantee and purchase of foreign currencies at variable Islamic Murabaha rates agreed upon with the banks.

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 administration. In the event of a possible breach or breach of these pledges, measures are taken by the administration to ensure the fulfillment 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 December 31, 2024. The company has operating cash flows amounting to SR 43,301,473 during the year 2024 (2023: 21,498,405 Saudi riyals), which is an indication of the company's ability to fulfill its obligations when they are due.

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13. Borrowings (continued)

The company provides guarantees for these credit facilities, represented by promissory note with a total amount of 117,8 million Saudi riyals. Below is a statement of the movement of short-term loans during the year that are due to be repaid during the year ending in:

	<u>31 December 2024</u>	<u>31 December 2023</u>
Balance at the beginning of the year	91,156,636	76,902,786
Proceeds during the year	216,000,000	271,000,000
Repayment during the year	(244,156,636)	(257,902,786)
Accrued finance cost	1,158,681	1,156,636
Balance end of the year	64,158,681	91,156,636

14. 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 2024, 31 December 2023 by an independent qualified actuary using the projected unit credit method.

14-1 Key actuarial assumptions

	<u>31 December 2024</u>	<u>31 December 2023</u>
	<u>(percentage)</u>	
Estimated rate of increase in employee salaries	2.00%	0.00%
Discount rate	5.25%	4.75%

14-2 The movement in the present value of defined benefit obligations

	<u>31 December 2024</u>	<u>31 December 2023</u>
Present value at the beginning of the year	6,108,720	5,625,963
Current Service Cost	1,357,657	965,779
Interest Cost (note 22)	279,373	328,812
Payments during the year	(454,388)	(199,438)
Actuarial loss / (gain) through OCI	951,522	(612,396)
	8,242,884	6,108,720

The following is a statement of expected payments or contributions made to employees during future years:

	<u>31 December 2024</u>	<u>31 December 2023</u>
Less than a year	537,918	398,646
1-5 years	3,082,686	2,284,548
More than 5 years	4,622,280	3,425,526
	8,242,884	6,108,720

14-3 The sensitivity of the defined benefit obligation to changes in the weighted average of the key assumptions is:

	<u>Change in assumption</u>	<u>31 December 2024</u>	<u>31 December 2023</u>
Discount rate	+1%	7,701,442	5,800,611
	-1%	8,859,679	6,451,384
Long-term salaries	+1%	8,915,708	6,496,335
	-1%	7,644,179	5,755,439

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15. Accrued expense and other credit balances

	<u>31 December 2024</u>	<u>31 December 2023</u>
Advances from customers	5,118,465	3,881,372
Employees' accruals	2,010,582	1,898,267
Board Remuneration	1,713,833	989,500
GOSI	149,760	166,056
Withholding tax	425	-
	<u>8,993,065</u>	<u>6,935,195</u>

16. Transaction and balances with related parties

A. Transactions with related parties

There were no transaction with related parties during the year 2024 and the balances are zero.

B. Key management

Transactions with key management personnel are represented in the salaries, bonuses, and allowances of the members of the board of directors, and executive management 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.

The significant transactions with key management personnel are as follows:

	<u>31 December 2024</u>		<u>31 December 2023</u>	
	<u>Board members and committees</u>	<u>Executive management</u>	<u>Board members and committees</u>	<u>Executive management</u>
Remunerations of Board Members, Committees and Executive Management	1,360,833	200,000	727,500	100,000
Board and committee attendance allowances	153,000	-	162,000	-
Salaries, wages and equivalents	-	2,854,500	-	2,772,500
End of service	-	139,125	-	201,200
	<u>1,513,833</u>	<u>3,193,625</u>	<u>889,500</u>	<u>3,073,700</u>

17. 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, 2023 and the company obtained a certificate from ZATCA valid until 2 Dhu al-Qi'dah 1446H corresponding to 30 April 2025. The company also received a final assessment for the year 2017. No amendments resulted from it, and the company received a final assessment for the year ending December 31, 2023 in the amount of 9,922 Saudi riyals, and the company paid the value of the zakat assessment during the year 2024., and the company did not receive any zakat assessments for the years from 2018 to 2022.

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17. Zakat provision (continued)

B- Zakat provision movement

	<u>2024</u>	<u>2023</u>
Net adjusted profit (A)	10,129,733	5,344,231
Adds:		
Equity	251,617,601	237,582,149
Liabilities	54,201,486	1,898,267
Other additions	-	-
Deducts		
Net non-current assets	(288,725,655)	(299,840,495)
Other deductions	(17,093,432)	-
Zakat base (B)	10,129,733	(55,015,848)
Zakat (of the adjusted net profit or the Zakat base, whichever is higher)	10,129,733	133,606
Zakat by from net adjusted profit	261,828	133,606

