

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

Interim condensed Consolidated Financial Statements (Unaudited)
For the three-month period ending December 31, 2022
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 period ending on December 31, 2022

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

TO THE SHAREHOLDERS OF AL YAMAMAH STEEL INDUSTRIES 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 31 December 2022 and the condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the Three-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 endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed 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.



Ahmed A. Mohandis
Certified Public Accountant
License No. 477
Jeddah: 16 Ragab 1444H
Corresponding to: 7 February 2023

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

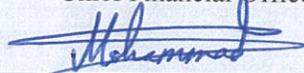
Interim Condensed Consolidated Statement of Financial Position (Unaudited)

As of 31 December 2022

(Expressed in Saudi Arabian Riyals)

	Note	31 December 2022 (Unaudited)	30 September 2022 (Audited)
Assets			
Non-current assets			
Property, plant and equipment, Net	5	525,379,050	504,600,842
Intangible assets, Net		4,918,435	4,995,898
Right-to-use assets	6	31,042,658	31,865,591
Non-current assets		561,340,143	541,462,331
Current assets			
Inventories, Net	7	855,676,925	939,782,509
Trade receivables, Net	13	395,792,752	352,242,535
Prepayments and other receivables		61,496,949	15,510,172
financial assets at fair value through profit or loss statement		3,997,865	2,100,765
Cash and cash equivalents		13,457,521	68,331,971
Current Assets		1,330,422,012	1,377,967,952
Total Assets		1,891,762,155	1,919,430,283
Shareholders' equity and liabilities			
Shareholders' Equity			
Share capital	1	508,000,000	508,000,000
Statutory reserve		89,198,060	89,198,060
Retained earnings		7,443,938	49,344,016
Total equity attributable to shareholders of the Company		604,641,998	646,542,076
Non-controlling interests		128,099,927	137,295,902
Total equity		732,741,925	783,837,978
Liabilities			
Non-current liabilities			
Long term loans- Non-current portion	9	--	2,500,000
Lease liabilities- Non-current portion	6	29,622,475	31,299,725
Employee benefits		38,680,328	38,119,601
Liability of dismantling and removing property, plant and equipment		12,870,396	11,933,078
Non-current liabilities		81,173,199	83,852,404
Current liabilities			
Short-term borrowings	9	932,857,158	873,761,202
Long-term loans – current portion	9	10,000,000	10,000,000
Lease liabilities– current portion	6	2,415,490	2,549,729
Provision for contract losses		393,299	1,492,388
Dividends payable		568,046	568,881
Trade payables		49,434,198	49,166,471
Accrued expenses and other payables		50,631,794	84,918,945
Zakat Provision	10	31,547,046	29,282,285
Current liabilities		1,077,847,031	1,051,739,901
Total Liabilities		1,159,020,230	1,135,592,305
Total equity and liabilities		1,891,762,155	1,919,430,283

Chief Financial Officer



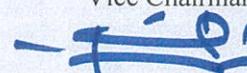
Mohammad Abu Farha

Chief Executive Officer



Yousef Bazaid

Vice Chairman



Raed Al-Mudaiheem

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

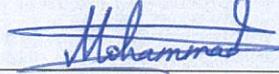
AL YAMAMAH STEEL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)

Interim Condensed Consolidated Statement of Profit or Loss and other comprehensive income
(Unaudited)

For the three-month period ended on 31 December 2022
(Expressed in Saudi Arabian Riyals)

	<u>Note</u>	For the three-month period ended 31 December	
		2022 (Unaudited)	2021 (Unaudited)
Revenue		461,846,450	464,241,267
Cost of sales		(479,797,361)	(398,042,397)
Gross (loss) profit		(17,950,911)	66,198,870
Expected credit losses impact	8	--	(2,200,000)
Selling and distributing expenses		(5,799,608)	(5,492,336)
Administrative expenses		(12,161,807)	(12,636,100)
(Loss) Profit from operation		(35,912,326)	45,870,434
Financial charges		(13,764,030)	(3,536,937)
Realized gains on financial assets at fair value through profit or loss		1,224,702	505,270
Unrealized gain on financial assets at fair value through profit or loss		(425,193)	(49,424)
Other revenue		45,555	870,149
Net (Loss) profit before Zakat		(48,831,292)	43,659,492
Zakat	10	(2,264,761)	(3,671,469)
Net (Loss) Profit		(51,096,053)	39,988,023
Total other comprehensive (loss) income		(51,096,053)	39,988,023
Total comprehensive (Loss) Profit attributable to:			
- Shareholders of the Company		(41,900,078)	34,012,035
- Non-controlling interests		(9,195,975)	5,975,988
		(51,096,053)	39,988,023
Total comprehensive (loss) income attributable to:			
- Shareholders of the Company		(41,900,078)	34,012,035
- Non-controlling interests		(9,195,975)	5,975,988
		(51,096,053)	39,988,023
(Loss) Earnings per share to net income for the Period:	11		
- Basic		(0.82)	0.67
- Diluted		(0.82)	0.67

Chief Financial Officer



Mohammad Abu Farha

Chief Executive Officer



Yousef Bazaid

Vice Chairman



Raed Al-Mudaiheem

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

Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the three-month period ended December 31, 2022
(Expressed in Saudi Arabian Riyals)

