BENA STEEL INDUSTRIES COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
AND INDEPENDENT AUDITOR'S REPORT

BENA STEEL INDUSTRIES COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
BENA STEEL INDUSTRIES COMPANY
(A Saudi Closed Joint Stock Company)

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of **Bena Steel Industries Company ("the Company")**, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants and endorsed in the Kingdom of Saudi Arabia ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations for Companies and the Company's bylaw and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Company's financial reporting process.

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

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS OF
BENA STEEL INDUSTRIES COMPANY
(A Closed Joint Stock Company)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)
As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly MKM & Co.
Certified Public Accountants
Al-Khobar, Kingdom of Saudi Arabia

Bader Hatim Al Tamimi
License No. 489
8 Ramadan 1444H
30 March 2023

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BAKER TILLY M K M & CO

BENA STEEL INDUSTRIES COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	*2022*	*2021*
		SR	*SR*
ASSETS			
Current assets			
Cash and cash equivalents	4	**3,700,954**	4,355,262
Trade receivables	5	**83,031,633**	68,395,429
Inventories	6	**103,533,027**	83,729,887
Prepayments and other assets	7	**2,959,603**	2,052,044
Total current assets		**193,225,217**	158,532,622
Non-current assets			
Property, plant and equipment	8	**50,219,617**	53,280,827
Right-of-use assets	9	**1,866,304**	2,581,062
Total non-current assets		**52,085,921**	55,861,889
TOTAL ASSETS		**245,311,138**	214,394,511
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade payables		**77,789,638**	50,043,441
Short term borrowings	11	**49,574,050**	76,580,439
Current portion of term loan	12	**8,515,385**	-
Current portion of lease liabilities	17	**550,046**	638,447
Accruals and other liabilities	13	**7,002,647**	8,184,492
Dividends payable	14	**304,699**	667,497
Zakat payable	28	**950,723**	1,000,000
Total current liabilities		**144,687,188**	137,114,316
Non-current liabilities			
Non-current portion of term loan	12	**21,288,462**	-
Non-current portion of lease liabilities	17	**1,427,780**	1,977,826
Employee benefits obligations	15	**8,263,592**	7,413,725
Total non-current liabilities		**30,979,834**	9,391,551
Total liabilities		**175,667,022**	146,505,867
Shareholders' equity			
Share capital	1	**50,000,000**	50,000,000
Additional contribution		**216,832**	216,832
Statutory reserve	16	**2,946,776**	2,176,849
Actuarial reserve	15	**(683,864)**	(523,060)
Retained earnings		**17,164,372**	16,018,023
Total shareholders' equity		**69,644,116**	67,888,644
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**245,311,138**	214,394,511

Mr. Khalid Bin Mohammed Bin Saad Albawardi Chairman	Mr. Fawaz Khalid Mohammed Albawardi Chief Executive Officer	Mr. Mahmoud Abbas Said Alkurdi Finance Manager

The accompanying notes form an integral part of these financial statements

BENA STEEL INDUSTRIES COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	*2022*	*2021*
		SR	*SR*
Revenue	22	**374,111,230**	258,208,997
Cost of revenue	23	**(347,608,054)**	(219,067,416)
Gross profit		**26,503,176**	39,141,581
Selling and marketing expenses	24	**(6,180,006)**	(6,291,845)
General and administrative expenses	25	**(4,626,131)**	(6,280,886)
Allowance for expected credit losses	5	**-**	(14,151)
Operating profit		**15,697,039**	26,554,699
Finance costs	26	**(7,316,587)**	(3,945,436)
Other income, net		**909**	9,223
Profit before zakat		**8,381,361**	22,618,486
Zakat	28	**(682,095)**	(1,000,000)
Profit for the year		**7,699,266**	21,618,486
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial loss on employee benefit obligations	15	**(160,804)**	(306,386)
Total comprehensive income for the year		**7,538,462**	21,312,100
Earnings per share			
Earnings per share (Basic and Diluted) attributable to ordinary shareholders	19	**1.54**	4.32

