

**AL YAMAMAH STEEL INDUSTRIES COMPANY**  
(A Saudi Joint Stock Company)

**Interim condensed Consolidated Financial Statements (Unaudited)**

For the three-month and nine-month periods ended 30 June, 2020

**With the Independent Auditor's Review Report**

**AL YAMAMAH STEEL INDUSTRIES COMPANY**

(A Saudi Joint Stock Company)

**Interim condensed Consolidated Financial Statements (unaudited)**

For the three-month and nine-month periods ended June 30, 2021

---

<b><u>Index</u></b>	<b><u>Page</u></b>
Independent Auditor's Review Report on the Interim Condensed Consolidated Financial Statements	1
Interim Consolidated Statement of Financial Position	2
Interim Consolidated Statement of Profit or Loss and other comprehensive income	3
Interim Consolidated Statement of Changes in shareholders' Equity	4
Interim Consolidated Statement of Cash Flows	5-6
Notes to the Interim Condensed Consolidated Financial Statements	7-23

**Independent Auditor’s Review Report on the Interim Condensed Consolidated Financial Statements**

**To the shareholders of \ Al Yamamah Steel Industries Company**

(A Saudi Joint Stock Company)

**Introduction**

We have reviewed the condensed consolidated interim statement of financial position of **Al Yamamah Steel Industries Company (“the Company”)** and its subsidiary, collectively referred to as (“the Group”) as at 30 June 2021 and the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and nine month periods then ended, the condensed consolidated interim statement of changes in equity, the condensed consolidated interim statement of cash flows for the nine-month period then ended, and summary of the notes to the condensed consolidated interim financial statements. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 (IAS 34), ‘Interim Financial Reporting’ that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of review**

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

**Other matter**

The consolidated financial statements for the fiscal year ended on September 30, 2020 were audited by another auditor who expressed an unqualified opinion on these consolidated financial statements on Dhul-Hijjah 27, 1441 corresponding to December 28, 2020.

**Conclusion**

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

**For Al-Bassam & Co.**

**Ibrahim Ahmed Al-Bassam**  
 Certified Public Accountant  
 License No. 337



16 August 2021G  
 8 Muharram 1443H  
 Jeddah, Kingdom of Saudi Arabia

**AL YAMAMAH STEEL INDUSTRIES COMPANY**  
(A Saudi Joint Stock Company)

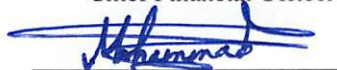
**Interim Consolidated Statement of Financial Position**

As at 30 June 2021


(Expressed in Saudi Arabian Riyals)

	<u>Note</u>	<u>30 June 2021</u> <u>(Unaudited)</u>	<u>30 September 2020</u> <u>(Audited)</u>
<b><u>Assets</u></b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	440,078,986	451,812,960
Intangible assets		6,137,992	6,824,515
Right-to-use assets	6	27,796,384	28,641,040
<b>Non-current assets</b>		<b>474,013,362</b>	<b>487,278,515</b>
<b>Current assets</b>			
Inventories, Net	7	571,422,202	528,592,609
Trade receivables, Net	8	312,122,560	335,645,431
Prepayments and other receivables		54,982,781	26,918,257
Cash and cash equivalents		69,408,625	18,456,920
<b>Current Assets</b>		<b>1,007,936,168</b>	<b>909,613,217</b>
<b>Total Assets</b>		<b>1,481,949,530</b>	<b>1,396,891,732</b>
<b><u>Shareholders' equity and liabilities</u></b>			
<b>Shareholders' Equity</b>			
Share capital	1	508,000,000	508,000,000
Statutory reserve		85,189,696	68,414,889
Retained earnings		128,178,667	66,105,408
<b>Total equity attributable to shareholders of the Company</b>		<b>721,368,363</b>	<b>642,520,297</b>
Non-controlling interests		138,159,095	138,899,226
<b>Total equity</b>		<b>859,527,458</b>	<b>781,419,523</b>
<b><u>Liabilities</u></b>			
<b>Non-current liabilities</b>			
Long term loans	9	15,000,000	22,500,000
Liability of dismantling and removing of property, plant and equipment		11,640,845	11,469,701
Employee benefits		34,738,517	34,323,448
Lease liabilities	6	24,668,565	26,146,855
<b>Non-current liabilities</b>		<b>86,047,927</b>	<b>94,440,004</b>
<b>Current liabilities</b>			
Short-term borrowings	9	360,500,000	397,253,401
Long-term loans – current portion	9	10,000,000	10,000,000
Trade payables		72,794,025	44,244,767
Accrued expenses and other payables		71,652,414	45,878,380
Dividend payable			--
Zakat Provision	10	18,663,959	21,325,153
Lease liabilities	6	2,763,747	2,330,504
<b>Current liabilities</b>		<b>536,374,145</b>	<b>521,032,205</b>
<b>Total Liabilities</b>		<b>622,422,072</b>	<b>615,472,209</b>
<b>Total equity and liabilities</b>		<b>1,481,949,530</b>	<b>1,396,891,732</b>


Chief Financial Officer

  
Mohammad Abu Farha

Chief Executive Officer

  
Yousef Bazaid

Vice Chairman

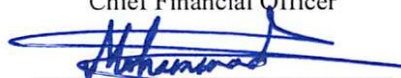
  
Raed Al-Mudaiheem

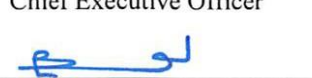
The accompanying notes are an integral part of these interim condensed consolidated financial statements


**AL YAMAMAH STEEL INDUSTRIES COMPANY**  
(A Saudi Joint Stock Company)

**Interim Consolidated Statement of Profit or Loss and other comprehensive income (Unaudited)**  
For the three-month and nine-month periods ended June 30, 2021  
(Expressed in Saudi Arabian Riyals)

	Note	For the three-month period ended 30 June		For the nine-month period ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Revenue		<b>405,502,103</b>	394,986,771	<b>1,293,394,141</b>	1,393,713,443
Cost of sales		<b>(301,694,067)</b>	(362,534,423)	<b>(1,009,367,501)</b>	(1,265,886,024)
<b>Gross profit</b>		<b>103,808,036</b>	32,452,348	<b>284,026,640</b>	127,827,419
Other operating revenues		<b>382,003</b>	32,355	<b>489,392</b>	490,685
Selling and Marketing expenses		<b>(7,827,212)</b>	(9,264,035)	<b>(23,480,847)</b>	(29,776,988)
Administrative expenses		<b>(12,999,488)</b>	(10,510,178)	<b>(37,436,606)</b>	(32,448,965)
<b>Profit from operation</b>		<b>83,363,339</b>	12,710,490	<b>223,598,579</b>	66,092,151
Financial charges		<b>(3,129,546)</b>	(5,278,128)	<b>(10,137,526)</b>	(18,242,886)
<b>Income before Zakat</b>		<b>80,233,793</b>	7,432,362	<b>213,461,053</b>	47,849,265
Zakat	10	<b>(4,331,970)</b>	(3,253,954)	<b>(12,078,118)</b>	(7,979,216)
<b>Net Profit after Zakat</b>		<b>75,901,823</b>	4,178,408	<b>201,382,935</b>	39,870,049
<b>Total Profit and other comprehensive income</b>		<b>75,901,823</b>	4,178,408	<b>201,382,935</b>	39,870,049
<b>Total comprehensive income attributable to:</b>					
- Shareholders of the Company		<b>65,059,070</b>	931,812	<b>167,748,066</b>	25,407,692
- Non-controlling interests		<b>10,842,753</b>	3,246,596	<b>33,634,869</b>	14,462,357
		<b>75,901,823</b>	4,178,408	<b>201,382,935</b>	39,870,049
<b>Total comprehensive income attributable to:</b>					
- Shareholders of the Company		<b>65,059,070</b>	931,812	<b>167,748,066</b>	25,407,692
- Non-controlling interests		<b>10,842,753</b>	3,246,596	<b>33,634,869</b>	14,462,357
		<b>75,901,823</b>	4,178,408	<b>201,382,935</b>	39,870,049
<b>Earnings per share to net income for the period:</b>	11				
- Basic		<b>1.28</b>	0.02	<b>3.30</b>	0.50
- Diluted		<b>1.28</b>	0.02	<b>3.30</b>	0.50