	Share capital	Statutory reserve	Retained earnings	Total	Non-controlling interests	Total equity
For the three-month period ended 31 December 2022						
Balance as of 1 October 2022 (Audited)	508,000,000	89,198,060	49,344,016	646,542,076	137,295,902	783,837,978
comprehensive loss for the period	--	--	(41,900,078)	(41,900,078)	(9,195,975)	(51,096,053)
Loss for the period	--	--	--	--	--	--
Other comprehensive income	--	--	(41,900,078)	(41,900,078)	(9,195,975)	(51,096,053)
Total comprehensive loss for the period (Unaudited)			(41,900,078)	(41,900,078)	(9,195,975)	(51,096,053)
Balance as of 31 December 2022 (Unaudited)	508,000,000	89,198,060	7,443,938	604,641,998	128,099,927	732,741,925
For the three-month period ended 31 December 2021						
Balance as of 1 October 2021 (Audited)	508,000,000	89,198,060	166,133,090	763,331,150	141,366,248	904,697,398
Comprehensive income for the period	--	--	34,012,035	34,012,035	5,975,988	39,988,023
Income for the period	--	--	34,012,035	34,012,035	5,975,988	39,988,023
Other comprehensive income	--	--	(50,800,000)	(50,800,000)	--	(50,800,000)
Total comprehensive income for the period (Unaudited)			(3,401,203)	(3,401,203)	--	--
Dividends	--	3,401,203	--	--	--	--
Transferred to statutory reserve	--	--	145,943,922	145,943,922	147,342,236	893,885,421
Balance as of 31 December 2021 (Unaudited)	508,000,000	92,599,263	145,943,922	746,543,185	147,342,236	893,885,421

Chief Financial Officer



Mohammad Abu Farha

Chief Executive Officer



Yousef Bazaid

Vice Chairman



Raed Al-Mudaltheem

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AL YAMAMAH STEEL INDUSTRIES COMPANY
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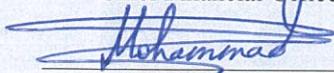
Interim Condensed Consolidated Statement of Cash Flows (Unaudited)

For the three-month period ended December 31, 2022

(Expressed in Saudi Arabian Riyals)

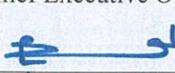
	Note	2022 (Unaudited)	2021 (Unaudited)
<u>Cash flows from operating activities</u>			
(Loss) Profit for the period before zakat		(48,831,292)	43,659,492
Adjustments:			
Depreciation on property, plant and equipment		11,532,551	10,589,421
Amortization of intangible assets		231,482	231,356
(Gains) / losses on disposal of property, plant and equipment		4,592	(28,550)
Slow moving Inventories items provision		103,533	(591,821)
Inventories impairment provision		(24,948,077)	--
Unrealized loss from Investments held at fair value through or loss's statement		425,193	49,424
Right of use asset depreciation	6	822,933	759,768
Finance costs		13,764,030	3,536,937
Provision for expected credit losses		--	2,200,000
Provision for contract losses		(1,099,089)	--
Provision for employee benefits charged for the period		1,624,368	1,370,944
		<u>(46,369,776)</u>	<u>61,776,971</u>
<u>Changes in operating assets and liabilities</u>			
Trade receivables		(43,550,217)	(51,852,537)
Inventories		108,950,128	56,043,903
Prepayments and other receivables		(45,986,777)	(2,552,540)
Trade payables		267,727	13,221,014
Accrued expenses and other payables		<u>(35,496,456)</u>	<u>14,512,230</u>
Cash (used in) generated from operations		<u>(62,185,371)</u>	<u>91,149,041</u>
Paid Zakat	10	--	(484,538)
Paid employee's benefits		<u>(1,063,643)</u>	<u>(788,290)</u>
Net cash (used in) generated from operating activities		<u>(63,249,014)</u>	<u>89,876,213</u>
<u>Cash flows from investing activities</u>			
Purchase of property, plant and equipment		(32,322,834)	(15,444,788)
Purchase of intangible assets		(154,019)	--
Purchase of financial assets at fair value through profit or loss		(2,322,293)	--
Proceeds from the disposal of property, plant and equipment		7,485	28,668
Net cash (used in) investing activities		<u>(34,791,661)</u>	<u>(15,416,120)</u>
<u>Cash flows from financing activities</u>			
Changes in balance of loans and credit facilities		56,595,956	39,910,000
Paid Finance cost		(11,065,805)	(3,217,311)
Payment of lease obligations	6	(2,363,091)	(356,406)
Dividends paid		(835)	(1,188)
Net cash (used in) financing activities		<u>43,166,225</u>	<u>36,335,095</u>
Net change in cash and cash equivalents balance		<u>(54,874,450)</u>	<u>110,795,188</u>
Cash and cash equivalents at the beginning of the period		<u>68,331,971</u>	<u>181,361,839</u>
Cash and cash equivalents at the end of the period		<u>13,457,521</u>	<u>292,157,027</u>

Chief Financial Officer



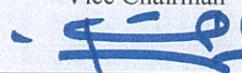
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Chief Executive Officer