Mr. Khalid Bin Mohammed Bin Saad Albawardi
Chairman

Mr. Fawaz Khalid Mohammed Albawardi
Chief Executive Officer

Mr. Mahmoud Abbas Said Alkurdi
Finance Manager

The accompanying notes form an integral part of these financial statements

BENA STEEL INDUSTRIES COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	*Proposed increase in share capital*	*Additional contribution*	*Statutory reserve*	*Actuarial reserve*	*Retained earnings*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
As at 1 January 2022	**50,000,000**	**-**	**216,832**	**2,176,849**	**(523,060)**	**16,018,023**	**67,888,644**
Profit for the year	-	-	-	-	-	**7,699,266**	**7,699,266**
Other comprehensive loss	-	-	-	-	**(160,804)**	-	**(160,804)**
Total comprehensive income for the year	-	-	-	-	**(160,804)**	**7,699,266**	**7,538,462**
Transfer to statutory reserve (note 16)	-	-		**769,927**	-	**(769,927)**	-
Dividends (note 14)	-	-	-	-	-	**(5,782,990)**	**(5,782,990)**
31 December 2022	**50,000,000**	**-**	**216,832**	**2,946,776**	**(683,864)**	**17,164,372**	**69,644,116**
As at 1 January 2021	50,000	49,950,000	216,832	15,000	(216,674)	11,013,966	61,029,124
Profit for the year	-	-	-	-	-	21,618,486	21,618,486
Other comprehensive loss	-	-	-	-	(306,386)	-	(306,386)
Total comprehensive income for the year	-	-	-	-	(306,386)	21,618,486	21,312,100
Transfer to statutory reserve (note 16)	-	-	-	2,161,849	-	(2,161,849)	-
Increase in share capital (note 1)	49,950,000	(49,950,000)	-	-	-	-	-
Dividends (note 14)	-	-	-	-	-	(14,452,580)	(14,452,580)
31 December 2021	50,000,000	-	216,832	2,176,849	(523,060)	16,018,023	67,888,644

Mr. Khalid Bin Mohammed Bin Saad Albawardi
Chairman

Mr. Fawaz Khalid Mohammed Albawardi
Chief Executive Officer

Mr. Mahmoud Abbas Said Alkurdi
Finance Manager

The accompanying notes form an integral part of these financial statements

BENA STEEL INDUSTRIES COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	*2021*
	SR	*SR*
OPERATING ACTIVITIES		
Profit before zakat	**8,381,361**	22,618,486
Adjustments for non-cash flow items:		
Depreciation	**4,807,945**	5,282,171
Allowance for expected credit losses	**-**	14,151
Employee benefits obligations	**635,240**	590,778
Write off of property, plant and equipment	**-**	6
Finance costs	**7,316,587**	3,945,436
Changes in working capital:		
Trade receivables	**(14,650,060)**	1,194,098
Prepayments and other assets	**(907,559)**	(1,254,145)
Inventories	**(19,803,140)**	(3,515,891)
Trade payables	**27,746,197**	(4,653,813)
Accruals and other liabilities	**(831,369)**	1,518,635
Cashflows from operations	**12,695,202**	25,739,912
Employee benefits obligations paid	**(71,094)**	(168,805)
Finance costs paid	**(7,418,639)**	(3,233,715)
Zakat paid	**(731,372)**	-
Net cash flows generated from operating activities	**4,474,097**	22,337,392
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(1,031,977)**	(1,720,767)
Net cash flows used in investing activities	**(1,031,977)**	(1,720,767)
FINANCING ACTIVITIES		
Short term borrowing obtained	**384,976,584**	207,603,774
Medium term borrowing obtained	**36,900,000**	-
Repayment of short term borrowing	**(407,636,682)**	(210,402,737)
Repayment of medium term borrowing	**(7,096,153)**	-
Net changes in bank overdraft balances	**(4,346,291)**	(1,551,017)
Lease liabilities payments	**(748,098)**	(748,098)
Dividends paid	**(6,145,788)**	(13,785,083)
Net cash flows used in financing activities	**(4,096,428)**	(18,883,161)
Net change in cash and cash equivalents	**(654,308)**	1,733,464
Cash and cash equivalents at the beginning of the year	**4,355,262**	2,621,798
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**3,700,954**	4,355,262
Non-cash transactions:		
Increase in share capital	**-**	49,950,000
Employee benefits obligations transferred (to)/from a related party (note 15,21)	**(13,856)**	9,961

Mr. Khalid Bin Mohammed Bin Saad Albawardi Chairman	Mr. Fawaz Khalid Mohammed Albawardi Chief Executive Officer	Mr. Mahmoud Abbas Said Alkurdi Finance Manager

The accompanying notes form an integral part of these financial statements

1 - GENERAL INFORMATION

Bena Steel Industries Company ("the Company") was previously registered as a branch of M & A Albawardi Company under commercial registration no. 2050023902 in Dammam dated on 2 Rabi al Awal 1413H (corresponding to 31 August 1992). The Branch was converted into a single shareholder limited liability company on 14 Safar 1441H (corresponding to 13 October 2019) under the same commercial registration number.

On 18 March 2021, the Company name was changed to Bena Steel Industries Company.

During the year ended 31 December 2021, the share capital was increased by SR 49,950,000 through transfer from the proposed increase in share capital to become SR 50 million divided into 5,000,000 shares at SR 10 par value per share.

On 18 February 2021, the Shareholder, M&A Albawardi Company, resolved to transfer its entire shareholding to Albawardi Group Holding Company. On 6 September 2021, the Shareholder resolved to convert the legal status of the Company to a Saudi Closed Joint Stock Company with a partial sale of 786,025 shares (i.e. 15.72% of the 5,000,000 shares outstanding). The legal formalities and the related ministerial approval in this regard were completed on 6 October 2021. On 18 November 2021, the General Assembly approved the registration of the Company's shares in the Parallel Market (Nomu) and listing of 600,000 ordinary shares (12%) in Nomu. On 14 February 2022, the Company received the conditional approval on its application from Capital Markets Authority ("CMA") and on 2 November 2022 the Comapny received the final approval from CMA.