Chief Financial Officer  
  
Mohammad Abu Farha

Chief Executive Officer  
  
Yousef Bazaid

Vice Chairman  
  
Raed Al-Mudaiheem

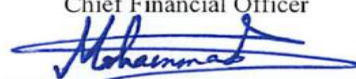
The accompanying notes an integral part of these interim condensed consolidated financial statements




AL YAMAMAH STEEL INDUSTRIES COMPANY  
(A Saudi Joint Stock Company)

Interim Consolidated Statement of Changes in Equity (Unaudited)  
For the nine-month period ended June 30, 2021  
(Expressed in Saudi Arabian Riyals)

	Equity attributable to shareholders of the Company				Non-controlling interests	Total equity	
	Note	Share capital	Statutory reserve	Retained earnings			Total
<b>For the nine-month period ended 30 June 2021</b>							
Balance at 1 October 2020 (Audited)		508,000,000	68,414,889	66,105,408	642,520,297	138,899,226	781,419,523
Comprehensive loss for the period							
Income for the period		--	--	167,748,066	167,748,066	33,634,869	201,382,935
Other comprehensive income		--	--	--	--	--	--
<b>Total comprehensive loss for the period (Unaudited)</b>		--	--	167,748,066	167,748,066	33,634,869	201,382,935
Transactions with shareholders of the Company							
Dividends (Note 14)		--	--	(88,900,000)	(88,900,000)	--	(88,900,000)
Transferred to statutory reserve		--	16,774,807	(16,774,807)	--	--	--
<b>Total transactions with shareholders of the Company</b>		--	16,774,807	(105,674,807)	(88,900,000)	--	(88,900,000)
Dividends to non-controlling interests		--	--	--	--	(34,375,000)	(34,375,000)
<b>Balance at 30 June 2021 (Unaudited)</b>		<b>508,000,000</b>	<b>85,189,696</b>	<b>128,178,667</b>	<b>721,368,363</b>	<b>138,159,095</b>	<b>872,750,569</b>
<b>For the nine-month period ended 30 June 2020</b>							
Balance at 1 October (Audited)		508,000,000	63,349,244	20,905,239	592,254,483	127,354,309	719,608,792
Comprehensive income for the year							
Income for the period		--	--	25,407,692	25,407,692	14,462,357	39,870,049
Other comprehensive income		--	--	--	--	--	--
<b>Total comprehensive income for the period (Unaudited)</b>		--	--	25,407,692	25,407,692	14,462,357	39,870,049
Transactions with shareholders of the Company							
Transferred to statutory reserve		--	2,540,769	(2,540,769)	--	--	--
<b>Total transactions with shareholders of the Company</b>		--	2,540,769	(2,540,769)	--	--	--
Dividends to non-controlling interests		--	--	--	--	(13,750,000)	(13,750,000)
<b>Balance at 30 June 2020 (Unaudited)</b>		<b>508,000,000</b>	<b>65,890,013</b>	<b>43,772,162</b>	<b>617,662,175</b>	<b>128,066,666</b>	<b>745,728,841</b>

Chief Financial Officer  
  
Mohammad Abu Farha

Chief Executive Officer  
  
Yousef Bazaid

Vice Chairman  
  
Raed Al-Mudaiheem

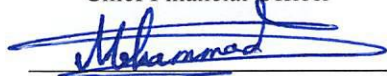
The accompanying notes an integral part of these interim condensed consolidated financial statements

**AL YAMAMAH STEEL INDUSTRIES COMPANY**  
(A Saudi Joint Stock Company)

**Interim Consolidated Statement of Cash Flows (Unaudited)**  
For the nine-month period ended June 30, 2021  
(Expressed in Saudi Arabian Riyals)

	Note	<u>2021</u> <u>(Unaudited)</u>	<u>2020</u> <u>(Unaudited)</u>
<b><u>Cash flows from operating activities</u></b>			
Profit / (loss) for the period before zakat		213,461,053	47,849,265
<b>Adjustments:</b>			
Depreciation on property, plant and equipment		31,236,485	31,531,849
Amortization of intangibles		686,523	680,040
(Gains) / losses on disposal of property, plant and equipment		(175,786)	(40,675)
Inventory provision		5,194,497	3,107,403
Right of use asset depreciation		2,091,175	2,002,775
Finance costs	6	10,137,526	18,242,886
Provision for Contracts Incremental cost		18,219,727	--
Provision for expected credit losses		2,795,715	1,022,050
Provision for employee benefits charged for the period		3,886,412	4,301,168
<b><u>Changes in operating assets and liabilities</u></b>			
Trade receivables		20,727,156	(122,286,008)
Inventories		(51,865,132)	237,868,604
Prepayments and other receivables		(28,064,524)	(9,080,887)
Trade payables		28,549,258	20,017,386
Accrued expenses and other payables		7,554,307	2,150,309
<b>Cash generated from operations</b>		<u>264,434,392</u>	<u>237,366,165</u>
Paid Zakat	10	(14,739,312)	(7,978,761)
Paid employee's benefits		(3,471,343)	(3,416,632)
<b>Net cash generated from operating activities</b>		<u>246,223,737</u>	<u>225,970,772</u>
<b><u>Cash flows from investing activities</u></b>			
Purchase of property, plant and equipment		(15,749,037)	(19,026,662)
Proceeds from the disposal of property, plant and equipment		263,354	41,102
<b>Net cash (used in) investing activities</b>		<u>(15,485,683)</u>	<u>(18,985,560)</u>
<b><u>Cash flows from financing activities</u></b>			
Changes in balance of loans and credit facilities		(44,253,401)	(124,685,963)
Finance costs paid		(8,776,988)	(18,096,050)
Payment of lease obligations	6	(3,480,960)	(2,252,683)
Dividends paid		(123,275,000)	--
<b>Net cash (used in) financing activities</b>		<u>(179,786,349)</u>	<u>(145,034,696)</u>
Net decrease in cash and cash equivalents balance		50,951,705	61,950,516
Cash and cash equivalents at the beginning of the year		18,456,920	29,104,691
<b>Cash and cash equivalents at the end of the year</b>		<u>69,408,625</u>	<u>91,055,207</u>