Yousef Bazaid

Vice Chairman



Raed Al-Mudaiheem

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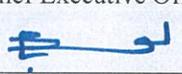
Interim Condensed Consolidated Statement of Cash Flows (Unaudited) (Continued)
For the three-month period ended December 31, 2022
(Expressed in Saudi Arabian Riyals)

	<u>Note</u>	<u>2022</u> <u>(Unaudited)</u>	<u>2021</u> <u>(Unaudited)</u>
*Non-cash transactions			
Finance cost for Liability of dismantling and removing property, plant and equipment		937,318	58,540
Accrued expenses and other payables		1,209,305	(128,723)
Finance cost for lease obligations		551,602	389,809
Finance cost	6	<u>(2,698,225)</u>	<u>(319,626)</u>

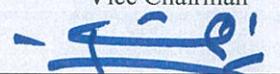
Chief Financial Officer


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

Notes to the Interim Condensed Consolidated Financial Statements

For the three-month period ended December 31, 2022

(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:

Factory	City/Place	CR Number	Date of CR
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
Al-Yamamah Company for the treatment of industrial structures	Jeddah	4030460706	6/8/1443H

As on June 30, 2022, the company's authorized, subscribed and fully paid capital amounted to SR 508 million (September 30, 2021: SR 508 million), divided into 50.8 million shares (September 30, 2021: 50.8 million shares), each of which is SR 10. (September 30, 2021 AD: 10 Saudi riyals).

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”):

Company Name	County of incorporation	Ownership percentage
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

For the three-month period ended December 31, 2022

(Expressed in Saudi Arabian Riyals)

2. BASIS OF PREPERATION

2/1 Statement of Compliance

The consolidated financial statements for the three-month period ended December 31, 2022 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, 2022.

The accounting policies for this interim financial statement matching with accounting policies for the year end consolidated financial statement on September 30, 2022.

2/2 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, 2022.

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.

2/3 Use of judgments and estimates

The preparation of the interim condensed consolidated financial statements requires management to use judgments and estimates that affect the application of accounting policies to the reported amounts of assets, liabilities, income and expenses, and actual results may differ from these estimates.

Estimates and assumptions are based on past experience and factors that include expectations of future events that are reasonable in the circumstances and are used to extend the carrying period of assets and liabilities that are not independent of other sources. Estimates and assumptions are evaluated on an ongoing basis. Accounting estimates recognized in the period in which the estimates are revised are reviewed in the review period and future periods if the changed estimates affect the current and future periods.

The significant judgments made by management in applying the Group's accounting policies are consistent with those disclosed in the financial statements for the previous year.

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

For the three-month period ended December 31, 2022

(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 right 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.

Notes to the Interim Condensed Consolidated Financial Statements

For the three-month period ended December 31, 2022

(Expressed in Saudi Arabian Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards, amendments to standards, and interpretations

Amendments

A number of new amendments to standards, enlisted below, are effective this year but they do not have a material effect on the Company's Financial Statements, except for where referenced below.

New amendments to standards issued and applied effective in the year 2022

<u>Amendments to standard</u>	<u>Description</u>	<u>Effective for annual years beginning on or after</u>	<u>Summary of the amendment</u>
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements. IFRS 9: The amendment clarifies that in applying the '10 percent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. IFRS 1: The amendment provides additional relief to a subsidiary that becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.
IAS 16	Property, Plant, and Equipment: Proceeds before Intended Use	January 1, 2022	The amendments prohibit deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of 'testing whether an asset is functioning properly'.
IFRS 3	Reference to the Conceptual Framework	January 1, 2022	The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.

Notes to the Interim Condensed Consolidated Financial Statements

For the three-month period ended December 31, 2022

(Expressed in Saudi Arabian Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards, amendments, and revised IFRS issued but not yet effective

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

IFRS 17	Insurance Contracts	January 1, 2023	This is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005.
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023	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.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements.
IAS 8	Amendment to the definition of accounting estimate	January 1, 2023	These amendments regarding the definition of accounting estimates help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Income taxes	January 1, 2023	This amendment deals with clarification regarding the accounting of deferred tax on transactions such as leases and decommissioning obligations.
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses result from the loss of control of a subsidiary.

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.

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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:

- a) Production of steel pipes
- b) Al Yamamah Factory for Reinforcing Steel Bars
- c) Factory of space frame structures

Electricity sector including:

- a) Electric Power Towers Factory.
- b) Electric Poles Factory.
- c) Al Yamamah Industrial Solar Energy Systems Factory

Others:

Represent properties belong to the public administration.