Share capital and number of shares as at 31 December 2022 and 31 December 2021 are as follows:

Shareholder Name	***Number of shares***	***Value of the shares***	***Ownership***
		SR	**%**
Albawardi Group Holding Company (SCJSC)	4,213,975	42,139,750	84.28
Other shareholders	786,025	7,860,250	15.72
	5,000,000	50,000,000	100

The principal activities of the Company are production of galvanized metal sheets, ribbed and non-ribbed, metal structures and metal sheets, ribbed and non-ribbed aluminum sheets and chromed metal sheets, electro plated steel, silicon steel, as well as aluminum. Pre-painted Corrugated Steel Sheets. Manufacture of ERW pipes & tubes and producing Wheelbarrow. The Company is licensed by Ministry of Industry and Mineral Resources under industrial license number 421102108609 dated 14 Rabi al Akhar 1442H (corresponding to 29 November 2020).

The Company's registered office is Dammam, 1st Industrial city, P.O Box 112 Dammam 11411, Kingdom of Saudi Arabia.

The Company has the following branches, which are registered under separate commercial registration numbers:

Commercial registration number	**Date of issue**	**Place of issue**
2050056369	4 September 2007	Dammam
2050142163	4 February 2021	Dammam

The results, assets and liabilities of these branches are included in these financial statements.

2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted in the Kingdom of Saudi Arabia and other standards and pronouncements endrosed by the Saudi Organization for Chartered and Professional Accountants (SOCPA). Details of the Company's significant accounting policies are disclosed in note 2.2.

These financial statements are prepared on historical cost basis, except as otherwise stated. These financial statements are presented in Saudi Riyals which is also the functional currency of the Company and all values are rounded to the nearest Saudi Riyal (SR).

2.2 Summary of significant accounting policies

The following are the significant accounting policies applied by the Company in preparing its financial statements:

Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Fair value measurement

The Company measures financial instruments, such as financial derivatives, at fair value at each reporting date.

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

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

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

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

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

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

2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of significant accounting policies (Continued)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revenue from contracts with customers

IFRS 15 establishes a five-step model that applies to revenue arising from contracts with customers as below:

Step 1: Identify the contracts with a customer:

Identify the contracts with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify the performance obligations in the contract:

A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price:

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract:

For a contract that has more than one performance obligation (if any), the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

a) The Company's performance does not create an asset with an alternate use to the Company and the Company has an enforceable right to payment for performance completed to date.

b) The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

c) The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.

When the Company satisfies a performance obligation by delivering the promised goods it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability, or the Company received the amount in advance for the provision of goods.

2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of significant accounting policies (Continued)

Revenue from contracts with customers (continued)

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably.

Specific recognition criteria:

Sale of goods

Revenue is recognized when control of the products has transferred, being when the products are delivered to the customers, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs based on contractual terms of the contract, when the risks of obsolescence and loss have been transferred to the customer and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been met.

Variable considerations

If the consideration promised in a contract includes a variable amount, the Company estimates the amount of consideration to which the Company is entitled in exchange for transferring the promised goods or services to a customer. The Company estimates the transaction price on contracts with variable consideration using the expected value or most likely amount method. The method is applied consistently throughout the contract and to similar types of contracts.

Significant financing component

The Company adjusts the promised amount of consideration for the time value of money if the contract contains a significant financing component.

Inventories

Inventories are stated at the lower of cost or net realizable value.

Cost incurred in bringing each product to its present location and condition accounted for, as follows:

Raw material and production supplies:

- Raw material and production supplies are valued on weighted average basis.

Finished goods and work in progress:

- Cost of direct materials and labors and proportion of manufacturing overheads.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

Expenses

Expenses related to operations are allocated on a consistent basis to cost of revenue, general and administration expenses, and selling and marketing expenses in accordance with consistent allocation factors determined as appropriate by the Company.

Zakat

The Company is subject to the regulations of the Zakat, Tax and Customs Authority (the "ZATCA") in the Kingdom of Saudi Arabia. A provision for zakat is charged to the statement of profit or loss. Differences, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Uncertain zakat positions

Differences that may arise at the finalization of an assessment are accounted for when the assessment is finalized with ZATCA.

2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of significant accounting policies (Continued)

Value added tax

Revenues, expenses and assets are recognized net of the amount of value added tax, except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables are stated with the amount of value added tax included

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Withholding Tax

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Foreign currencies

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at the spot rate ruling at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Repair and maintenance costs are recognized in profit or loss as incurred.

Land and buildings are measured at cost, less accumulated depreciation on buildings, and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
- Buildings and leasehold improvements	5 - 20
- Machinery and equipment	4 - 10
- Vehicles	4
- Furniture, fixtures and office equipment	3 - 5

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the asset is derecognized.

2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of significant accounting policies (Continued)

Property, plant and equipment (Continued)

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Capital work in progress

Assets in the course of construction are capitalized in the capital work-in-progress ("CWIP") account. The asset under construction is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and/or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work in progress comprises its purchase price, construction cost and any other cost directly attributable to the construction or acquisition of an item of CWIP intended by management.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Leases

The determination of whether an arrangement is, or contains, a lease is decided at the inception date. An arrangement is, or contains, a lease if it grants the right to control a particular asset or assets for a period of time in exchange for compensation.