Chief Financial Officer

  
Mohammad Abu Farha

Chief Executive Officer

  
Yousef Bazaid

Vice Chairman

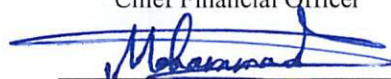
  
Raed Al-Mudaiheem

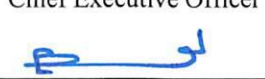
The accompanying notes an integral part of these consolidated financial statements


AL YAMAMAH STEEL INDUSTRIES COMPANY  
(A Saudi Joint Stock Company)

Interim Consolidated Statement of Cash Flows (Unaudited) (Continued)  
For the nine-month period ended June 30, 2021  
(Expressed in Saudi Arabian Riyals)

	Note	2021 (Unaudited)	2020 (Unaudited)
<b>*Non-cash transactions</b>			
Strategic spare parts transferred from inventories to Property, plant and equipment		3,841,042	--
Non-controlling interest dividends		--	13,750,000
Financial charges for dismantling of property, machinery and equipment provision		171,144	168,401
Finance charges for lease liabilities		(110,059)	--
Impact of adoption of IFRS (16)	6	(1,299,453)	1,121,505

Chief Financial Officer  
  
Mohammad Abu Farha

Chief Executive Officer  
  
Yousef Bazaid

Vice Chairman  
  
Raed Al-Mudaiheem

The accompanying notes an integral part of these consolidated financial statements



**AL YAMAMAH STEEL INDUSTRIES COMPANY**  
(A Saudi Joint Stock Company)

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)**

For the nine-month period ended June 30, 2021

(Expressed in Saudi Arabian Riyals)

**1. General**

Al Yamamah Steel Industries Company (“the Company” or “the Parent Company”) is a Saudi Joint Stock Company registered in Riyadh under Commercial Registration No. 1010070794 dated 1/06/1409H as per the Minister of Commerce Decree No. (726) dated 20/3/1427H and His Highness approval on the incorporation of the Company No (1491) dated 30/05/1427H, corresponding to 26/06/2006. The Company is operating under Industrial License No, 144/X dated 22/03/1409H and the amendments pursuant to it.

The Company's activities are:

- Manufacture of tubes, pipes and hollow shapes from iron,
- Manufacture of metal structures and their parts for bridges and towers,
- Manufacture of poles and their parts, including (poles, lighting cabins, traffic lights, etc.),
- Manufacture and installation of prefabricated steel structures for industrial facilities.

The Company operates through its factories in the following cities in the Kingdom and these factories operate under the following commercial registrations and their dates:

<b>Factory</b>	<b>City/Place</b>	<b>CR Number</b>	<b>Date of CR</b>
Al Yamamah Steel Industries Company	Jeddah	4030068043	28/4/1410H
Al Yamamah for Electric Poles	Jeddah	4030148938	9/3/1425H
Al Yamamah Steel Industries Company	Dammam	2050059045	7/3/1429H
Al Yamamah for Production of Electric Power Towers	Jeddah	4030180886	9/7/1429H
Al Yamamah Industrial Solar Energy Systems Factory	Jeddah	4030304080	9/9/1439H
Al Yamamah Wind Power Systems (under construction)	Jeddah	4030304267	13/9/1439H

As at June 30, 2021, the authorized, subscribed and fully paid up capital of the company amounted to 508 million (30 September 2020: SR 508 million) divided into 50.8 million shares (30 September 2020: 50.8 million shares), each of SA 10. (30 September 2020: SA10).

The consolidated financial statements include the financial statements of the Company, its branches, and the subsidiary mentioned below, which its head office is located in Riyadh and its factory is located in Yanbu, (collectively referred to as the “Group”):

<b>Company Name</b>	<b>County of incorporation</b>	<b>Ownership percentage</b>
Al Yamamah Company for Reinforcing Steel Bars	Kingdom of Saudi Arabia	72.5%

The subsidiary is principally engaged in producing, wholesale and retail trading of reinforcing steel bars.

The registered address of the Company is as follows:

Al Yamamah Steel Industries Company  
Riyadh 11583  
P.O. Box 55303  
Kingdom of Saudi Arabia

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)**

For the nine-month period ended June 30, 2021

(Expressed in Saudi Arabian Riyals)

---

**2. BASIS OF PREPERATION**

**a) Statement of Compliance**

The consolidated financial statements for the three-month and nine –month period ended June 30, 2021 have been prepared in accordance with International Accounting Standard 34 (‘Interim Financial Reporting’) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Certified Public Accountants.

The interim consolidated financial statement not included the applicable information and notes needed to prepare year end consolidated financial statement accordance with international financial reporting as endorsed in the Kingdom of Saudi Arabia, so must review with the year-end consolidated financial statement on September 30, 2020.

The accounting policies for this interim financial statement matching with accounting policies for the year end consolidated financial statement on September 30, 2020.

**Basis of measurement**

The accompanying financial statements are prepared on the historical cost basis, except the international standard for financial reporting allowed to use another evaluation measurement method.

The preparation of interim condensed consolidated financial statements in accordance with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that may affect the application of accounting policies and the amounts disclosed in the interim condensed financial statements. These important estimates and assumptions were disclosed in the annual financial statements for the year ended September 30, 2020.

Items included in the Group's interim condensed consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates (the “functional currency”). The interim condensed consolidated financial statements are presented in Saudi Riyals, which is the functional and presentation currency.

**Going Concern**

The management of the group prepare evaluation for the group ability to continues on the basis of going concern, and have a full conviction the group have enough resources to continues on the short run future, in addition to the management doesn’t have significant doubts for the group ability to continues for this way.

So the accompanying financial statements were prepared on the basis of going concern.

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)**

For the nine-month period ended June 30, 2021

(Expressed in Saudi Arabian Riyals)

---

**3. SIGNIFICANT ACCOUNTING POLICIES**

**3/1 The basis of consolidated financial statement**

The financial statement for the group included the financial statement for the company and subsidiaries as disclosed in note 1.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Group ceases to control the subsidiary. Control is achieved when a company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The company have a rights to prepare reevaluation for the subsidiaries already have a control on it, If the company have indicators refer to there are some changes on the control cases we discussed above.

Assets, Liabilities, Revenue and expenses for the subsidiaries companies will be included in the year-end consolidated financial statement for the parent company.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Any changes in the percentage of share for subsidiaries companies without loss control, record as a normal transaction for equity statement, but when loss the control on the subsidiaries do below:

- De - recognition for the assets and liabilities related to subsidiaries
- De – recognition non-controlling interest
- Recognize any amount received by fair value.
- Recognize fair value for all investment.
- Recognize deficit or surplus at profit or loss

The balances classified previously at other comprehensive income will be reclassified at profit or loss statement or retained earnings after the parent company loss the control for this subsidiaries.

**Elimination process:**

We must eliminate any intragroup transactions or balance in additions to any unrealized gain or loss generate from intragroup transaction during prepare financial statement.

**Share of Non-Controlling interest:**

We recognize non-controlling interest after the date of acquisition and presented separately at the statement of equity.