31 December 2022 (unaudited)	Segment reporting			
	Construction Segment	Electricity Segment	Others	Total
Revenue	302,111,876	159,734,574	--	461,846,450
Sale cost	(330,401,092)	(149,396,269)	--	(479,797,361)
Segment's net profit	(46,474,978)	(5,420,585)	799,510	(51,096,053)
Segment Assets	1,206,151,245	658,957,180	26,653,730	1,891,762,155
Segment liabilities	802,719,625	332,592,737	23,707,865	1,159,020,227
31 December 2021 (Unaudited)				
Revenue	334,092,241	130,149,026	--	464,241,267
Sale cost	(280,121,392)	(117,921,005)	--	(398,042,397)
Segment's net profit	39,595,798	392,224	--	39,988,022
Segment Asset	1,018,535,035	668,811,660	19,790,726	1,707,137,421
Segment liabilities	556,320,577	239,046,551	17,884,872	813,252,000

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5. PROPERTY, PLANT AND EQUIPMENT, Net

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

	31 December 2022(unaudited)	30 September 2022 (Audited)
Total cost	1,026,954,270	995,006,562
Total Accumulated depreciation	(494,564,618)	(483,395,118)
Impairment losses	(7,010,602)	(7,010,602)
Net carrying amount	525,379,050	504,600,842

- a) The buildings of the Company include buildings with net book value amounting to SR 123.1 million as at 31 December 2022 (30 September 2022: SR 124.7 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, except for poles and towers factories' buildings, as they are located on land owned by the parent company, with a net book value of SR 42.68 million as of December 31, 2022 (September 30, 2022: SR 43.02 million).
- b) The buildings of the subsidiary's factory with net book value amounting to SR 65.9 million as at 31 December 2022 (30 September 2022: SR 67.08 million) are constructed on a piece of land leased from the Royal Commission for Yanbu for 35years, 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.

5/2 Capital work in progress represents the following projects:

	31 December 2022 (Unaudited)	30 September 2022 (Audited)
Advanced to vendors	43,416,815	55,353,078
Al Yamamah Solar Power Systems Factory	23,628,037	15,583,258
Pipe forming and perforating machine (Jeddah pipes)	28,826,345	2,521,271
Expansion of the fourth production line in the Dammam factory	8,684,449	762,308
Smelting Project - Rebar	954,761	826,860
Kiln Floor Lifting Cylinder - Rebar	--	79,035
Assembling and installing units from 17: 20 - Rebar	473,716	443,342
	105,984,123	75,569,152

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6. LEASES CONTRACTS

The movement in the right-of-use-assets, net as follow:

	31 December 2022 (Unaudited)	30 September 2022(Audited)
<u>Cost</u>		
Balance at beginning of period / Year	41,026,441	33,143,633
Additions for the period / year	--	8,863,213
Disposals during the period / year	--	(980,405)
Balance at ending of period / Year	41,026,441	41,026,441
<u>Accumulated Depreciation</u>		
Balance at beginning of period / Year	9,160,850	5,756,573
Depreciation during the period / year	822,933	3,404,277
Balance at ending of period / Year	9,983,783	9,160,850
Net balance ending of period / Year	31,042,658	31,865,591

- The movement in the lease liabilities is as follows:

	31 December 2022 (Unaudited)	30 September 2022 (Audited)
Balance at beginning of the period / year	33,849,454	27,798,007
Additions for the period / year	--	8,863,213
Depreciation during the period / year	551,602	(980,156)
Disposals during the period/ year	--	1,952,584
Paid during the period / year	(2,363,091)	(3,784,194)
Balance at end of period / year	32,037,965	33,849,454

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

	31 December 2022 (Unaudited)	30 September 2022(Audited)
Current liability	2,415,490	2,549,729
Non-current liability	29,622,475	31,299,725
	32,037,965	33,849,454

7. INVENTORIES, Net

7/1 Inventories comprise the following:

	<u>Note</u>	31 December 2022 (Unaudited)	30 September 2022 (Audited)
Raw materials		715,120,675	816,404,935
Finished goods		116,725,121	113,461,636
Work in progress		48,954,150	22,131,857
Spare parts		21,772,633	49,473,576
Goods in transit		2,267,087	12,317,790
		904,839,666	1,013,789,794
Less: Allowance for slow moving inventory items	7/2	(18,182,978)	(18,079,445)
Less : Provision for low inventory	7/2	(30,979,763)	(55,927,840)
		855,676,925	939,782,509

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7. INVENTORIES, Net (CONTINUED)

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

	31 December 2022 (Unaudited)	30 September 2022 (Audited)
Balance at beginning of the period / year	18,079,445	20,874,225
Provided during the period / year	103,533	2,665,754
used during the period / year	--	(5,460,534)
Balance at end of period / year	18,182,978	18,079,445

7/3 Movement on inventory impairment during the year is as follows:

	31 December 2022 (Unaudited)	30 September 2022 (Audited)
Balance at beginning of the period / year	55,927,840	--
Provided during the period / year	16,974,157	55,927,840
used during the period/year	(41,922,234)	--
Balance at end of period / year	30,979,763	55,927,840

8. TRADE RECEIVABLES, Net

8/1 Trade receivables comprise the following:

	Note	31 December 2022 (Unaudited)	30 September 2022 (Audited)
Trade receivables - related parties	13	138,985,824	90,646,528
Trade customers - other parties		266,733,408	271,522,487
		405,719,232	362,169,015
Less: Expected credit loss provision	8/2	(9,926,480)	(9,926,480)
		395,792,752	352,242,535

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

	31 December 2022 (Unaudited)	30 September 2022 (Audited)
Balance, at beginning of the period / year	9,926,480	13,311,688
Provided during the period / year	--	2,200,000
User during the year (9/4)	--	(5,585,208)
Balance at end of period / year	9,926,480	9,926,480

8/3 As at December 31, 2022, 69% of total sales for the period belongs to only main 8 customers with outstanding balances amounted to SR 327 M (66% at 30 September 2022: SR 234 M).