Company as a lessee

A Right-of-use assets:

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognized right-of-use assets are depreciated on a straight-line basis over its estimated useful life.

B Lease liabilities:

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of significant accounting policies (Continued)

Leases (Continued)

C Short-term leases and leases of low-value assets:

Short-term leases are leases with a lease term of 12 months or less. Low value assets are items that do not meet the Company's capitalization threshold and are considered to be insignificant for the statement of financial position for the Company as a whole. Payments for short-term leases and leases of low value assets are recognized on a straight-line basis in the profit or loss.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Company's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the statement of profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of significant accounting policies (Continued)

Financial assets (Continued)

Financial assets at amortized cost

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through OCI

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company does not have any debt instruments at fair value through OCI.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the profit or loss.

The Company does not have any financial assets recognized at fair value through profit or loss.

Derecognition

A financial asset is primarily derecognized when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of significant accounting policies (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on these liabilities are recognized in the statement of profit or loss.

The Company does not have any financial liabilities at fair value through profit or loss.

Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

Provisions

General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost

2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of significant accounting policies (Continued)

Employee benefits obligations

Short term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as leave pay, bonuses, and non-monetary benefits such as medical care), are recognized in respect of employees' services up to the end of the reporting period and are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Employees' termination benefits obligations

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

2.3 Application of New and Revised International Financial Reporting Standards (IFRSs)

2.3.1 New and amended IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these financial statements. The application of these revised IFRSs has not any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Impact of the initial application of Reference to the Conceptual Framework — Amendments to IFRS 3
- Impact of the initial application of Property, Plant and Equipment — Proceeds before Intended Use — Amendments to IAS 16
- Impact of the initial application of Onerous Contracts — Cost of Fulfilling a Contract — Amendments to IAS 37
- Annual Improvements to IFRS 2018 – 2020 Cycle amending IFRS 1, IFRS 9, IFRS 16 and IAS 41.

2.3.2 New and revised IFRSs in issue but not yet effective and not early adopted

The Company has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely
Amendments to IAS 1 Presentation of Financial Statements regarding the classification of liabilities.	1 January 2024
Amendments to IFRS 16 Leases regarding the treatment for sale and leaseback transactions.	1 January 2024
IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.	1 January 2023

2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3.2 New and revised IFRSs in issue but not yet effective and not early adopted (Continued)

New and revised IFRSs	Effective for annual periods
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).	1 January 2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction.	1 January 2023

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 new standards, interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

3 - SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including future expectations.

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Company's exposure to risk and uncertainties' includes:

- Financial instruments risk management	Note 29
- Sensitivity analysis disclosures	Note 15,29

3.1 Judgements

(a) Determining the lease term for lease contracts

The Company has applied judgement to determine the lease term for those lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

(b) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgements and estimates of the outcome of future events.

(c) Revenue from contracts with customers

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining whether the Company is a principal or an agent

The Company has determined that it is working in its capacity as a principal for its customers as the credit risk is entrusted with the Company.

3 - SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(a) Long-term assumptions for employees' benefits

Employees' defined benefit liabilities and benefit payments represent obligations that will be settled in the future and require assumptions to project obligations and fair values of plan assets, if any. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase and return on assets, mortality rates, employment turnover and future healthcare costs. Periodically, management of the Company consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

(b) Uncertain zakat positions

The Company's current zakat payable of SR 950,723 relates to management's assessment of the amount of zakat and payable on open zakat positions where the liabilities remain to be agreed with the Zakat, Tax and Customs Authority (ZATCA). Due to the uncertainty associated with such zakat items, it is possible that, on finalization of open zakat assessments at a future date, the final outcome may differ significantly. Note 28 describes the status of zakat assessments.

(c) Allowance for expected credit losses ("ECL") on trade receivables

The Company uses a provision matrix to calculate allowance for expected credit losses ("ECL") on trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

(d) Allowance for slow moving inventories

Inventories are stated at the lower of cost or net realizable value. Adjustments to reduce the cost of inventories to their net realizable value, if required, are made at the product level for estimated excess, obsolescence or damages. Factors influencing these adjustments include change in demand, product pricing, physical deterioration and quality issues.

(e) Residual values and useful lives of property, plant and equipment

Management determines the residual values and estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset and physical wear and tear. Management reviews the residual values and useful lives annually and future depreciation charge would be adjusted where the management believes that the residual values and useful lives differ from previous estimates.

(f) Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows.

4 - CASH AND CASH EQUIVALENTS

	2022	*2021*
	SR	SR
Cash at banks	**3,700,954**	4,355,262

As at 31 December 2022, certain bank accounts were in the name of the major shareholder with balances of SR 992,407 (2021: SR 2,685,988).The shareholder has assigned these bank accounts to the Company.

5 - TRADE RECEIVABLES

	2022	*2021*
	SR	*SR*
Trade receivables - third parties	**74,708,559**	67,684,482
Trade receivables - related parties (note 21)	**10,243,257**	2,631,130
	84,951,816	70,315,612
Less: allowance for expected credit losses	**(1,920,183)**	(1,920,183)
	83,031,633	68,395,429

Movement in the allowance for expected credit losses is as follows

	2022	*2021*
	SR	*SR*
1 January	**1,920,183**	3,887,979
Charge for the year	-	14,151
Write-offs	-	(1,981,947)
31 December	**1,920,183**	1,920,183

Trade receivables are unsecured and non-interest bearing. Trade receivables are generally on terms of 30 to 90 days.

