WATANI IRON STEEL COMPANY
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

WATANI IRON STEEL COMPANY
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS AND
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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF WATANI IRON STEEL COMPANY

A SAUDI JOINT STOCK COMPANY

RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the WATANI IRON STEEL COMPANY (the "Company") as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

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

- The statement of financial position as at 31 December 2023;
- The statements of profit or loss and other comprehensive income for the year then ended;
- The statement of changes in equity for the year then ended;
- The statement of cash flows for the year then ended, and;
- The notes to the financial statements, comprising material accounting policies / other explanatory information.

BASIS FOR OPINION

We conducted our audit in accordance with Intenational Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent from the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF WATANI IRON STEEL COMPANY

A SAUDI JOINT STOCK COMPANY

RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

KEY AUDIT MATTERS (Continued)

Key Audit matters	How our audit addressed the key audit matters
Revenue Recognition	
The Company's revenues for the year ended 31 December 2023 amounted to 370,108,596 SR (2022: ٥٩٥,٦٤٢,٢٤٥ SR). Revenues are one of the essential indicators for measuring performance, and as a result there are inherent risks in the revenue recognition process. Given the materiality of the amount of revenue recognized as well as the risks inherent in the revenue recognition process, revenue recognition was considered as key audit matter. Please refer to the accounting policy related to revenue recognition in Note No. (3-15) and detailed Note No. (17) in the accompanying financial statements.	We have performed the following procedures: - Evaluate the appropriateness of the company's revenue recognition policy Based on International Financial Reporting Standard No. (15) "Revenues of contracts with customers"; - Evaluate the design and implementation of the internal control systems related to Management procedures over revenue recognition; - Examine the sales movement that occurred at the end of the year to assess whether the revenue was recognized in the correct period; - Performing a test of a sample of recorded revenue transactions and compared them with supporting documents to verify the existence of recorded revenue; - We performed analytical procedures; - We assessed the adequacy of disclosures used in the financial statements.

OTHER INFORMATION

Other information consists of the information included in the Company's 2023 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF WATANI IRON STEEL COMPANY

A SAUDI JOINT STOCK COMPANY

RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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's 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF WATANI IRON STEEL COMPANY (5 /5)

A SAUDI JOINT STOCK COMPANY

RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

For Al-Bassam & Co.

Ibrahim Ahmed Albassam
Certified Public Accountant
License No. 337
Riyadh: 29 Shabaan 1445H
Corresponding to: 10 March 2024

البسام وشركاؤه
محاسبون قانونيون
C.R.1010385804
License 520/11/323
Al-Bassam & Co.
Certified Public Accountants

WATANI IRON STEEL COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment	5	**273,896,231**	264,744,092
Intangible assets	6	**25,944,262**	25,944,262
Projects under construction	7	**2,374,024**	-
Total non-current assets		**302,214,517**	290,688,354
Current assets			
Inventory	8	**63,541,537**	67,818,728
Prepayments and other debit balances	9	**4,284,157**	5,258,101
Balances at banks		**9,509,407**	11,863,798
Total current assets		**77,335,101**	84,940,627
Total assets		**379,549,618**	375,628,981
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**181,650,000**	121,100,000
Statutory reserve	11	**18,235,056**	18,235,056
Actuarial reserve		**884,018**	271,622
Retained earnings		**41,670,316**	97,975,471
Total equity		**242,439,390**	237,582,149
LIABILITY			
Non-current liabilities			
Employees' end-of-service benefits	13-2	**6,108,720**	5,625,963
Total non-current liabilities		**6,108,720**	5,625,963
Current liabilities			
Short-term borrowings	12	**91,156,636**	76,902,786
Trade payables		**32,776,071**	37,485,811
Accrued expense and other credit balances	14	**6,935,195**	16,735,595
Provision for Zakat	16-c	**133,606**	1,296,677
Total current liabilities		**131,001,508**	132,420,869
Total liabilities		**137,110,228**	138,046,832
Total equity and liabilities		**379,549,618**	375,628,981
Capital commitments and contingent liabilities	23		

Financial Manager	Executive Manager	Board of Directors Chairman
Mohammed Hamdi Ahmed	Yousuf Mohammed Al Tarif	Mishal Abdul Karim Al Rajhi