C- Zakat provision movement

	<u>2024</u>	<u>2023</u>
Balance at the beginning of the year	133,606	1,296,677
Charged during the year	261,828	133,606
Adjustments resulting from Zakat assessment (17-a)	9,922	-
Paid during the year	(143,528)	(1,296,677)
Balance at the end of the year	<u>261,828</u>	<u>133,606</u>

18. Sales

	<u>2024</u>	<u>2023</u>
Steel Sales	553,305,344	370,108,596
	<u>553,305,344</u>	<u>370,108,596</u>
	<u>2024</u>	<u>2023</u>
At a point in time	553,305,344	370,108,596
	<u>553,305,344</u>	<u>370,108,596</u>

19. Cost of sales

	<u>2024</u>	<u>2023</u>
Consumed material	432,332,451	276,137,077
Energy expenses	33,876,877	22,931,641
Depreciation of property, plant, and equipment	20,863,722	18,350,601
Salaries, wages and equivalents	20,139,948	18,253,537
Maintenance and repairs and spare parts	9,840,324	8,379,408
Other manufacturing costs	2,572,926	1,623,213
	<u>519,626,248</u>	<u>345,675,477</u>

20. Selling and marketing expenses

	<u>2024</u>	<u>2023</u>
Shipping and transportation	900,629	145,940
Salaries, wages and equivalents	865,398	555,698
Depreciation (note 5)	410	743
Others	61,296	62,175
	<u>1,827,733</u>	<u>764,556</u>

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21. General and administrative expenses

	<u>2024</u>	<u>2023</u>
Salaries, wages, and equivalents	10,381,538	9,877,994
Board of directors' remuneration	1,713,833	989,500
Professional and consulting fees	1,314,408	965,723
Medical insurance	249,103	242,312
Depreciation (note 5)	248,634	187,137
Electricity, water, and communication	167,512	177,634
Transportation and transfer	103,742	83,443
Subscription and charges	63,547	139,265
Hospitality	44,681	33,747
Bank charges	295	10,216
Others	462,067	330,587
	<u>14,749,360</u>	<u>13,037,558</u>

22. Finance cost

	<u>2024</u>	<u>2023</u>
Local bank loan	6,408,398	6,675,122
Interest on employees' end-of-service benefits (note 14-2)	279,373	328,812
	<u>6,687,771</u>	<u>7,003,934</u>

23. Other revenue, net

	<u>2024</u>	<u>2023</u>
Sales of production waste	1,050,662	751,404
Gain / (losses) from disposal of property plant and equipment	5,164	(24)
	<u>1,055,826</u>	<u>751,380</u>

24. Capital commitment and contingent liabilities

A) Capital Commitment

The Company has capital commitments of SAR 62,300 as at 31 December 2024 (2023: Nil), which is the new branch project under construction (Note 7).

B) Contingent liabilities

There is no contingent liabilities for the company on 31 December 2024.

C) Contingent assets

The company has a contingent asset as at 31 December 2024 of SR 2,784,508 (31 December 2023 of SR 2,784,508), which is a refund of the purchase amounts of Salman Jawhar Jawhar Scrap Melting Factory, based on the letter of the liquidation trustee of Salman Jawhar Jawhar Scrap Melting Factory Company due to the inability to transfer the ownership of the plant from Salman Johar Scrap Melting Factory Company to Watani Iron Steel Company.

25. Basic and diluted 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, the impact of share increase taken retroactively

	<u>2024</u>	<u>2023</u>
Net profit attributed to ordinary shareholders	9,867,905	4,244,845
Estimated average of number of issued ordinary shares	181,650,000	181,650,000
	<u>0.05</u>	<u>0.02</u>

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26. 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".

27. 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.

27-1 Financial Assets

	<u>2024</u>	<u>2023</u>
Financial assets at amortised cost:		
Trade receivables	2,680,650	-
Prepayments and other debit balances	117,644	38,352
Balances at banks	12,058,909	9,509,407
	<u>14,857,203</u>	<u>9,547,759</u>

27-2 Financial Liabilities

	Effective interest rate	Maturity	<u>2024</u>	<u>2023</u>
Short-term borrowings	Note 13	Less than 1 year	64,158,681	91,156,636
Trade payables	Interest free	Less than 1 year	37,029,918	32,776,071
Accrued expense and other credit balances	Interest free	Less than 1 year	3,874,600	3,053,823
			<u>105,063,199</u>	<u>126,986,530</u>

27-3 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.

27-3-1 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>2024</u>	<u>2023</u>
Variable interest rate loans	64,158,681	91,156,636

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

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27. Financial instruments and risk management (continued)

27-3 Market risk (continued)

27-3-1 Interest rate risk (continued)

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.

	Statement of Profit and loss and Other Comprehensive Income				
	2024		2023		
	100 points more	100-points discount	100 discount	points	100-points more
Variable interest rate loans	6,415,868	(6,415,868)	9,115,664		(9,115,664)
Changes in cash flow	6,415,868	(6,415,868)	9,115,664		(9,115,664)

There is no effect on the statement of equity.