An aged analysis of trade receivables as at 31 December is as follows:

	2022	*2021*
	SR	*SR*
Not past due	**45,138,599**	18,232,899
Past due - 1 - 120 days	**34,375,339**	37,082,014
Past due - 120 - 365 days	**3,291,950**	14,359,048
Past due - Above 365 days	**2,145,928**	641,651
	84,951,816	70,315,612
Less: allowance for expected credit losses	**(1,920,183)**	(1,920,183)
	83,031,633	68,395,429

The Company records an allowance for expected credit losses considering various factors including age of the receivable balances and financial condition of the customers.

6 - INVENTORIES

	2022	*2021*
	SR	*SR*
Raw materials	**87,471,591**	68,404,771
Work in progress	**4,179,399**	2,250,526
Finished goods	**5,422,817**	3,995,757
Spare parts	**2,814,643**	2,863,440
Goods in transit	**3,644,577**	6,215,393
	103,533,027	83,729,887

7 - PREPAYMENTS AND OTHER ASSETS

	2022	*2021*
	SR	*SR*
Employees receivable	**1,100,867**	891,680
Prepayments	**1,254,219**	532,195
Advance to suppliers	**418,283**	461,576
Other	**186,234**	166,593
	2,959,603	2,052,044

8 - PROPERTY, PLANT AND EQUIPMENT

	Land	*Buildings and leasehold improvements*	*Machinery and equipment*	*Vehicles*	*Furniture, fixtures and office equipment*	*Capital Work in progress*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Cost:							
1 January 2021	17,152,056	33,511,926	81,651,644	1,607,247	4,224,307	924,807	139,071,987
Addition	-	-	731,921	120,000	139,805	729,041	1,720,767
Transfer	-	1,031,025	-	-	-	(1,031,025)	-
Write-offs	-	-	(22,902,474)	-	-	-	(22,902,474)
At 31 December 2021	17,152,056	34,542,951	59,481,091	1,727,247	4,364,112	622,823	117,890,280
Addition	-	**214,206**	**154,875**	-	**115,858**	**547,038**	**1,031,977**
Transfer	-	**1,169,861**	-	-	-	**(1,169,861)**	-
At 31 December 2022	**17,152,056**	**35,927,018**	**59,635,966**	**1,727,247**	**4,479,970**	-	**118,922,257**
Accumulated depreciation:							
1 January 2021	-	13,168,828	64,632,803	1,184,535	4,104,950	-	83,091,116
Charge for the year	-	1,164,905	3,069,301	127,716	58,883	-	4,420,805
Write-offs	-	-	(22,902,468)	-	-	-	(22,902,468)
At 31 December 2021	-	14,333,733	44,799,636	1,312,251	4,163,833	-	64,609,453
Charge for the year	-	**1,223,621**	**2,657,083**	**142,715**	**69,768**	-	**4,093,187**
At 31 December 2022	-	**15,557,354**	**47,456,719**	**1,454,966**	**4,233,601**	-	**68,702,640**
Carrying amount:							
At 31 December 2022	**17,152,056**	**20,369,664**	**12,179,247**	**272,281**	**246,369**	-	**50,219,617**
At 31 December 2021	17,152,056	20,209,218	14,681,455	414,996	200,279	622,823	53,280,827

- Capital work in progress mainly represents the costs incurred for the expansion of hangers in factory building and as at 31 December 2022 the project is completed and capitalised in building and leasehold improvements.

- Buildings are constructed on leased land from Modon for periods ranging from 5 to 20 years.

- Land is mortgaged against the medium term loan from a commercial bank (note 12).

- Included within the property, plant and equipment fully depreciated assets with total cost amounting to SR 50,689,660 (2021: SR 47,356,436).

9 - RIGHT-OF-USE ASSETS

The Company leases land, buildings and vehicles. Information about leases for which the Company is a lessee is presented below:

	Land	*Buildings*	*Vehicles*	*Total*
	SR	***SR***	***SR***	***SR***
1 January 2021	3,181,413	74,225	186,790	3,442,428
Depreciation charge for the year	(736,119)	(27,412)	(97,835)	(861,366)
Balance at 31 December 2021	2,445,294	46,813	88,955	2,581,062
Depreciation charge for the year	**(647,723)**	**(23,375)**	**(43,660)**	**(714,758)**
Balance at 31 December 2022	**1,797,571**	**23,438**	**45,295**	**1,866,304**

The lease period ranges from 5 to 20 years.

10 - CAPITAL MANAGEMENT

For the purpose of capital management, capital includes capital, statutory reserve and all other equity reserves attributable to the shareholders of the Company. The primary objective of capital management is to maximize the shareholders' value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders.