8/4 aging of the trade receivables is as follows:

Duration	31 December 2022 (Unaudited)		30 September 2022 (Audited)	
	Due Balances	Impairment In value	Due Balances	Impairment In value
Not due	324,359,518	1,224,331	255,947,890	1,380,202
From 0 to 90 days	67,281,103	164,429	77,022,150	535,430
From 91 to 180 days	5,026,422	165,964	21,232,289	44,162
Over 181 Days	9,052,189	8,371,756	7,966,686	7,966,686
	405,719,232	9,926,480	362,169,015	9,926,480

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8. TRADE RECEIVABLES, Net (CONTINUED)

Collections in the subsequent period from the group's outstanding trade receivable balances as at December 31, 2022: 129 million Saudi riyals (2021: 122.1 million Saudi riyals), and secured receivables amounted to 200 million Saudi riyals (2021: 206.5 million Saudi riyals), which were excluded from receivables Commercial City When calculating expected credit losses, the net balance of receivables subject to calculation becomes 76.7 million Saudi riyals (2021: 33.6 million Saudi riyals), classified according to their ages.

9. BANK FACILITIES

Bank facilities from local banks

As on June 30, 2022, the group has bank facilities totaling SR 2.19 billion (September 30, 2021: SR 2.19 billion) with some local banks, of which the user amounted to SR 1.304 billion (September 30, 2021: SR 1.2 billion), represented in letters of guarantee, documentary credits and short-term bank facilities to cover the working capital requirements of the group. It also includes a long-term bank facility granted by the Arab National Bank to the parent company to contribute to the establishment of the Al-Yamamah Solar Energy Systems Factory and to finance 50% of the property, machinery, equipment and working capital eligible for financing.

Al-Yamamah Steel Industries Company has also signed a long-term loan agreement with the Saudi Industrial Development Fund, which includes granting it a long-term loan in the amount of SR 170 million to contribute to financing the construction of the Al-Yamamah wind power systems factory in Yanbu, and to contribute to financing property, machinery, equipment and working capital that are eligible for financing. Provided that the amount is disbursed in installments, and an amount of SR 13,600,000 is deducted from these payments on a pro rate basis from the entire value of the loan. It represents prepaid financing expenses in addition to semi-annual financing expenses paid throughout the validity of the agreement. The maximum limit has been agreed upon, and the loan is paid in instalments. semi-annual, starting on Shawwal 15, 1448 AH, corresponding to March 23, 2027, and ending on Rabi' al-Thani 15, 1454 AH, corresponding to July 23, 2032. The factory land with the entire factory, its machines, equipment, accessories, and everything that is acquired later for the project. The agreement includes some Conditions, including maintaining certain financial ratios.

9/1 Saudi Industrial Development Fund loan

During the month of August 2021, the company obtained the approval of the Saudi Industrial Development Fund dated Ramadan 15, 1442H corresponding to April 27, 2021 to grant a loan to the Al-Yamamah Solar Energy Systems Company in the amount of SR 49,700,000, to finance 50% of the property, machinery, equipment and working capital eligible for financing, provided that The amount is disbursed in installments until Shawwal 29, 1443H, corresponding to May 30, 2022, and an amount of SR 3,750,000 is deducted from these payments on a pro rata basis from the entire value of the loan. These represent prepaid financing expenses in addition to semi-annual financing expenses that will be paid throughout the validity of the agreement. The limit has been agreed upon. The company has received an amount of 13,785,000 Saudi riyals, representing 30% of the loan value, after deducting 30% of the fees (SR 1,125,000). September 2028. This loan is secured by promissory notes issued by Al-Yamamah Steel Industries Company in favor of the Saudi Industrial Development Fund covering the full amount and payments, and the mortgage of buildings and facilities built or to be built on a The factory agreement with the entire factory, its machines, equipment, accessories, and everything that is obtained later for the project. The agreement includes some conditions, including the retention of certain financial ratios.

During March 2022, the company agreed with the SIDF to early repay the loan in the amount of SR 14,910,000, which represents the part received from the loan and its share of the fees mentioned above in return for closing the loan and exempting the company from the remaining fees amounting to SR 2,625,000. During the month of April 2022, the company By paying the required amount, and the loan was closed during the month of June 2022, and during the month of July 2022, the mortgage of the buildings and facilities established or to be established on the factory land was released along with the entire factory, its machinery, equipment, accessories, and everything that is obtained later, and the electronic order bonds that were issued were cancelled. Issuance for the benefit of the Saudi Industrial Development Fund.