27-3-2 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, 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. Fluctuations in the Euro and AED exchange rates are monitored on an ongoing basis.

As at 31 December 2024, the company has no outstanding balance in foreign currenct other than US dollar.

27-4 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 31 December:

Credit rating	2024	2023
A-	12,058,909	-
A1	-	2,051,621
A2	-	4,922,815
A3	-	2,534,971
	12,058,909	9,509,407

The amount of trade receivables represents the sale of goods to an external customer through a documentary credit from an international bank with a credit rating of B+ (according to Fitch Agency). The company's management has established a provision for the impairment of trade receivables in the amount of SAR 1,340,325, equivalent to 33% of the total debt. Trade receivables are not subject to any interest, and the unpaid amounts from a single debtor constitute 100% of the balance of trade receivables.

27. Financial instruments and risk management (continued)

27-5 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
31 December 2024				
Short-term Borrowings	64,158,681	64,158,681	-	-
Trade payables	37,029,918	37,029,918	-	-
Accrued expense and other credit balances	8,993,065	8,993,065	-	-
	<u>110,181,664</u>	<u>110,181,664</u>	<u>-</u>	<u>-</u>
31 December 2023				
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	-	-
	<u>130,867,902</u>	<u>130,867,902</u>	<u>-</u>	<u>-</u>

27. Financial instruments and risk management (continued)

27-6 Capital risk management

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 Board of Directors monitors the return on capital used to maintain the company's ability to continue operating as a going concern so that it can provide returns to shareholders and benefits to other stakeholders. The company monitors its capital base using the net debt to equity ratio. Net debt is calculated as loans less bank balances.

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

	<u>2024</u>	<u>2023</u>
Borrowings	64,158,681	91,156,636
Less:		
Balances at banks	(12,058,909)	(9,509,407)
Net debt	52,099,772	81,647,229
Total equity attributable to the company's shareholders	252,661,454	242,439,390
Net debt to equity ratio	<u>20.6%</u>	<u>33.7%</u>

27-7 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.

The sensitivity of the commodity prices to reasonably possible changes in rates by 5%. There is no direct impact on the Company's equity.

27-8 Fair value

Fair value is the amount for which an asset could be exchanged or a liability settled in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability will take place either:

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

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant for its highest and best use.

The Company uses valuation techniques that are appropriate to the circumstances and conditions and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs to the greatest extent possible.

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27. Financial instruments and risk management (continued)

27-8 Fair value (continued)

All assets and liabilities whose fair values are measured or whose fair values are disclosed in the financial statements are classified within the fair value hierarchy shown below based on the lowest level data that is considered material for measuring fair value as a whole:

- Level 1: prices traded in active markets for the same assets or liabilities.
- Level 2: Other valuation methods in which the minimum essential data are observable, directly or indirectly, to measure the fair value.
- Level 3: other valuation methods in which there are minimal essential data that are not observable to measure the fair value.

For assets and liabilities included in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the above hierarchy by reassessing the classification (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period for preparing financial statements.

The carrying value of financial assets that cannot be measured at fair value is the approximation of their fair value. Financial liabilities are measured at amortized cost, which is a reasonable approximation of their 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.

As at 31 December 2024	Carrying value			Fair value			
	Financial assets at FVTOCI	Amortized cost	Total	Level 1	Level 2	Level 3	Total
Financial assets							
Trade receivables		2,680,650	2,680,650				
Prepayments and other debit balances	--	117,644	117,644	--	--	--	--
Balances at banks	--	12,058,909	12,058,909	--	--	--	--
	--	14,857,203	14,857,203	--	--	--	--
Financial liabilities							
Short-term Borrowings	--	64,158,681	64,158,681	--	--	--	--
Trade payables	--	37,029,918	37,029,918	--	--	--	--
Accrued expense and other credit balances	--	3,874,600	3,874,600	--	--	--	--
	--	105,063,199	105,063,199	--	--	--	--

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27. Financial instruments and risk management (continued)

27-8 Fair value (continued)

As at 31 December 2023	Carrying value			Fair value			
	Financial assets at FVTOCI	Amortized cost	Total	Level 1	Level 2	Level 3	Total
Financial assets							
Prepayments and other debit balances	--	38,352	38,352	--	--	--	--
Balances at banks	--	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	--	3,053,823	3,053,823	--	--	--	--
	--	126,986,530	126,986,530	--	--	--	--

28. Subsequent Events not amended after the date of the statement of financial position

Management believes that there are no significant subsequent events since the end of the year that may require disclosure or amendment to these financial statements.

29. Reclassification of comparative year

Certain comparative figures have been reclassified to conform to the presentation for the year ended December 31, 2024.

30. Approval of the financial statements

The financial statements for the year ended on 31 December 2024 were approved by the Company's Board of Directors on 26 Shaaban 1446H corresponding to 25 February 2025.