11 - SHORT TERM BORROWINGS

	2022	*2021*
	SR	*SR*
Short-term loans	**49,574,050**	72,234,148
Bank overdrafts	**-**	4,346,291
	49,574,050	76,580,439

These represent borrowing facilities in the form of short-term loans, letters of credits and guarantees obtained from a local commercial bank to finance the working capital requirements and bear financial charges on commercial rates prevailing in the market. These loans are guaranteed by signed promissory notes, and corporate guarantees.

12 - TERM LOAN

	2022	*2021*
	SR	*SR*
Current portion of term loan	**8,515,385**	-
Non-current portion of term loan	**21,288,462**	-
	29,803,847	-

During the year, the Company entered into a SR 36.9 million medium term loan facility with a local commercial bank. The facility is repayable in 52 monthly installments commenced from March 2022. The facility carries an interest rate of SIBOR plus a fixed margin. This loan is secured against land mortgage (note 8), signed promissory note and personal guarantees.

12 - TERM LOAN (Continued)

Following is the repayment schedule of the loan as at 31 December:

	2022	*2021*
	SR	*SR*
2023	**8,515,385**	-
2024	**8,515,385**	-
2025	**8,515,385**	-
2026	**4,257,692**	-
	29,803,847	-

13 - ACCRUALS AND OTHER LIABILITIES

	2022	*2021*
	SR	*SR*
Accrued employee benefits	**1,389,183**	2,842,012
Advance from customers	**1,329,556**	1,169,185
Accrued interest	**417,769**	768,245
VAT payable	**2,733,213**	131,954
Others	**1,132,926**	3,273,096
	7,002,647	8,184,492

14 - DIVIDENDS

The Board of Directors approved dividend distributions of SR 5,782,990 during the year (2021: SR 14,452,580).

15 - EMPLOYEE BENEFITS OBLIGATIONS

The movement in the employees' end of service benefits obligations for the year is as follows:

	2022	*2021*
	SR	*SR*
1 January	**7,413,725**	6,577,351
Expense charged for the year	**774,013**	688,832
Transfer (to)/from shareholder (note 21)	**(13,856)**	9,961
Benefits paid	**(71,094)**	(168,805)
Remeasurements recognized in OCI	**160,804**	306,386
31 December	**8,263,592**	7,413,725

The expense charged to profit or loss comprise of the following:

	2022	*2021*
	SR	*SR*
Current service cost	**635,240**	590,778
Interest cost	**138,773**	98,054
	774,013	688,832

The principal actuarial assumptions used were as follows:

	2022	*2021*
Discount rate	4.65%	1.90%
Expected rate of salary increases	4.65%	1.90%
Mortality rates	WHO SA19 - 75%	WHO SA19 - 75%
Rates of employee turnover	Heavy	Heavy

15 - EMPLOYEE BENEFITS OBLIGATIONS (Continued)

Sensitivity analysis:

	31 December 2022		*31 December 2021*	
	%	***SR***	*%*	*SR*
Discount rate				
Increase	**+ 0.5%**	**8,003,896**	+ 0.5%	7,188,813
Decrease	**- 0.5%**	**8,539,417**	- 0.5%	7,652,228
Salary growth rate				
Increase	**+ 0.5%**	**8,538,065**	+ 0.5%	7,651,029
Decrease	**- 0.5%**	**8,002,686**	- 0.5%	7,187,735

16 - STATUTORY RESERVE

In accordance with the Company's Bylaws, the Company is required to transfer 10% of its net income to a statutory reserve until such reserve equals minimum of 30% of share capital.

17 - LEASE LIABILITIES

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at inception of the lease.

Movement in lease liabilities is as follows:

	2022	*2021*
	SR	*SR*
1 January	**2,616,273**	3,218,356
Interest charge	**109,651**	146,015
Payments	**(748,098)**	(748,098)
31 December	**1,977,826**	2,616,273

Maturity analysis - contractual cashflows

	2022	*2021*
	SR	*SR*
Within one year	**627,308**	748,098
1-5 years	**1,279,835**	1,634,859
Above 5 years	**298,680**	517,552
	2,205,823	2,900,509
Less: deferred finance charges	**(227,997)**	(284,236)
Total lease liabilities	**1,977,826**	2,616,273

Lease liabilities included in the statement of financial position as at 31 December:

	2022	*2021*
	SR	*SR*
Current	**550,046**	638,447
Non-current	**1,427,780**	1,977,826
	1,977,826	2,616,273

Amounts recognized in profit or loss for the year ended 31 December:

	2022	*2021*
	SR	*SR*
Depreciation of right-of-use assets (note 9)	**714,758**	861,366
Interest on lease liabilities	**109,651**	146,015
	824,409	1,007,381

18 - CONTINGENT LIABLITIES

The Company's bankers have issued payment guarantees, on behalf of the Company, amounting to SR 48.96 million (2021: SR 53.44 million).

19 - EARNINGS PER SHARE

	2022	*2021*
	SR	*SR*
Earnings per share attributable to ordinary shareholders	**1.54**	4.32
Profit for the year	**7,699,266**	21,618,486
Weighted average number of shares	**5,000,000**	5,000,000

20 - SEGMENT REPORTING

The Company operates solely in the Kingdom of Saudi Arabia and is organized into a single business unit based on its single stream of revenue i.e. sale of steel.