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9. BANK FACILITIES (CONTINUED)

Banks Facilities and Loans are shown in condensed interim financial position statement as follow:

	31 December 2022 (Unaudited)	30 September 2022(Audited)
Short term Loans (9/3)	942,857,158	883,761,202
Long Term Loans	--	2,500,000
	942,857,158	886,261,202

9/3 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:

	31 December 2022 (Unaudited)	30 September 2022 (Audited)
Short bank loans	932,857,158	873,761,202
The current part of long-term bank loans	10,000,000	10,000,000
	942,857,158	883,761,202

9/4 Long term loans

Bank loans according to the financing entities:

	31 December 2022 (Unaudited)	30 September 2022 (Audited)
Arab National Bank - the current part	552,400,000	640,500,000
Arab National Bank - Non-current part (9/5)	--	2,500,000
Banque Saudi Fransi	134,000,000	215,000,000
Al Rajhi Bank	77,856,235	22,845,626
British Saudi Bank	87,719,624	5,415,576
The Saudi Investment Bank	90,881,299	--
	942,857,158	886,261,202

9/5 Non-current portion of long-term loans are due as follows:

<u>Year</u>	31 December 2022 (Unaudited)	30 September 2022 (Audited)
2024	--	2,500,000
	--	2,500,000

9/6 Movement on Loans as follow:

	31 December 2022 (Unaudited)	30 September 2022 (Audited)
Balance, at beginning of period / year	886,261,202	492,000,000
Addition during the period / Year	1,235,357,158	2,599,454,481
Less: payments during the period / year	(1,178,761,202)	(2,205,193,279)
Balance at the end of the period / year	942,857,158	886,261,202

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10. ZAKAT

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

	31 December 2022 (Unaudited)	30 September 2022 (Audited)
Balance beginning of period / year	29,282,285	30,977,961
Add: Charge for the period / year	2,264,761	10,796,560
Prior years differences	--	2,570,193
Less: payments during the period / year	--	(15,062,429)
Balance at the end of the period / year	31,547,046	29,282,285

b) **Zakat position**

Al Yamamah Steel Industries Company

The company submitted zakat declarations for the years from the beginning of incorporation on June 26, 2006 until the year ending on September 30, 2022, according to which the company paid the due zakat and obtained a zakat certificate valid until January 30, 2023. Below are the details of the company's zakat position from the date of incorporation until September 30 2022, which shows the value of the zakat differences resulting from the Authority's assessments of the aforementioned years and as a result of the company's objection to those differences, as well as the amounts paid by the company in exchange for the assessments differences of those years:

- a) For the period from the date of incorporation from June 26, 2006 to September 30, 2007:
The company received final zakat certificate and final zakat assessment from Zakat, Tax and Customs Authority.
- b) The years from 2008 to 2011:
The zakat differences for the years from 2008 to 2011 amounted to 9.9 million SR according to the claims of Zakat, Tax and Customs Authority. The company issued a letter of guarantee in the amount of 7.5 million SR representing all the differences that were not accepted by the Authority for the years 2008-2010, so that the net accrued differences objected to for those years amounted to 7.5 million SR.
- c) The years from 2012 to 2014:
The company did not receive any assessments for those years.
- d) The years from 2015 to 2019:
The zakat differences for the years from 2015 to 2019 amounted to 4.7 million SR according to the claims of the Zakat, Tax and Customs Authority. The company paid 1.4 million SR representing the zakat differences for the years 2016 and 2018. It objected to an amount of 3.3 million SR for the years 2015, 2017, and 2019 an amount of 1.5 million SR was accepted from the objection submitted to these differences, and the company paid an amount of 1.8 million SR, representing the total differences that were not accepted by the Authority, and thus there are no zakat differences due for those years.
- e) Financial year 2020:
Zakat differences for the year 2020 amounted to 9.742 million SR according to the zakat assessment and the claims of the Zakat, Tax and Customs Authority. The company paid an amount of 12,589 SR, and the objection to the amount of 9.730 million SR was rejected. The company issued a letter of guarantee in the amount of 4.87 million SR, and the General Secretariat of Tax Committees rejected the company's objection to the Zakat assessment with the Authority, so the company requested an appeal against the decision of the General Secretariat of Tax Committees, and a date for the session will be set.

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10. ZAKAT (CONTINUED)

b) Zakat status (continued)

Al Yamamah Steel Industries Company (continued)

f) Financial year 2021:

The company did not receive a zakat assessment for the year 2021.

Al Yamamah Company for Reinforcing Steel Bars

The company submitted its zakat returns for the years from the beginning of the activity until the fiscal year ending on September 30, 2021, and paid the zakat due in those returns, and a zakat certificate was obtained, valid until January 30, 2023. The company ended its zakat position with the Authority for the years from the date of the company's establishment until the fiscal year ending on September 30, 2019.

11. EARNINGS PER SHARE

11/1 Basic Earnings per share

The calculation of basic earnings per share has been based the distributable earnings 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.

	for a period of three months ending December 31	
	2022	2021
	(Unaudited)	(Unaudited)
(Loss) Earnings per share attributable to the shareholders of the company	(41,900,078)	34,012,035
Weighted average number of shares	50,800,000	50,800,000
(loss)/earnings per share attributable to the shareholders of the company	(0.82)	0.67

11/2 Diluted Earnings per share

The calculation of diluted earnings per share has been based on the profit 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) As on **31 December, 2022**, the value of the contingent liabilities against the unhedged portion of bank guarantee letters issued by local banks on behalf of the Group amounted to SR million 162.7 (September 30, 2021: SR153.68 million).
- b) As on **31 December 2022** the contingent liabilities against outstanding letters of credit amounted to SR 198.5 million (September 30, 2021: SR 165.11 million) which were issued in the ordinary course of the Group's business.
- c) As on **31 December 2022**, the capital commitments related to the projects under implementation amounted to SR 111.6 million (September 30, 2021: SR 148.76 million).