**AL YAMAMAH STEEL INDUSTRIES COMPANY**  
(A Saudi Joint Stock Company)

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)**

For the nine-month period ended June 30, 2021

(Expressed in Saudi Arabian Riyals)

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3/2 New issued standard but not applied yet**

The following new standard issued but not applied till the date of issue Interim Consolidated Statement and the group didn't expect any significant change during apply these standards.

Applying date	New standard or amendment
January 1, 2021	International financial reporting standard 17 (Insurance contracts)
January 1, 2022	Classification of Liabilities (amendment on the international financial reporting standard 1)
Available to apply (option)	Amendment on the international financial reporting standard 10 and 28

**4. SEGMENTAL INFORMATION**

The presentation of key segments is determined on the basis that the risks and rewards of the Group are substantially affected by the differences in the products of those segments. These segments are organized and managed separately according to the nature of the services and products, each forming a separate unit. The operational segments set out below are determined by distinguishing business activities from which the Group generates revenues and incurs costs.

The economic characteristics are reviewed and the operating segments are aggregated on the basis of the organization made by the Chief Operating Decision Maker at least every quarter and reviewed by Group's senior management.

The Group is operating its activities in the Kingdom of Saudi Arabia through the following main business sectors:

**The construction sector includes the following:**

- Production of steel pipes
- Al Yamamah Factory for Reinforcing Steel Bars
- Factory of space frame structures

**Electricity sector including:**

- Electric Power Towers Factory.
- Electric Poles Factory.
- Al Yamamah Industrial Solar Energy Systems Factory

**Others:**

Represent properties belong to the public administration.

	Segment reporting			
	Construction Segment	Electricity Segment	Others	Total
<b>30 June 2021 (Unaudited)</b>				
Revenue	1,010,410,976	282,983,165	--	1,293,394,141
Sale cost	738,358,349	(271,009,155)	--	(1,009,367,501)
Segment's net profit	221,383,289	(20,000,354)	--	201,382,935
Segment Asset	962,673,533	500,787,020	18,488,977	1,480,980,036
Segment liabilities	448,737,785	158,432,729	15,251,558	622,422,072
<b>30 June 2020 (Unaudited)</b>				
Revenue	1,155,506,459	238,206,984	--	1,393,713,443
Sale cost	(1,032,964,541)	(232,921,483)	--	(1,265,886,024)
Segment's net profit	64,493,821	(24,623,772)	--	39,870,049
Segment Asset	1,073,157,926	426,643,670	17,565,255	1,517,366,851
Segment liabilities	664,268,490	95,060,523	12,308,997	771,638,010

**AL YAMAMAH STEEL INDUSTRIES COMPANY**  
(A Saudi Joint Stock Company)

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)**

For the nine-month period ended June 30, 2021

(Expressed in Saudi Arabian Riyals)

**5. PROPERTY, PLANT AND EQUIPMENT**

5/1 The following is a statement of the net book value of property, plant and equipment:

	<b>30 June 2021</b> <b>(Unaudited)</b>	<b>30 September</b> <b>2020 (Audited)</b>
Total cost	<b>878,020,942</b>	859,200,926
Total compound depreciation	<b>(430,931,354)</b>	(400,377,364)
Impairment losses	<b>(7,010,602)</b>	(7,010,602)
Net carrying amount	<b>440,078,986</b>	451,812,960

- a) Property, plant and equipment include property and equipment mortgaged for the Saudi Industrial Development Fund (SIDF) related to the Company's branch, Al Yamamah Factory for Electric Poles and Accessories, with a net book value as at 30 June 2021 amounted to SR 44 million (30 September 2020: SR 49.82 million). The Company paid all due installments to the Saudi Industrial Development Fund on 4 June 2020, and in process to release the electronic land Suk.
- b) The buildings of the Company include buildings with net book value amounting to SR 117,91 million as at 30 June 2021 (30 September 2020: SR 125.5 million) are constructed on lands leased from the Saudi Authority for Industrial Cities and Technical Areas (MODON) for 20 years, started on 29 Shawal 1429H, and the lease is renewable for a similar period with similar or with other terms as agreed upon between the concerned parties, except for the poles and towers factories, as they are constructed on a land owned by the Company.
- c) The buildings of the subsidiary's factory with net book value amounting to SR 73,24 million as at 30 June 2021 (30 September 2020: SR 76.9 million) are constructed on a piece of land leased from the Royal Commission for Yanbu for 35 years, started on 5 Rabie Thani 1427H for a nominal annual lease. Rent is renewable for concessive periods with the same terms and other terms as agreed between relevant parties.

- d) Capital work in progress represents the following projects:

	<b>30 June 2021</b> <b>(Unaudited)</b>	<b>30 September</b> <b>2020 (Audited)</b>
Pipe Forming Line - Jeddah Pipe Factory	<b>5,532,939</b>	5,199,086
Project to increase production capacity in the towers factory - laser cutting machines	<b>6,530,278</b>	--
Establishing a galvanizing plant at Industrial 3 - Solar Energy Factory	<b>1,414,185</b>	--
Advanced to vendors	<b>1,978,102</b>	1,198,582
Wind Energy Systems Project	<b>510,321</b>	277,141
Replacing and changing the galvanizing basin - Poles	<b>347,696</b>	348,718
Others	<b>53,785</b>	--
	<b>16,367,306</b>	7,023,527



**AL YAMAMAH STEEL INDUSTRIES COMPANY**  
(A Saudi Joint Stock Company)

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)**

For the nine-month period ended June 30, 2021

(Expressed in Saudi Arabian Riyals)

**6. LEASES CONTRACTS**

On 1 October 2019, the Group implemented IFRS 16 “Leases”. The movement in the right-of-use-assets

	<b>30 June 2021</b> <b>(Unaudited)</b>	<b>30 September</b> <b>2020 (Audited)</b>
Balance at beginning of the period / year	<b>28,641,040</b>	28,815,742
Additions for the period / year	<b>1,246,519</b>	2,672,158
Disposals during the period / year	--	(34,100)
Depreciation during the period / year	<b>(2,091,175)</b>	(2,812,760)
Balance at end of period / year	<b>27,796,384</b>	28,641,040

- The movement in the lease liabilities is as follows:

	<b>30 June 2021</b> <b>(Unaudited)</b>	<b>30 September</b> <b>2020 (Audited)</b>
Balance at beginning of the period / year	<b>28,477,359</b>	27,768,959
Additions for the period / year	<b>1,246,517</b>	2,672,158
Disposals during the period / year	--	(34,892)
Depreciation during the period / year	<b>1,189,396</b>	1,544,797
Paid during the period / year	<b>(3,480,960)</b>	(3,473,663)
Balance at end of period / year	<b>27,432,312</b>	28,477,359

- The following are the lease obligations as classified in the consolidated statement of financial position:

	<b>30 June 2021</b> <b>(Unaudited)</b>	<b>30 September</b> <b>2020 (Audited)</b>
Current liability	<b>2,763,747</b>	2,330,504
Non-current liability	<b>24,668,565</b>	26,146,855
Balance at end of period / year	<b>27,432,312</b>	28,477,359

**7. INVENTORIES**

7/1 Inventories comprise the following:

	<u>Note</u>	<b>30 June 2021</b> <b>(Unaudited)</b>	<b>30 September</b> <b>2020 (Audited)</b>
Raw materials		<b>346,127,981</b>	370,198,266
Finished goods		<b>114,049,889</b>	77,190,179
Spares not for sale		<b>23,505,011</b>	29,512,444
Work in progress		<b>48,191,308</b>	52,145,554
Goods in transit		<b>55,722,295</b>	10,525,951
		<b>587,596,484</b>	539,572,394
Less: Allowance for slow moving inventory items	7/2	<b>(16,174,282)</b>	(10,979,785)
		<b>571,422,202</b>	528,592,609

**AL YAMAMAH STEEL INDUSTRIES COMPANY**  
(A Saudi Joint Stock Company)

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)**

For the nine-month period ended June 30, 2021

(Expressed in Saudi Arabian Riyals)

**7. INVENTORIES (continued)**

7/2 Movement on provision for slow moving inventory during the year as follows:

	<b>30 June 2021</b> <b>(Unaudited)</b>	<b>30 September</b> <b>2020 (Audited)</b>
Balance at beginning of the period / year	<b>10,979,785</b>	9,172,382
Provided during the period / year	<b>5,194,497</b>	1,807,403
Balance at end of period / year	<b>16,174,282</b>	10,979,785

**8. TRADE RECEIVABLES**

8/1 Trade receivables comprise the following:

	<b>Note</b>	<b>30 June 2021</b> <b>(Unaudited)</b>	<b>30 September</b> <b>2020 (Audited)</b>
Trade receivables - related parties	13	<b>178,565,387</b>	219,075,961
Trade customers - other parties		<b>146,868,861</b>	127,085,443
		<b>325,434,248</b>	346,161,404
Less: Expected credit loss provision	8/2	<b>(13,311,688)</b>	(10,515,973)
		<b>312,122,560</b>	335,645,431

8/2 The movement in allowance for expected credit losses during the period/ year is as follows:

	<b>30 June 2021</b> <b>(Unaudited)</b>	<b>30 September</b> <b>2020 (Audited)</b>
Balance, at beginning of the period / year	<b>10,515,973</b>	8,193,923
Provided during the period / year	<b>2,795,715</b>	2,322,050
<b>Balance at end of period / year</b>	<b>13,311,688</b>	10,515,973

8/3 As at June 30, 2021 64% of total sales for the period belongs to only main 8 customers with outstanding balances amounted to SR 254,168,693 (58% at 30 September 2020: SR 268,617,334).

8/1 Ageing of the trade receivables as at 30 June is as follows:

<u>Duration</u>	<b>30 June 2021</b> <b>(Unaudited)</b>		<b>30 September 2020</b> <b>(Audited)</b>	
	<b>Due Balances</b>	<b>Impairment In value</b>	<b>Due Balances</b>	<b>Impairment In value</b>
<b>Not due</b>	<b>252,822,503</b>	--	302,341,157	--
<b>From 0 to 90 days</b>	<b>31,729,320</b>	<b>2,795,715</b>	12,737,978	--
<b>From 91 to 180 days</b>	<b>31,998,392</b>	<b>4,447,831</b>	22,036,441	4,447,831
<b>Over 181 Days</b>	<b>8,884,033</b>	<b>6,068,142</b>	9,045,828	6,068,142
	<b>325,434,248</b>	<b>13,311,688</b>	346,161,404	10,515,973

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)**

For the nine-month period ended June 30, 2021

(Expressed in Saudi Arabian Riyals)

**9. BANK FACILITIES**

**Bank facilities from local banks**

The Group has bank facilities with total amount of SR 1.83 billion (30 September 2020: SR 1.83 million) with some local banks of which SR 858 million were used (30 September 2020: SR 898.6 million), represent letters of guarantee, letters of credit, and short-term bank facilities to cover the Group's working capital requirements, as well as a long-term bank facility granted by the Arab National Bank to the Parent Company to contribute to the establishment of Al Yamamah for Solar Energy Systems Factory and Al Yamamah Company for Wind Energy Systems Factory and financing of working capital, in addition to the Saudi Industrial Development Fund's long-term loan to finance the expansion of Al Yamamah Factory for Electric Poles and Accessories, the last installments of which were paid during June 2020. All the bank facilities bear bank commissions at the commercial rates prevailing in the market, and these facilities are guaranteed by a promissory notes issued by the Parent Company and the subsidiary to the local banks.

**a) Short-term loans**

Short-term loans represent outstanding amounts of overdrafts and short term loans facilities with some commercial banks to finance the working capital of the companies of the Group,

Short term bank borrowings comprise the following:

	<b>30 June 2021 (Unaudited)</b>	<b>30 September 2020 (Audited)</b>
Arab National Bank	<b>232,500,000</b>	307,753,401
Banque Saudi Fransi	<b>128,000,000</b>	89,500,000
	<b>360,500,000</b>	<b>397,253,401</b>

**b) SIDF loan**

On October 31, 2013, the Company received a loan from the Saudi Industrial Development Fund for the expansion of Al Yamamah Factory for Electric Poles and Accessories up to a maximum of SR 16.9 million. The loan is repayable in semi-annual installments commencing on 15 Shawwal 1436H, corresponding to 31 July 2015 and ending on 15 Rabie Al-Thani 1442H, corresponding to 30 November 2020. The loan is secured by the mortgage of the buildings and facilities constructed or that will be constructed on the land of the factory along with the factory's entire machinery, equipment, accessories, and all that is subsequently obtained for the project. The agreement includes certain conditions, including maintaining certain financial ratios. The Company has paid all due installments and loan front-end fees to the Saudi Industrial Development Fund on 4 June 2020, and work is in progress to release the aforementioned mortgage.

**C) Long term loans**

Long term loans comprise the following:

	<b>30 June 2021 (Unaudited)</b>	<b>30 September 2020 (Audited)</b>
Arab National Bank	<b>25,000,000</b>	32,500,000
	<b>25,000,000</b>	<b>32,500,000</b>

**AL YAMAMAH STEEL INDUSTRIES COMPANY**  
(A Saudi Joint Stock Company)

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)**

For the nine-month period ended June 30, 2021

(Expressed in Saudi Arabian Riyals)

**9. BANK FACILITIES (Continued)**

Long-term borrowings are presented in the consolidated balance sheet as following:

	<b>30 June 2021</b> <b>(Unaudited)</b>	<b>30 September</b> <b>2020 (Audited)</b>
Non-current portion shown under non-current liabilities	<b>15,000,000</b>	22,500,000
Current portion shown under non-current liabilities	<b>10,000,000</b>	10,000,000
	<b>25,000,000</b>	32,500,000

Non-current portion of long-term loans are due as follows:

<b><u>Year</u></b>	<b>30 June 2021</b> <b>(Unaudited)</b>	<b>30 September</b> <b>2020 (Audited)</b>
2022	--	10,000,000
2023	<b>10,000,000</b>	10,000,000
2024	<b>5,000,000</b>	2,500,000
<b>Total</b>	<b>15,000,000</b>	22,500,000

**10. ZAKAT**

a) **Movement summary on Zakat provision is as follows:**

	<b>30 June 2021</b> <b>(Unaudited)</b>	<b>30 September</b> <b>2020 (Audited)</b>
Balance, at 1 October	<b>21,325,153</b>	15,201,088
Add: Charge for the Year/ period	<b>12,078,118</b>	14,102,826
Less: payments during the year/period	<b>(14,739,312)</b>	(7,978,761)
Balance at the end of the year	<b>18,663,959</b>	21,325,153

b) **Zakat status**

**AL YAMAMAH STEEL INDUSTRIES COMPANY**

The Company has submitted Zakat declarations for the years from the beginning of the establishment until the year ended 30 September 2020. Accordingly, the Company paid the due Zakat and obtained a valid Zakat certificate up to 30 January 2022.