21 - RELATED PARTIES TRANSCATIONS AND BALANCES

The Company entered into transactions with related parties based on terms and conditions approved by the management of the Company.

Name	Relationship
Albawardi Group Holding Company (SCJSC)	Shareholder / Parent Company
M&A Albawardi Company	Affiliate / Previously Shareholder
Albawardi Building Materials Company	Affiliate
Albawardi Tools and Hardware Company	Affiliate
Albwardi Woodwork Industries	Affiliate

The significant transactions and the related approximate amounts are as follows:

	2022	*2021*
	SR	*SR*
a) Sales to related parties		
Albawardi Building Materials Company	**92,871,967**	16,654,903
Albawardi Tools and Hardware Company	**612,625**	1,194,710
b) Purchase from related parties		
Albawardi Building Materials Company	**72,665,297**	-
Albawardi Tools and Hardware Company	**122,671**	-
Albwardi Woodwork Industries	**12,500**	-
c) Employee benefits obligation transferred		
M&A Albawardi Company	**(13,856)**	9,961

21 - RELATED PARTIES TRANSCATIONS AND BALANCES(Continued)

d) Trade receivables from related parties comprised of the following (note 5):

	2022	2021
	SR	SR
Albawardi Building Materials Company	**8,890,179**	1,853,547
Albawardi Tools and Hardware Company	**1,353,078**	777,583
	10,243,257	2,631,130

Related parties balances bear no interest and are as per the standard credit terms. The Company has determined that balances with related parties are collectible and fully recoverable and that the financial position of the related entities is sound.

e) Compensation of key management personnel of the Company

Key management includes the Board of Directors (executive and non-executive) and all members of Company's top management. The Compensation paid or payable to key management for employee services is shown below:

	2022	2021
	SR	SR
Key management salary and allowances	**1,035,000**	1,035,000
Key management bonus and commission	**681,404**	457,479
Total key management compensation	**1,716,404**	1,492,479

22 - REVENUE FROM CONTRACTS WITH CUSTOMERS

DISAGGREGATED REVENUE INFORMATION

	2022	2021
	SR	SR
Type of goods or services		
Sale of goods	**374,111,230**	258,208,997
Type of customers		
Corporate customers	**374,111,230**	258,208,997
Credit terms		
Credit sales	**374,111,230**	258,208,997

PERFORMANCE OBLIGATION

Sale of goods:

The performance obligation is satisfied upon delivery of the goods and payment is generally due in advance or within 30 to 90 days from the date of delivery.

The ten largest customer revenue is approximately 44% (2021: 23%) of total revenue and outstanding trade receivables from the same customers approximately 49% (2021: 32%) of total balance.

23 - COST OF REVENUE

	2022	*2021*
	SR	*SR*
Material consumed	**320,895,264**	195,079,073
Salaries and employee benefits	**12,315,432**	11,734,769
Depreciation	**4,066,041**	4,544,617
Packing	**3,207,471**	1,951,536
Galvanising	**2,390,593**	2,030,429
Maintenance	**1,608,574**	1,469,521
Sub-contracting	**1,158,918**	458,422
Utilities	**990,342**	869,223
Insurance	**220,003**	300,398
Others	**755,416**	629,428
	347,608,054	219,067,416

24 - SELLING AND MARKETING EXPENSES

	2022	*2021*
	SR	*SR*
Transportation	**2,725,287**	2,658,373
Salaries and employee benefits	**1,941,564**	1,663,564
Commission	**959,830**	1,401,807
Depreciation	**265,963**	250,550
Others	**287,362**	317,551
	6,180,006	6,291,845

25 - GENERAL AND ADMINISTRATIVE EXPENSES

	2022	*2021*
	SR	*SR*
Salaries and employee benefits	**3,395,068**	4,813,738
Depreciation	**475,941**	487,004
Professional fees	**224,413**	555,033
Others	**530,709**	425,111
	4,626,131	6,280,886

26 - FINANCE COSTS

	2022	*2021*
	SR	*SR*
Interest on borrowings (note 11,12)	**7,033,728**	3,675,894
Interest on lease liabilities (note 17)	**109,651**	146,015
Interest on employee benefits obligations (note 15)	**138,773**	98,054
Others	**34,435**	25,473
	7,316,587	3,945,436

27 - EMPLOYEE BENEFITS AND DEPRECIATION INCLUDED IN THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2022	*2021*
	SR	*SR*
Included in cost of revenue:		
Employee benefits	**12,315,432**	11,734,769
Depreciation	**4,066,041**	4,544,617
Included in selling and marketing expenses:		
Employee benefits	**1,941,564**	1,663,564
Depreciation	**265,963**	250,550
Included in general and administrative expenses:		
Employee benefits	**3,395,068**	4,813,738
Depreciation	**475,941**	487,004

28 - ZAKAT PAYABLE

Basis for Zakat:

The Company is subject to zakat. Zakat is payable at 2.5% of the greater of the approximate zakat base and adjusted profit. The significant components of the zakat base under zakat regulation principally comprise shareholders' equity, provisions at the beginning of year, long-term borrowings and adjusted net income, less a deduction for the net book value of long-term assets.