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13. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions with related parties mainly represent purchases, goods, and services rendered in accordance with agreed terms, which approved by the management and approved by the General Assembly of shareholders, held on 13 Ragab 1443H, corresponding to 14 February 2022 with the following entities and parties. The following are the transactions with related parties during the nine-month period ending on June 30, and the balances arising therefrom:

	Nature of relationship	Nature of transaction	Transaction amount for the three-month period ended December 31		Balance as at	
			2022 (Unaudited)	2021 (Audited)	31 December 2022 (Unaudited)	30 September 2021 (Audited)
Transactions with related parties:						
<u>Under accounts receivable (Note 8):</u>						
Abdulqader Almuhaideb & Sons Company *	Shareholder	Sales	73,646,977	101,189,284	94,830,749	41,388,487
Rashid Abdulrahman Al Rashid & Sons Company **	Shareholder	Sales	128,091	455,484	282,868	277,916
Al Mahana Trading Company	Shareholder	Sales	37,293,259	13,756,792	18,432,203	22,459,955
Al Mahanna Steel Group ***	Shareholder	Sales	31,723,830	53,454,644	24,107,431	22,994,522
Madar for Building Materials Company (Previously Al Fozan Building Materials Company)	Subsidiary's shareholder	Sales	3,778,979	9,107,611	1,332,573	1,797,198
Al Mojel Trading Company	Shareholder	Sales	--	1,244,100	--	1,728,450
					138,985,824	90,646,528
<u>Under trade payables</u>						
Abdulqader Almuhaideb & Sons Company *	Shareholder	Purchases	23,536	1,058,310	58,728	19,516
Rashid Abdulrahman Al Rashid & Sons Company **	Shareholder	Purchases	--	1,975	--	--
Al Madar for Building Materials Company (Previously Al Fozan Building Materials Company)	Shareholder in subsidiary	Purchases	--	170,287	--	--
					58,728	19,516

* 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.

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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:

		For the three-month period ended 31 December	
		2022	2021
		(Unaudited)	(Unaudited)
	<u>Nature of transaction</u>		
Key management personnel	Salaries, allowances and incentives	<u>1,782,484</u>	<u>2,400,203</u>

14. DIVIDENDS

During the period ended December 31, 2022

In its meeting on December 22, 2022 corresponding to Jumada Al-Awwal 28, 1444H, the Board of Directors recommended not to distribute cash dividends to shareholders for the second half of the fiscal year ending on September 30, 2022. This is to contribute to financing the company's future projects, and the recommendation will be presented to the General Assembly, which will be held on February 19, 2023, corresponding to Rajab 28, 1444H.

During the period ended December 31, 2021

The ordinary general assembly of the shareholders of the company, which was held on Rajab 13, 1443H corresponding to February 14, 2022, approved the recommendation of the Board of Directors on 8 Jumada Al-Awwal 1443H corresponding to December 12, 2021 to distribute cash dividends to the company's shareholders for the fiscal year ending on September 30, 2021 amounting to SAR 50,800,000, at SAR 1 per share, for the company's shareholders owning its shares on the day of the meeting and who are 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 January 12, 2022, the cash dividends were transferred to the shareholders entitled to them.

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.

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.

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15. FINANCIAL RISK MANAGEMENT

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.

	Book value as at 30 June 2022 (Unaudited)	Book value as at 30 September 2022 (Audited)
<u>Variable rate instruments</u>		
Borrowings	<u>942,857,158</u>	<u>886,261,202</u>
	<u>942,857,158</u>	<u>886,261,202</u>

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.

	Profit / (loss) ended at 31 December 2022 (Unaudited)		Profit / (loss) Ended at 30 September 2022 (Audited)	
	Decrease in basis points of related to commission rates 100 bps	Increase in basis points of related commission rates 100 bps	Decrease in basis points of related to commission rates 100 bps	increase in basis points of related commission rates 100 bps
Borrowings	<u>9,428,571</u>	<u>(9,428,571)</u>	<u>8,862,612</u>	<u>(8,862,612)</u>

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.

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15. FINANCIAL RISK MANAGEMENT (CONTINUED)

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:

	31 December 2022 (Unaudited)	30 September 2022 (Audited)
<u>Financial assets</u>		
Trade receivables	395,792,752	352,242,535
Bank balances	13,457,521	68,331,971
	409,250,273	420,574,506
<u>Financial assets</u>		
Secured *	213,883,151	293,809,136
Unsecured **	195,367,122	126,765,370
	409,250,273	420,574,506

** As at **31 December , 2022**, the secured financial assets include bank balances and trade receivables in the amount of SR 200 million secured by bank guarantees (September 30, 2022: 148.28 million Saudi riyals).

** As at **31 December 2022**, secured/unsecured financial assets include trade receivables in the amount of SAR 138 M due from related parties and whose maturity dates have not yet passed (September 30, 2022: SAR 90.6).