The accompanying notes 1 to 29 form an integral part of these financial statements

Watani Iron Steel Company
(A Saudi Joint Stock Company)
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2023	2022
Revenue	17	**370,108,596**	595,642,245
Cost of revenue	18	**(345,675,477)**	(524,268,463)
Gross profit		**24,433,119**	71,373,782
Selling and marketing expenses	19	**(764,556)**	(333,465)
General and administrative expenses	20	**(13,037,558)**	(14,420,844)
Operating profit		**10,631,005**	56,619,473
Finance cost	21	**(7,003,934)**	(7,097,885)
Other income, net	22	**751,380**	1,327,730
Net profit for the year before zakat		**4,378,451**	50,849,318
Zakat	16-b	**(133,606)**	(1,296,677)
Net profit for the year		**4,244,845**	49,552,641
Items of other comprehensive income:			
Items that will not be reclassified subsequently to the statement of profit or loss:			
Actuarial gain for employees' end-of-service benefits	13-2	**612,396**	801,178
Total comprehensive income for the year		**4,857,241**	50,353,819
Earning per share			
Basic and diluted earnings per share from net income for the year	24	**0.02**	0.27

Financial Manager	Executive Manager	Board of Directors Chairman
Mohammed Hamdi Ahmed	**Yousuf Mohammed Al Tarif**	**Mishal Abdul Karim Al Rajhi**

The accompanying notes 1 to 29 form an integral part of these financial statements

Watani Iron Steel Company
(A Saudi Joint Stock Company)
Statement of Changes in Equity
For the year ended 31 December 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Actuarial reserve	Retained earnings	Total
Balance at 1 January 2022		121,100,000	13,279,792	(529,556)	53,378,094	187,228,330
Net profit for the year		-	-	-	49,552,641	49,552,641
Transferred to statutory reserve	11	-	4,955,264	-	(4,955,264)	-
Other comprehensive income	13	-	-	801,178	-	801,178
Balance at 31 December 2022		121,100,000	18,235,056	271,622	97,975,471	237,582,149
Net profit for the year		-	-	-	**4,244,845**	**4,244,845**
Other comprehensive income	13	-	-	**612,396**	-	**612,396**
Increase in share capital through transfer from retained earnings	10	**60,550,000**	-	-	**(60,550,000)**	-
Balance **at 31 December 2023**		**181,650,000**	**18,235,056**	**884,018**	**41,670,316**	**242,439,390**

Financial Manager
Mohammed Hamdi Ahmed

Executive Manager
Yousuf Mohammed Al Tarif

Board of Directors Chairman
Mishal Abdul Karim Al Rajhi

The accompanying notes 1 to 29 form an integral part of these financial statements

Watani Iron Steel Company
(A Saudi Joint Stock Company)
Statement of Cash Flows
For the year ended 31 December 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2023	2022
Cash flows from operating activities			
Net profit for the year before Zakat		**4,378,451**	50,849,318
Adjustments for:			
Depreciation of property, plant and equipment	5	**19,905,337**	19,910,402
Losses / (Gain) from disposal property, plant and equipment	22	**24**	(14,960)
Finance cost	21	**7,003,934**	7,097,885
Current service cost for employees' end-of-service benefits	13-2	**965,779**	894,631
		32,253,525	78,737,276
Changes in:			
Inventory		**4,277,191**	(17,793,729)
Prepayments and other debit balances		**973,944**	2,419,293
Trade payables		**(4,709,740)**	10,043,079
Accrued expenses and other credit balances		**(9,800,400)**	(11,254,147)
Employees' end-of-service benefits paid	13-2	**(199,438)**	(77,606)
Zakat paid	16-c	**(1,296,677)**	(1,247,263)
Net cash generated from operating activities		**21,498,405**	60,826,903
Cash flows from investing activities			
Additions to property, plant and equipment	5	**(29,057,500)**	(1,981,352)
Additions to projects under construction	7	**(2,374,024)**	-
Proceed from the sales of property, plant and equipment		**-**	15,000
Net cash used in investing activities		**(31,431,524)**	(1,966,352)
Cash flows from financing activities			
Proceeds from short-term borrowings	12	**271,000,000**	237,700,000
Repayment of short-term borrowings	12	**(257,902,786)**	(237,926,248)
Repayment of long-term borrowings		**-**	(45,400,000)
Finance cost paid		**(5,518,486)**	(6,071,961)
Net cash generated from / (used in) financing activities		**7,578,728**	(51,698,209)
Net change in bank balances		**(2,354,391)**	7,162,342
Bank balances at beginning of the year		**11,863,798**	4,701,456
Bank balances at end of the year		**9,509,407**	11,863,798
Non-cash transactions from operating activities			
Write off the provision for impairment in the value of advance payments and other debit balances			-
Non-cash transactions from financing activities			
Increase in share capital through transfer from retained earnings	10	**(60,550,000)**	-
Depreciation of deferred interest and commissions from prepayments and other debit balances to Saudi Industrial Development Fund loan		**-**	3,100,000