The Company has received Zakat assessments for the years from 2008 through 2011, in which the GAZT raised additional Zakat differences amounting to SR 9.9 million. The Company objected against the said assessments. The Company's objection was filed with the Primary Zakat and Tax Committee, according to which the Company submitted a letter of guarantee to GAZT with the claimed amount. A decision was issued by the committee to accept the objection for the fiscal year 2011.

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)**

For the nine-month period ended June 30, 2021

(Expressed in Saudi Arabian Riyals)

---

**10. ZAKAT (Continued)**

**d) Zakat status (continued)**

**Al Yamamah Steel Industries Company (continued)**

The Tax Appeal Committee issued its decision No. (1875) dated 26/6/1439H, corresponding to 14/3/2018, that is approved by the Minister of Finance under the letter No. (4989) dated 13/6/1439H, corresponding to 1/3/2018, where the Company's appeal was formally accepted before the Primary Committee for the fiscal years ended 30/9/2008 until 30/9/2010. The resolution No. (1875) endorsed the Appeal Committee's decision to approve the deduction of the Company's contribution to the land of Melissa for the fiscal year ended 30/9/2011, which represents the main item in the controversial differences of fiscal years ended 30/9/2008 until 30/9/2010. The Company approved the majority of the objectionable items for the fiscal year ended 30/9/2011. Therefore, the final zakat assessment for the fiscal year 2011 has not been issued to date, noting that the total differences from the fiscal years from 2008 to 2010 amounted to SR 7.5 million.

The General Secretariat of the Tax Committees in Jeddah has requested during the month of June 2020 from the Company to set a date for the session for the lawsuit filed by the Company against the GAZT for the fiscal years ending from 30 September 2008 till 30 September 2010, and the Company did so and received the date from the General Secretariat for Tax Committees during August 2020, which is 13 October 2020. The session was held online on that date, and the judicial authority issued a decision not to accept the lawsuit for lack of the territorial jurisdiction, and the Company will raise a new lawsuit to the General Secretariat for Tax Committees in Riyadh for these years during October 2020, and during January 2021, it received the date of the session from the General Secretariat of the Tax Committees, and it was held on March 2, 2021, and it rejected the company's objection to zakat assessments for financial years from September 30, 2008 until September 30, 2010, because the company did not file the objection at time. The company has appealed against the decision. the date of the session would be defined later.

On 23 March 2020, the GAZT has requested some detailed and analytical documents and data for the years from 30 September 2015 to 30 September 2019, and the Company has provided them to GAZT during May 2020. During the month of September 2020, GAZT has provided the Company with the initial zakat assessments for the fiscal years 2015 through 2019, and GAZT has requested the Company to provide them - if desired - with documents that could reduce the zakat differences for these years, and the Company has provided GAZT with them during the same month. GAZT has issued the revised zakat assessments for these fiscal years during the month of October 2020, which showed zakat differences amounting to about SR 4.7 million, the company paid the zakat differences for the two years ended on September 30, 2016, and September 30, 2018, total amounted to 1.4 million Saudi riyals, and the company objected to some items of zakat differences for the three years ending on September 30, 2015, 2017, 2019 during December 2020. The unpaid zakat related to these items amounted to about 1.5 million Saudi riyals after the company paid the non-objectionable zakat differences for these three years, which totaled 1.8 million Saudi riyals during the same month. During February 2021, the company received the authority's decision, which included a partial acceptance of 375,000 Saudi riyals from one of the differences, and the company objected to the request of the General Secretariat of the Tax Committees in the city of Riyadh on the decision during March 2021, and the invitation was accepted, and the date of the session will be determined.

No assessments have been received for the years from 2012 to 2014.



**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)**

For the nine-month period ended June 30, 2021

(Expressed in Saudi Arabian Riyals)

**10. ZAKAT (Continued)**

**d) Zakat status (continued)**

**Al Yamamah Company for Reinforcing Steel Bars**

The Company submitted its Zakat declarations for the years since incorporation till the year ended 30 September 2020 and paid the due Zakat according to these declarations and obtained final Zakat certificate valid until 30 January 2022. The Company has finalized its Zakat status with GAZT from date of incorporation till the fiscal year ended 30 September 2016. As for the fiscal years ending 30 September 2016 and 30 September 2017, they are still under review by GAZT and no zakat assessments have been issued for them to date. The Company has received a final revised zakat assessment for the fiscal year ending on 30 September 2019, with an amount of SR 983,963 on 27/02/2020, and the Company submitted an objection against these differences, which was received by GAZT on 23/07/1441H, corresponding to 18/03/2020, and GAZT refused this objection on 11/05/2020. During the month of June 2020, the Company has filed a grievance with the General Secretariat of the Tax Committees on GAZT's decision to reject the object.

**11. EARNINGS PER SHARE**

**11/1 Basic Earnings per share**

The calculation of basic earnings / (losses) per share has been based the distributable earnings / (losses) attributable to shareholders of ordinary shares and the weighted average number of ordinary shares outstanding at the date of the financial statements amounting to 50.8 million shares.

	<b>30 June 2021 (Unaudited)</b>	<b>30 September 2020 (Unaudited)</b>
EPS attributable to company's shareholders	<b>3.30</b>	0.50
Shares' weighted average "Basic"	<b>50,800,000</b>	50,800,000
Shares' weighted average "Basic" at End of period / Year	<b>50,800,000</b>	50,800,000

**11/2 Diluted Earnings per share**

The calculation of diluted earnings / (losses) per share has been based on the profit / (loss) distributable to shareholders on ordinary shares and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, if any.

During the period there are no diluted shares and therefore the diluted earnings per share is not different from the basic earnings per share.

**12. CONTINGENCIES AND CAPITAL COMMITMENTS**

- a) At 30 June 2021, the contingent liabilities against the uncovered portion of bank guarantee letters issued by local banks on behalf of the Group amounted to SR 118.4 million (30 September 2020: 107.4 million).
- b) At 30 June 2021, the contingent liabilities against letters of guarantees amounted to SR 353.6 million (30 September 2020: SR 361.4 million) issued in the in the normal course of the Group's business.
- c) At 30 June 2021, the capital contingencies related to under project in progress amounted to SR 55.6 million (30 September 2020: SR 550 million).