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:

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15. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Undiscounted contractual cash flows					
	<u>1 year or less</u>	<u>1 year to 3 years)</u>	<u>3 years or More</u>	<u>Interest accruals for future periods</u>	<u>Total contractual maturity</u>	<u>Total Carrying value</u>
31 December (Unaudited)						
<u>Non-derivative financial liabilities</u>						
Loans	942,857,158	--	--	5,948,774	948,805,932	942,857,158
Trade payables	49,434,198	--	--	--	49,434,198	49,434,198
Contracts' losses provision	393,299	--	--	--	393,299	2,393,299
Dividends Payable	568,046	--	--	--	568,046	568,046
Accrued expenses and other payables	50,631,794	--	--	--	50,631,794	50,631,794
Lease liabilities	2,415,490	5,646,004	23,976,471	19,529,780	51,567,745	32,037,965
	<u>1,046,299,985</u>	<u>5,646,004</u>	<u>23,976,471</u>	<u>25,478,554</u>	<u>1,101,401,014</u>	<u>1,077,922,460</u>
30 September 2022						
<u>Non-derivative financial liabilities</u>						
Loans	883,761,202	2,500,000	--	4,627,220	890,888,422	886,261,202
Trade payables	49,166,471	--	--	--	49,166,471	49,166,471
Contracts' losses provision	1,492,388	--	--	--	1,492,388	1,492,388
Dividends Payable	568,881	--	--	--	568,881	568,881
Accrued expenses and other payables	41,792,701	--	--	--	41,792,701	41,792,701
Lease liabilities	2,549,729	5,560,401	25,739,324	13,111,703	46,961,157	33,849,454
	<u>979,331,372</u>	<u>8,060,401</u>	<u>25,739,324</u>	<u>17,738,923</u>	<u>1,030,870,020</u>	<u>1,013,131,097</u>

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

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15. FINANCIAL RISK MANAGEMENT (CONTINUED)

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:

	31 December 2022 (Unaudited)	30 September 2022 (Audited)
Total liabilities	1,159,020,228	1,135,592,305
Less: Cash and cash equivalents	(13,457,521)	(68,331,971)
Net obligations	1,145,562,707	1,067,260,334
Total equity	604,641,998	783,837,978
Adjusted shareholders' equity	604,641,998	783,837,978
Net obligations to equity	1.89	1.36

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

	31 December 2022 (Unaudited)					
	Carrying value		Fair value			
	Amortized cost	Total	Level 1	Level 2	Level 3	Total
Financial Assets						
Trade receivables	395,792,752	395,792,752	--	--	--	--
Financial assets at fair value through profit or loss statement	--	--	3,997,865	--	--	3,997,865
Cash and cash equivalents	13,457,521	13,457,521	--	--	--	--
	409,250,273	409,250,273	3,997,865	--	--	3,997,865
Financial liabilities						
Loans and facilities	942,857,158	942,857,158	--	--	--	--
Trade payables	49,434,198	49,434,198	--	--	--	--
Dividends payable	568,046	568,046	--	--	--	--
Zakat provision	31,547,046	31,547,046	--	--	--	--
Accrued expenses and other payables	50,631,794	50,631,794	--	--	--	--
	1,075,038,242	1,075,038,242	--	--	--	--

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15. FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital management (continued)

	30 September 2022(Audited)					
	Carrying value		Fair value			
	Amortized cost	Total	Level 1	Level 2	Level 3	Total
Financial Assets						
Trade receivables	352,242,535	352,242,535	--	--	--	--
Financial assets at fair value through profit or loss statement	68,331,971	68,331,971	--	--	--	--
Cash and cash equivalents	--	--	2,100,765	--	--	2,100,765
	<u>6,315,650</u>	<u>6,315,650</u>	--	--	--	--
	<u>426,890,156</u>	<u>426,890,156</u>	2,100,765			
Financial liabilities						
Loans and facilities	886,261,202	886,261,202	--	--	--	--
Trade payables	49,166,471	49,166,471	--	--	--	--
Dividends payables	568,881	568,881	--	--	--	--
Accrued expenses and other payables	41,792,701	41,792,701	--	--	--	--
Zakat provision	29,282,285	29,282,285	--	--	--	--
	<u>1,007,071,540</u>	<u>1,007,071,540</u>	--	--	--	--

16. SIGNIFICANT EVENTS

A fundamental review and restructuring of the main interest rate indices is currently being conducted worldwide, and in line with the Central Bank of Saudi Arabia's objective to maintain monetary and financial stability, it has been decided the following:

The Central Bank of Saudi Arabia decided, during the period from May to September 2022, to raise the rate of "RIBO" repurchase agreements by 2.5%, from 1.25% to 3.75%. The Group's management is closely following these changes to determine the potential financial impact on its business results during the coming periods.

The Central Bank of Saudi Arabia decided, during November and December 2022, to raise the rate of "RIBO" repurchase agreements by 1.25%, from 3.75% to 5.00%. The Group's management is closely following these changes to determine the potential financial impact on its business results during the coming periods.

17. COMPARATIVE FIGURES

Some comparative figures have been reclassified to consist with current period figures.

18. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were authorized for issue by the Board of Directors on 11 Ragab 1444H, corresponding to 2 February 2023.