Financial Manager	Executive Manager	Board of Directors Chairman
Mohammed Hamdi Ahmed	**Yousuf Mohammed Al Tarif**	**Mishal Abdul Karim Al Rajhi**

The accompanying notes 1 to 29 form an integral part of these financial statements

(All amounts in Saudi Riyals unless otherwise stated)

1. LEGAL STATUS AND OPERATIONS

Watani Iron Steel Company ("The Company") is a Saudi joint stock company. The Company initially commenced trading as limited liability on 23/8/1429H corresponding to 24/8/2008 and operates under the Companies Law in the Kingdom of Saudi Arabia under Commercial Registration No, 1010255409.

The company also operates under an industrial facility license issued by the Ministry of Industry and Mineral Resources entity no. 331389 with decision No. (451110133264) dated 25/6/1445H (corresponding to 7/1/2024). The activities of the company are represented in the manufacture of primary iron products in the form of blocks of substrates and waste after being melted, as well as the manufacture of sheets plates, strip coils, bar bars, wire corners, and clips of all shapes. The activities of the company, as stated in the By- Laws , are represented in practicing and implementing manufacturing industries.

On 11/7/1444H (corresponding to 2/2/2023), the company updated its By Laws and the legal form of the company was changed to become a Saudi joint stock company instead of a closed joint stock company.

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

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

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

The Company's Head Office is located at Al Hyt District, Al Kharj Old Street, P.O. Box 355355, Riyadh 11383, Kingdom of Saudi Arabia ("Saudi Arabia").

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

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

2. BASIS OF PREPARATION

2-1. Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and professional Accountant ("SOCPA"). (Hereinafter referred to as the International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia)

The new Companies Law issued by Royal Decree M/132 dated 12/1/1443H (corresponding to June 30, 2022) (hereinafter referred to as "the Law").
It came effective on 6/26/1444H (corresponding to January 19, 2023). For some article of the Law and in accordance with the By Laws, full compliance in application is expected no later than two years from 6/26/1444 AH (corresponding to January 19, 2023 AD). The By Laws were amended to align with the article of the new Companies Law, and on 11/17/1444H (corresponding to June 6, 202) the amended By Laws were presented to shareholders at the Extraordinary General Assembly meeting and approved.

2. BASIS OF PREPARATION (continued)

2-2. Measurement basis

These financial statements have been prepared in accordance with the historical cost principle, except for recognizing employees end-of-service benefits at the present value of future obligations using the projected unit credit method.

2-3. Presentation and Functional currency

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

2-4 New standards, amendments to standards and interpretations

2-4-1 New and amended IFRS standards issued and effective in the year 2023

The following amendments to standards relevant to the Company are effective for the annual periods beginning on or after January 1, 2023 (unless otherwise stated). The Company adopted these standards and / or amendments, however, there is no significant impact of these on the financial statements:

Amendments to standards	Description	Effective from accounting period beginning on or afte	Summary of amendment
IFRS 9 (Amendments to IFRS 4)	Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	January 1, 2023	The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
IFRS 17	Insurance Contracts and its amendments	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 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	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023	These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences
IAS 12	International tax reform (pillar two model rules)	January 1, 2023	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