**13. TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

Transactions with related parties mainly represent purchases and goods and services rendered in accordance with agreed terms which are approved by the management and approved by the

**AL YAMAMAH STEEL INDUSTRIES COMPANY**

(A Saudi Joint Stock Company)

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)**

For the nine-month period ended June 30, 2021

(Expressed in Saudi Arabian Riyals)

**13. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

General Assembly of shareholders held on 3 Ragab 1442H, corresponding to 15 February 2021 with the following entities and parties:

<u>Transactions with related parties:</u>	<u>Nature of relationship</u>	<u>Nature of transaction</u>	<u>amount of transaction for the nine months period ended June 30</u>		<u>Balance as at</u>	
			<u>2021 (Unaudited)</u>	<u>2020 (Audited)</u>	<u>30 June 2021 (Unaudited)</u>	<u>30 September 2020 (Audited)</u>
<b><u>Under accounts receivable (Note 8):</u></b>						
Abdulqader Almuhaideb & Sons Company *	Shareholder	Sales	<b>395,177,938</b>	449,063,014	<b>118,525,682</b>	144,430,814
Rashid Abdulrahman Al Rashid & Sons Company **	Shareholder	Sales	<b>9,406,738</b>	35,077,454	<b>6,526,391</b>	19,693,512
Al Mahana Trading Company	Shareholder	Sales	<b>118,108,236</b>	66,397,435	<b>22,875,827</b>	16,671,589
Al Mahanna Steel Group ***	Shareholder	Sales	<b>61,511,937</b>	43,100,981	<b>24,654,076</b>	24,934,963
Madar for Building Materials Company (Previously Al Fozan Building Materials Company)	Subsidiary's shareholder	Sales	<b>9,787,462</b>	52,835,367	<b>4,320,856</b>	12,475,683
Al Mojel Trading Company	Shareholder	Sales	<b>4,539,600</b>	9,802,500	<b>1,662,555</b>	869,400
					<b>178,565,387</b>	<b>219,075,961</b>
<b><u>Under trade payables</u></b>						
Abdulqader Almuhaideb & Sons Company *	Shareholder	Purchases	<b>341,463</b>	1,055,127	--	7,976
Rashid Abdulrahman Al Rashid & Sons Company **	Shareholder	Purchases	--	141,960	--	--
Al Muhanna Steel Group***	Subsidiary's shareholder	Purchases	--	13,860	--	--
Al Madar for Building Materials Company (Previously Al Fozan Building Materials Company)			<b>170,287</b>	78,384		<b>7,976</b>

\* Transaction with Abdul Kader Al Muhaideb and Sons Company include Masdar for Building Materials Company and Thabat Contracting Company.

\*\* Transaction with Rashed Abdul Rahman and Sons Company include Saudi Services for Electro Mechanical Works Company.

\*\*\* Al Muhanna Steel Group belongs the shareholder and BOD member Muhanna bin Abdullah Al Muhanna.

**AL YAMAMAH STEEL INDUSTRIES COMPANY**  
(A Saudi Joint Stock Company)

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)**

For the nine-month period ended June 30, 2021

(Expressed in Saudi Arabian Riyals)

**13. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

- a) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or otherwise).

The salaries, wages and related costs benefits during the year amounted as follows:

	Nature of transaction	For the three-month period ended 30 June		For the nine -month period ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Key management personnel	Salaries, allowances and incentives	<u>2,175,912</u>	<u>2,487,161</u>	<u>4,351,824</u>	<u>4,974,323</u>

**14. DIVIDENDS**

**During the period ended 31 March 2021**

- The Board of Directors agreed approved during the meeting, which was held on 24 Ramadan 1442H, corresponding to 6 May 2021, to distribute cash dividends for the half financial year ending on 30 September 2020, amounted to SR 38,100,000 at SR 0.75 per share. To the shareholders of the company who own its shares on the day of the meeting and who was registered in the company's shareholders register at the Depository Center at the end of the second trading day following the day of the company's ordinary general assembly. On June 2, 2021 AD, the cash dividends were transferred to the eligible shareholders.
- The extraordinary meeting of the Company's shareholders, which was held on 3 Rajab 1442H, corresponding to 15 February 2021, to distribute cash dividends for the financial year ending on 30 September 2020, based on the recommendations of the Board of Directors on 7 Jummada I, 1442H corresponding to 22 December 2020, amounted to SR 50,800,000 at SR 1 per share. To the shareholders of the company who own its shares on the day of the meeting and who was registered in the company's shareholders register at the Depository Center at the end of the second trading day following the day of the company's ordinary general assembly. On February 25, 2021 AD, the cash dividends were transferred to the eligible shareholders.

**During the period ended 30 June 2020**

No dividends were declared by the Parent Company.

**15. FINANCIAL RISK MANAGEMENT**

The Group's activities expose it to a variety of financial risks: Market risk (including currency risk, fair value and cash flow, interest rate risks and price risk), credit risk and liquidity risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

**Financial risk management framework**

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The most important types of risk are credit risk, currency risk and fair value and cash flow interest rate risks.

**AL YAMAMAH STEEL INDUSTRIES COMPANY**  
(A Saudi Joint Stock Company)

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)**

For the nine-month period ended June 30, 2021

(Expressed in Saudi Arabian Riyals)

**15. FINANCIAL RISK MANAGEMENT (continued)**

**Financial risk management framework (continued)**

The Board of Directors has overall responsibility for establishment and oversight of the Group's risk management framework. The executive management team is responsible for developing and monitoring the Group's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee oversees compliance by management with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Financial instruments carried on the balance sheet include cash and cash equivalents, trade and other receivables, loans, trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: Interest rate risk, currency risk and other price risk.

**Interest rate risk**

The loans obtained by the Group are carried at variable interest rates based at prevailing market interest rates.

	<b>Book value as at 30 June 2021 (Unaudited)</b>	<b>Book value as at 30 September 2020(Audited)</b>
<b><u>Variable rate instruments</u></b>		
Borrowings	<b>385,500,000</b>	429,753,401
	<b>385,500,000</b>	429,753,401

The table below reflects the possible change of 100 basis points in interest rates at the reporting date on profit or loss assuming all other variables are remaining constant.

	<b>Profit / (loss) ended at 30 June 2021 (Unaudited)</b>		<b>Profit / (loss) Ended at 30 September 2020 (Audited)</b>	
	Increase in basis points of related to commission rates <b><u>100 bps</u></b>	Decrease in basis points of related commission rates <b><u>100 bps</u></b>	Increase in basis points of related to commission rates <b><u>100 bps</u></b>	Decrease in basis points of related commission rates <b><u>100 bps</u></b>
Borrowings	<b><u>3,855,000</u></b>	<b><u>(3,855,000)</u></b>	<u>4,297,534</u>	<u>(4,297,534)</u>

**AL YAMAMAH STEEL INDUSTRIES COMPANY**  
(A Saudi Joint Stock Company)

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)**

For the nine-month period ended June 30, 2021

(Expressed in Saudi Arabian Riyals)

**15. FINANCIAL RISK MANAGEMENT (continued)**

**Foreign currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to fluctuations in foreign exchange rates. The Group is not significantly exposed to fluctuations in foreign exchange rates during its normal course of business, as the Group's core transactions during the period were denominated in Saudi Riyals and US Dollars. Thus, there are no significant risks associated with transactions and balances denominated in US Dollars.

**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration risk arises when a number of counterparties engaged in similar business activities or activities in the same geographical region or have economic features that would cause them to fail their contractual obligations. To reduce exposure to credit risk, the Group has developed a formal approval process whereby credit limits are applied to its customers, which are based on comprehensive customer ratings and past repayment rates.