The principal elements of the zakat base are as follows:

	2022	*2021*
	SR	*SR*
Non-current assets	**52,085,921**	55,861,889
Non-current liabilities	**30,979,834**	9,391,551
Opening shareholders' equity	**67,888,644**	61,029,124
Profit before zakat	**8,381,361**	22,618,486

The movement in the zakat payable is as follows:

	2022	*2021*
	SR	*SR*
1 January	**1,000,000**	-
Charge for the year	**682,095**	1,000,000
Payment	**(731,372)**	-
31 December	**950,723**	1,000,000

Zakat charged to profit or loss for the year ended 31 December are as follows:

	2022	*2021*
	SR	*SR*
Zakat for the year	**950,723**	1,000,000
Excess provision from prior year	**(268,628)**	-
	682,095	1,000,000

Status of certificates and assessments

The Company has submitted its zakat returns up to the year ended 31 December 2021.

29 - FINANCIAL INSTRUMENTS

29.1 Fair value measurements of financial instruments

The carrying amount of financial assets and financial liabilities is a reasonable approximation of fair value because of their short-term nature. As at the reporting date, the Company does not have any financial assets or financial liabilities measured at fair value.

29.2 Risk management of financial instruments

The Company's activities expose it to a variety of financial risks, credit risk, liquidity risk, market risk, currency risk and interest rate risk.

Credit risk:

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on its cash and cash equivalents and trade receivables as follows:

	2022	*2021*
	SR	*SR*
Cash at banks	**3,700,954**	4,355,262
Trade receivables	**83,031,633**	68,395,429
	86,732,587	72,750,691

The carrying amount of financial assets represents the maximum credit exposure.

Credit risk on receivables, due from related parties and bank balances is limited by:

- Cash balances are held with banks with sound credit ratings.
- Trade receivable are shown net of allowance for expected credit losses.

The Company manages credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures. The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis. The receivable balances are monitored with the result that the Company's exposure to bad debts is not significant.

The Company records an allowance for expected credit losses considering various factors including age of the receivable balances, financial condition of the customers, etc.

The Company has determined that balances with related parties are collectible and fully recoverable and that the financial position of the related entities is good.

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 the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities at the end of the reporting period of financial liabilities:

	31 December 2022			
	Carrying amount	**Less than 1 year**	**1 year to 5 years**	**More than 5 years**
	SR	**SR**	**SR**	**SR**
Financial liabilities:				
Trade payable	**77,789,638**	**77,789,638**	**-**	**-**
Short term borrowings	**49,574,050**	**49,574,050**	**-**	**-**
Term loan	**29,803,847**	**8,515,385**	**21,288,462**	**-**
Accruals and other liabilities	**5,673,091**	**5,673,091**	**-**	**-**
Dividend payable	**304,699**	**304,699**	**-**	**-**
Lease liabilities	**1,977,826**	**550,046**	**1,427,780**	**-**
	165,123,151	**142,406,909**	**22,716,242**	**-**

29 - FINANCIAL INSTRUMENTS(Continued)

29.2 Risk management of financial instruments(Continued)

Liquidity risk (Continued):

	31 December 2021			
	Carrying amount	Less than 1 year	1 year to 5 years	More than 5 years
	SR	SR	SR	SR
Financial liabilities:				
Trade payable	50,043,441	50,043,441	-	-
Short term borrowings	76,580,439	76,580,439	-	-
Accruals and other liabilities	7,015,307	7,015,307	-	-
Dividend payable	667,497	667,497	-	-
Lease liabilities	2,616,273	638,447	1,977,826	-
	136,922,957	134,945,131	1,977,826	-

Liquidity risk is managed by monitoring on a regular basis that sufficient funds from operations and banking and other credit facilities are available to meet the Company's future commitments.

Market Risk:
Market price risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices, such as foreign exchange rates and interest rates, and will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency Risk:
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that's not the Company's currency. The Company exposure to foreign currency risk is primarily limited to transactions in United State Dollars ("USD"). The Company's management believes that their exposure to currency risk associated with USD is limited as the Company's currency is pegged to USD. The fluctuation in exchange rates against other currencies is monitored on a continuous basis.

Interest Rate Risk
Interest rate risk is the exposure associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. Variable rate financial liabilities as at reporting date amounted to SR 81.35 million (2021 : SR 79.17 million).

An increase of 100 basis points in the interest rate would have increased finance cost for the year 2022 amounted to SR 813,500 (2021: SR 791,700).

Management monitors the changes in interest rates and manages its impact on the financial statements accordingly.

30 - EVENTS AFTER THE REPORTING PERIOD

The Capital Markets Authority Board has issued its resolution dated 2 November 2022 (corresponding to 8 Rabi al-Thani 1444) approving the Company's application for offering of 0.6 million shares representing 12% of the Company's share capital in the parallel market. The initial public offering started from 26 February 2023 till 2 March 2023 and it was successfully implemented. The date of official listing is 22 March 2023.

31 - DATE OF AUTHORIZATION

The financial statements of the Company for the year ended 31 December 2022 were authorized for issuance in accordance with directors resolution dated 30 March 2023.