2. BASIS OF PREPARATION (continued)

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

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

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

Amendments to standards	Description	Effective from accounting period beginning on or afte	Summary of amendment
IAS 1	Classification of liabilities as current or non-current	January 1, 2024	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right, and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of liability would not impact its classification.
IFRS 16	Leases on sale and leaseback	January 1, 2024	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024	These amendments require to add disclosure requirements to enhance transparency of supplier finance arrangements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.
IAS 21	Lack of Exchangeability	January 1, 2025	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

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

3. Significant accounting policies / policy information

The Company has applied the following accounting policies consistently to all periods presented in these financial statements, unless otherwise stated. In addition, the company adopted the disclosure of accounting policies (amendments to International Accounting Standard 1) as of January 1, 2023. The amendments require the disclosure of accounting policies (“that are significant”) instead of accounting policies that are (“significant”) and although the amendments It did not result in any changes in the accounting policy itself, but it does affect the accounting policy information that is disclosed in some cases. Below is a summary of the accounting policies applied by the company:

3-1 classification of assets and laiblities as current non-current

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

(a) it expects to realise the asset, or intends to sell or consume it, in the entity's normal operating cycle;
(b) it holds the asset primarily for the purpose of trading;
(c) it expects to realise the asset within twelve months after the reporting date; or
(d) the asset is cash or a cash equivalent, unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.

A liability is current when:

(a) it expects to settle the liability in the entity's normal operating cycle;
(b) it holds the liability primarily for the purpose of trading;
(c) the liability is due to be settled within twelve months after the reporting date;
(d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after reporting date.

The Company classifies all other liabilities as non-current.

3-2 Fair value measurement

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

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

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

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

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

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

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

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

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

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

3. Significant accounting policies/ policy information (continued)

3-2 Fair value measurement (continued)

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

3-3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, except for land and capital work-in-progress which are stated at cost and are not depreciated. Capital work-in-progress represents costs directly attributable to new projects in progress and are capitalized as property, plant and equipment when the project is completed. However, depreciation of these assets under construction begins when the asset is ready for use.

Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the company and the amount can be measured reliably.

Finance costs on borrowings to finance the construction of a asset, if any, are capitalized over the period of time required to complete and prepare the qualifying asset for use.

When the major components of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. All other repair and maintenance costs are recognized in the statement of profit or loss and other comprehsive income as incurred.

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

Description	Percentage
Buildings	4% to 20%
Machine and equipment	From 5% to 20%
Computers	25%
Vehicles	25%
Tools	From 14% to 20%
Furniture	From 14% to 25%

If there is an indication that there has been a significant change in the useful life or residual value of an item, future depreciation is revised to reflect the new estimates.

An item of property, plant and equipment and any significant part that is recognized initially is derecognised when it has been disposed of or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehsive income.

Items such as spare parts, auxiliary equipment and servicing equipment, if any, are recognized in accordance with this IFRS when they meet the definition of property, plant and equipment. Otherwise, these items are classified as inventory.

Capital works in process

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

3- Significant accounting policies/ policy information (continued)

3-4 Intangible assets

The intangible asset is initially recognized at cost equal to the fair value of the consideration paid at the time the asset was acquired. An intangible asset with an indefinite useful life is not amortised, but is tested annually for impairment. When an intangible asset is disposed of, the gain or loss on disposal is included in profit or loss and other comprehsive income.

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

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

The company has entered into an agreement with Saudi Electricity Company at 20 October 2010 to deliver electrical service with a capacity of 38 KV ampere in order to feed the factory and the company has incurred the cost of delivery of the electricity and also incurred licenses to use the electricity station. The station is build on the Watani Iron Steel Company's land and it is handover to Saudi Electricity Company for operation, and its mission is to deliver power continuously to the factory. Watani Iron Steel Company is an operator and must recognize the station as intangible assets.

3-5 Leases

Assets held through other leases are classified as operating leases which are not recognized in the company's statement of financial position. Operating lease payments under operating leases are charged to the statement of profit or loss over the term of the leases.

3-6 Impairment of non-financial assets

At each reporting date, the non-financial assets are reviewed to determine whether there is an indication that those assets have incurred an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of similar assets), is estimated and compared to its carrying amount. If the estimated recoverable amount is less the carrying amount is reduced to its estimated recoverable amount, and the impairment loss is recognized immediately in the statement of profit or loss and other comprehsive income.