The management also continuously monitors the credit exposure related to its customers and makes provision against the expected credit losses. Standing balances of customers are continuously monitored. Cash and cash equivalents are placed with national banks with sound credit ratings. Trade and other receivables are mainly due from local customers stated at their estimated realizable values.

The Group's gross maximum exposure to credit risk is as follows:

	<b>30 June 2021</b>	<b>30 September 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b><u>Financial assets</u></b>		
Trade receivables	<b>312,122,560</b>	335,645,431
Bank balances	<b>69,408,625</b>	18,456,920
	<b><u>381,531,185</u></b>	<b><u>354,102,351</u></b>
<b><u>Financial assets</u></b>		
Secured *	<b>93,514,555</b>	70,114,959
Unsecured **	<b>288,016,630</b>	283,987,392
	<b><u>381,531,185</u></b>	<b><u>354,102,351</u></b>

\*\* As at 30 June 2021, secured financial assets include bank balances and trade receivables amounting to SR 24.11 million secured by bank guarantees (30 September 2020: SR 51.65 million).

\*\* As at 30 June 2021, secured and non-secured financial assets include trade receivables amounting to SR 178,565,387 due from related parties (30 September 2020: SR 219,075,961).

**Liquidity risk**

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell financial assets quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available. The concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowings or reliance on a particular market in which to realize liquid assets. The following is the contractual maturities for financial liabilities at the end of the period, which are presented in gross and undiscounted amounts:



**AL YAMAMAH STEEL INDUSTRIES COMPANY**  
(A Saudi Joint Stock Company)

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)**

For the nine-month period ended June 30, 2021

(Expressed in Saudi Arabian Riyals)

**15. FINANCIAL RISK MANAGEMENT (continued)**

	Undiscounted contractual cash flows					
	1 year or less	1 year to 3 years)	3 years or More	Interest accruals for future periods	Total contractual maturity	Total Carrying value
<b>30 June 2021</b>						
<b>Non-derivative financial liabilities</b>						
Loans	370,500,000	15,000,000	--	3,087,910	388,587,910	385,500,000
Trade payables	72,794,025	--	--	--	72,794,025	72,794,025
Accrued expenses and other payables	71,652,414	--	--	--	71,652,414	71,652,414
Lease liabilities	2,763,747	5,455,456	19,213,109	13,312,803	40,745,115	27,432,312
	<b>517,710,186</b>	<b>20,455,456</b>	<b>19,213,109</b>	<b>16,400,713</b>	<b>573,779,464</b>	<b>557,378,751</b>
<b>30 September 2020</b>						
<b>Non-derivative financial liabilities</b>						
Loans	407,253,401	22,500,000	--	2,882,148	432,635,549	429,753,401
Trade payables	44,244,767	--	--	--	44,244,767	44,244,767
Accrued expenses and other payables	45,878,380	--	--	--	45,878,380	45,878,380
Lease liabilities	2,330,503	3,932,764	22,214,092	14,334,968	42,812,327	28,477,359
	<b>499,707,051</b>	<b>26,432,764</b>	<b>22,214,092</b>	<b>17,217,116</b>	<b>565,571,023</b>	<b>548,353,907</b>

- It is expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts

**Capital management**

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders. and to maintain a strong capital base to support the sustained development of its businesses.

The Group adjusted net debt to net equity ratio was as follows:

	30 June 2021 (Unaudited)	30 September 2020 (Audited)
Total obligations	622,422,072	615,472,209
Less: Cash and cash equivalents	(69,408,625)	(18,456,920)
<b>Net obligations</b>	<b>553,013,447</b>	<b>597,015,289</b>
Total equity	859,527,458	781,419,523
<b>Adjusted shareholders' equity</b>	<b>859,527,458</b>	<b>781,419,523</b>
<b>Net obligations to equity</b>	<b>0.64</b>	<b>0.76</b>

**AL YAMAMAH STEEL INDUSTRIES COMPANY**  
(A Saudi Joint Stock Company)

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)**

For the nine-month period ended June 30, 2021

(Expressed in Saudi Arabian Riyals)

**15. FINANCIAL RISK MANAGEMENT (continued)**

**Capital management (continued)**

The below table shows the carrying amounts and fair values of the financial assets and liabilities including their levels in the fair value hierarchy.

Financial Assets	30 June 2021 (Unaudited)					
	Carrying value		Fair value			
	Amortized cost	Total	Level 1	Level 2	Level 3	Total
Trade receivables	312,122,560	312,122,560	--	--	--	--
Cash and cash equivalents	69,408,625	69,408,625	--	--	--	--
	<u>381,531,185</u>	<u>381,531,185</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Financial liabilities</b>						
Loans and facilities	385,500,000	385,500,000	--	--	--	--
Trade payables	72,794,025	72,794,025	--	--	--	--
	<u>458,294,025</u>	<u>458,294,025</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>

Financial Assets	30 September 2020(Audited)					
	Carrying value		Fair value			
	Amortized cost	Total	Level 1	Level 2	Level 3	Total
Trade receivables	335,645,431	335,645,431	--	--	--	--
Cash and cash equivalents	18,456,920	18,456,920	--	--	--	--
	<u>354,102,351</u>	<u>354,102,351</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Financial liabilities</b>						
Loans and facilities	429,753,401	429,753,401	--	--	--	--
Trade payables	44,244,767	44,244,767	--	--	--	--
	<u>473,998,168</u>	<u>473,998,168</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>

**16. SIGNIFICANT EVENTS**

The coronavirus (“COVID-19”) pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The financial and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications. The Group has formed a work team to assess the expected impacts on the Group's business inside and outside the Kingdom (if any), and to conduct a preliminary study for the purpose of reviewing and evaluating potential risks related to the raw materials supply chain, human resources, current stock levels, and ensuring the continued operation of production facilities for the Group's companies without interruption.

The uncertainties caused by COVID-19, have required to update the inputs and assumptions used for the determination of expected credit losses as at 31 September 2020. ECLs were estimated based on a range of forecast economic conditions as at that date and considering that the situation is fast evolving,

**AL YAMAMAH STEEL INDUSTRIES COMPANY**  
(A Saudi Joint Stock Company)

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)**

For the nine-month period ended June 30, 2021

(Expressed in Saudi Arabian Riyals)

---

**16. SIGNIFICANT EVENTS (continued)**

The Group has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

In addition, the Group has taken special considerations regarding the impact of (Covid-19) on the qualitative and quantitative factors when determining whether there are indicators of impairment in the value of non-financial assets, the results of which were reflected in the decline in the value of non-financial assets as at that date.

The Group has taken into consideration the potential effects of the current economic fluctuations in determining the reported amounts of its financial and non-financial assets. These are management's best estimates in light of the information currently available. However, these reported amounts remain highly sensitive to market fluctuations.

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Group continues to prepare the financial statements on the going concern basis.

**17. APPROVAL OF THE FINANCIAL STATEMENTS**

The consolidated financial statements were authorized for issue by the Board of Directors on 8 Muharram 1443H, corresponding to 16 August 2021.