Impairment occurs when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is greater than its fair value less costs of disposal and value in use.
The recoverable amount is sensitive to the discount rate used for the (discounted cash flow) model as well as expected future cash flows and the growth rate used for extrapolation purposes.

Similarly at each reporting date, inventory is assessed for any impairment by comparing the carrying amount of each inventory asset (or group of similar assets) to its selling price less costs to complete and sell. If there is a decrease on one of the inventory asset (or group of similar asset), its carrying amount is reduced to the selling price less the costs necessary to complete and sell, and the impairment loss is recognized immediately in the statement of profit or loss and other comprehsive income.

When the impairment loss entry is subsequently reversed, the carrying amount of the assets (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and selling, in the case of inventory), provided that the carrying amount does not increase in excess of the carrying amount that would have been determined had no impairment loss been recognized for those assets for the previous year. The reversal of the impairment loss is recognized immediately in the statement of profit or loss and other comprehensive income.

3- Significant accounting policies/ policy information (continued)

3-7 Inventory

Inventory includes finished goods, work in process, raw materials, and spare parts,

Work in process

Work in process inventories are the material that have been partially completed through production process. The cost of work in process includes the cost of raw materials, labor and appropriate general production overheads. The cost is determined using the weighted average method.

Spare parts

Spare parts inventory are the items that have been used to replace damaged equipments and tools. Spare parts costs include the purchase cost on weighted average basis

Raw materials

Raw material inventories are the materials that will be used in the production process to produce the finished goods. Raw material costs are the purchase cost of the materials measured using the weighted average method.

Finished Goods

Finished goods are the goods that have been completed from the production process but not yet sold to the customers. The finished goods are stated at cost or net realizable value whichever is lower. The cost is determined using the weighted average method.

The net realizable value consists of the estimated selling price during the normal course of business after deducting additional production costs for completion and selling and marketing expenses.
The company reviews the carrying value of the inventory regularly, and when needed, the stock is reduced to the net realizable value or provision for obsolete items is created if there is any change in the pattern of use and / or the physical shape of the related stock.

3-8 Cash and cash equivalents

Cash and cash equivalents include cash in banks and bank deposits that mature after three months or less, if any. It also includes bank overdrafts that are an integral part of the company's cash management and are likely to fluctuate from overdraft to positive balances.

3-9 Equity reserves

The share capital represents the nominal value of the shares that have been issued. Retained earnings include all current and prior period retained earnings. All transactions with the shareholders of the company are recorded separately within equity.

3-10 Cash dividends and non-cash dividends to shareholders

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

3-11 Borrowings

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

3- Significant accounting policies/ policy information (continued)

3-11 Borrowings (continued)

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

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

3-11-1 Borrowing costs

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

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

3-12 Employee benefits

3-12-1 Short-term obligations

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

3-12-2 Long-term employee benefits and other related obligations

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

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

Service Cost

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

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

Interest Cost

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

Re-Measurement Gains or Losses

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

3.Significant accounting policies / policy information (continued)

3-13 Zakat

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

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

3-13-1 Value added tax

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

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

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

3-14 Financial instruments

(1) Classification and measurement of financial assets and liabilities

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

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

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

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

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

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

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

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

3.Significant accounting policies / policy information (continued)

3-14 Financial instruments (continued)

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

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

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

Disposal

Financial assets

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

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

Financial liabilities

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

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

(2) Impairment of financial assets

The Financial assets measured at amortized cost comprise of accounts receivable, prepaid expenses, other current assets, due from related parties and cash and cash equivalents.

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

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

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

3.Significant accounting policies / policy information (continued)
3-14 Financial instruments (continued)
(2)Impairment of financial assets (continued)

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

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

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

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

3-15 Revenue recognition
Revenue is recognized at an amount that reflects the consideration that the entity expects to receive in exchange for transferring goods or services to customer. This is based on the principle that revenue is generated when a good is controlled or service is transferred to a customer. Revenue is measured at the fair value of the received or receivable, subject to contractually specified payment terms and excluding taxes or fees.

Revenue arrangements are evaluated based on specific criteria to determine whether the company is acting as principle or agent. The specific recognition criteria described below must be met before revenue is recognized. In the absence of specific criteria, the above policy will be applied, and the revenue is recorded as earned and accrual.

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

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

3.Significant accounting policies / policy information (continued)

3-15 Revenue recognition (continued)

Identify the contract with the customer

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

Identify the performance obligations

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

Determine the transaction price

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

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

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

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

There were no substantial modifications to the contracts during the year ended 31 December 2023.

Allocate the transaction price

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

3.Significant accounting policies / policy information (continued)

3-15 Revenue recognition (continued)

Revenue recognition

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

Revenue from contracts with customers

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

3-15-1 Sale of goods

Revenue is income arising from the sale of goods in the ordinary course of the Company’s activities, net of value added taxes, Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer. Revenue from sale of goods is recorded at the fair value of consideration received or receivable, net of returns and allowances and trade discounts.

3-16 Expenses

Cost of revenue

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

Selling and Marketing expenses

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

General and administrative expenses

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

3-17 Earnings per share

Basic earnings / (losses) per share

Basic earnings per share is calculated by dividing:

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

Diluted earnings / (losses) per share

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

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

3.Significant accounting policies / policy information (continued)

3-18 Foreign currency transactions and balances

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

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

3-19 Provisions

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

3-20 Contingent liabilities

All possible liabilities arising from past events whose existence will be confirmed only by the occurrence or non-occurrence one or more uncertain future events that are not under the full control of the company, or all current obligations arising from past events but not established for the following reasons: (1) there is no possibility that an outflow of resources embedded in the economic benefits will be required to settle the obligation, or (2) the obligation amount cannot be measured sufficient reliability; they all must be evaluated at each statement of financial position and disclosed in the company financial statements as possible liabilities.

3-21 Contingent assets

Contingent assets typically arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. An example of this is a lawsuit filed by the entity through legal procedures, the outcome of which is uncertain.

3-22 Segment reports

(a) Operational segment

An operating segment is a component of a company that relates its activities from which it derives revenues and incurs expenses, including revenues and expenses related to transactions with any other components of the company.
There are no operational sectors in the company, as the company's main activity is the manufacture of reinforcing steel and primary iron products in the form of blooks of substrates and waste after re-melting.

(b) Geographical segment

A geographical segment is associated with the provision of products or services in a specific economic environment that is subject to risks and rewards that differ from those of segments of business in other economic environments.
There are no geographical sectors for the company, as all revenues generated from the company's activities are made within the Kingdom of Saudi Arabia, and therefore there are no geographical sectors to be disclosed.

3-23 Climate-related matters

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

3.Significant accounting policies / policy information (continued)

3-23 Climate-related matters (continued)

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

- Useful life of property, plant and equipment. When reviewing the residual values and expected useful lives of assets, the Company considers climate-related matters, such as climate-related legislation and regulations that may restrict the use of assets or require significant capital expenditures.
- Impairment of non-financial assets. The value-in-use may be impacted in several different ways by transition risk in particular, such as climate-related legislation and regulations and changes in demand for the Company's products. Even though the Company has concluded that no single climate-related assumption is a key assumption for 2023. the Company considered expectations for increased demand for goods sold by the Company and cost increases due to stricter recycling requirements in the cash-flow forecasts in assessing value-in-use amounts.

4. Significant accounting estimates and assumption

In preparing these financial statements, management has used judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumption s are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which are the basis for making judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

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

4-1-1 Going concern

As of 31 December 2023, the Company's current liabilities exceeded its current assets by SAR 53,666,407 (31 December 2022: SAR 47,480,242), which was mainly due to borrowings amounting to SAR 91,156,636 as of 31 December 2023 (31 December 2022: 76,902,786). Despite the deficit in working capital, the Company has an operating cash flow of 21,498,405 Saudi riyals (31 December 2022: 60,826,903 SR) , which indicates the Company's ability to meet its obligations when they fall due. The Company's management also monitors cash management and liquidity risk analysis intensively and is certain about its ability to close the gap, accordingly, the attached financial statements have been prepared on a going concern basis, loans continue to be classified according to the original repayment terms (note 12).

4-1-2 Depreciation of property, equipment

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

4-2 Assumptions and estimation uncertainties

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

4. Significant accounting estimates and assumption (continued)

4-2 Assumptions and estimation uncertainties (continued)

4-2-1 Expected future free cash flows

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

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

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

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

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

As described in Note (5) and Note (6), the Company estimates the useful lives of property and equipment at the end of each annual reporting period. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

4-2-4 Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for termination benefits and exit costs, if any, also involve management’s judgment in estimating the expected cash outflows for severance payments and site closures or other exit costs. Provisions for uncertain liabilities involve management’s best estimate of whether cash outflows are probable.

4-2-5 Zakat and Tax provision

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

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

Management estimates the net realizable value of inventories, taking into account the most reliable evidence at the time of using the estimates and making an allowance for obsolete inventory. These estimates take into account changes in demand for goods, technological changes, and price and quality fluctuations. Accordingly, the Company takes into account these factors to calculate the allowance for obsolete, and damaged inventory.
Spare parts are valued at cost or net realizable value, whichever is lower. The allowance for obsolete and obsolete inventory, if any, is estimated at each reporting date.

(All amounts in Saudi Riyals unless otherwise stated)

5. Property, plant and equipment

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

Depreciation allocation as follows:	**31 December 2023**	31 December 2022
Cost of manufacturing	**19,717,457**	19,753,450
Selling and marketing expenses (note 19)	**743**	743
General and administrative expenses (note 20)	**187,137**	156,209
	19,905,337	19,910,402

(All amounts in Saudi Riyals unless otherwise stated)

5. Property, plant and equipment (continued)

	2022							
	Lands	**Buildings**	**Machine and equipment**	**Computer**	**Vehicles**	**Tools**	**Furniture**	**Total**
Cost								
Cost at 1 January 2022	9,691,100	34,046,708	344,981,857	1,568,053	2,092,854	639,654	1,917,373	394,937,599
Additions	-	-	1,791,247	30,429	-	67,138	92,538	1,981,352
Disposals	-	-	-	(92,401)	(261,040)	-	-	(353,441)
Balance end of the year	9,691,100	34,046,708	346,773,104	1,506,081	1,831,814	706,792	2,009,911	396,565,510
Accumulated depreciation								
As at 1 January	-	9,924,927	97,242,705	1,499,538	1,500,594	384,789	1,711,864	112,264,417
Depreciation for the year	-	1,674,614	17,894,703	27,741	162,024	76,379	74,941	19,910,402
Disposal	-	-	-	(92,368)	(261,033)	-	-	(353,401)
Balance end of the year	-	11,599,541	115,137,408	1,434,911	1,401,585	461,168	1,786,805	131,821,418
Net book value in								
31 December 2022	9,691,100	22,447,167	231,635,696	71,170	430,229	245,624	223,106	264,744,092

(All amounts in Saudi Riyals unless otherwise stated)

6. Intangible assets

	31 December 2023	31 December 2022
Electrical service delivery station	**25,908,637**	25,908,637
Engineering design programs	**35,625**	35,625
	25,944,262	25,944,262

* The intangible assets represented in the electrical service delivery station where the Company entered into an agreement with the Saudi Electricity Company on 12 Dhu al-Qi'dah 1431H corresponding to October 20, 2010, to deliver the electrical service to feed Watani iron and steel factory throughout the plant’s lifetime.
There is no specific useful life for intangible assets, and accordingly, the company annually conducts a test to ensure that there is no impairment in the value of the asset, and this evaluation resulted in the absence of evidence of an impairment in the value of intangible assets.

7. Project under construction

As of 31 December 2023, projects under construction amounting to SAR 2,374,024 represent a new branch under construction belonging to the company's main commercial register in the city of Riyadh, Al-Masfah district, to conduct new business that includes wholesale and retail of wood, cork, plastic products, metal blocks. The project is expected to be completed during the year 2024, and the construction costs will be capitalized under the company’s property, plant and equipment upon completion.

	31 December 2023	31 December 2022
Construction and industrial supplies	**1,588,478**	-
Construction and industrial works	**785,546**	-
	2,374,024	-

8. Inventory

	31 December 2023	31 December 2022
Raw material	**21,521,141**	14,342,287
Work in process	**18,414,646**	20,271,902
Spare parts and supplies	**17,657,081**	17,586,598
Finished goods	**5,948,669**	15,553,211
Goods in transit	**-**	64,730
	63,541,537	67,818,728

During 2023, SR 276,137,077 (2022: SR 441,863,323) was recognised as an expense for inventories carried at net realizable value. This is recognised in cost of revenues.

9. Prepayments and other debit balances

	31 December 2023	31 December 2022
VAT receivables	**2,879,931**	2,254,287
Advance to suppliers	**600,304**	2,060,844
Prepaid insurance expenses	**360,891**	730,361
Prepaid subscriptions	**202,679**	118,977
Prepaid rent	**202,000**	14,583
Advances to employees	**38,352**	79,049
	4,284,157	5,258,101

(All amounts in Saudi Riyals unless otherwise stated)

10. Share Capital

On 17 Dhul Qi'dah 1444H (corresponding to 6 June 2023), the Extraordinary General Assembly approved an increase in the company's capital by an amount of 60,550,000 SR from 121,100,000 SR to 181,650,000 SR, by granting one free share for every two shares owned by capitalizing 60,550,000 SR from the retained earnings. On 23/3/1445H (corresponding to 8/10/2023), The Extraordinary General Assembly approved the split of the company's shares so that the nominal value of the share after the amendment became 1 SR.

The table below shows the impact of the capital increase:

	Before the increase	Increase	After the increase
Share Capital	121,100,000	60,550,000	181,650,000

11. Statutory reserve

As at 31 December 2022, In accordance with Company's by-laws the Regulations for Companies in Kingdom of Saudi Arabia, the Company transferred 10% of its net profit for the year to a statutory reserve. This statutory reserve is not available for distribution to shareholders.

12. Borrowings

The company entered into a credit facility agreements with total amount of SR 115.5 million as the facility limits were rotated during the year to SR 271 million, and the outstanding balance is SR 90 million as of December 31, 2023 (2022: SR 76 million) with several local banks.It includes short-term loan facilities, financing participation and Murabaha contracts, and letter of credit facilities at variable Islamic Murabaha rates agreed upon with banks.

Some of these loans contain bank covenants, and a breach of these covenants may lead to renegotiation with lenders. These covenants are monitored on a periodic basis by the administration.In the event of a possible breach or breach of these pledges, measures are taken by the administration to ensure the fulfillment of these covenants. Failure to adhere to covenants has no impact on the company's financial statements as all remaining loans are in current liabikity as of December 31, 2023. The company has operating cash flows amounting to SR 21,498,404 during the year 2023 (2022: 60,826,903 Saudi riyals), which is an indication of the company's ability to fulfill its obligations when they are due.

The company provides guarantees for these credit facilities, represented by promissory note with a total amount of 122.7 million Saudi riyals.Below is a statement of the movement of short-term loans during the year that are due to be repaid during the year ending in:

	31 December 2023	31 December 2022
Balance at the beginning of the year	**76,902,786**	76,226,248
Proceeds during the year	**271,000,000**	237,700,000
Repayment during the year	**(257,902,786)**	(237,926,248)
Accrued finance cost	**1,156,636**	902,786
Balance end of the year	**91,156,636**	76,902,786

(All amounts in Saudi Riyals unless otherwise stated)

13. Employees' end of service benefits

General description

The law provides for post-employment benefits for all employees who complete a qualifying period of service and are entitled to receive amounts mentioned under the labor law for each year of this service. The annual provision is based on the actuarial valuation. The valuation was performed as of 31 December 2023, 31 December 2022 by an independent qualified actuary using the projected unit credit method.

13-1 Key actuarial assumptions

	31 December 2023	31 December 2022
	(percentage)	
Estimated rate of increase in employee salaries	**0%**	2%
Discount rate	**4.75%**	5.95%

13-2 The movement in the present value of defined benefit obligations

	31 December 2023	31 December 2022
Present value at the beginning of the year	**5,625,963**	5,486,978
Current Service Cost	**965,779**	894,631
Interest Cost (note 21)	**328,812**	123,138
Payments during the year	**(199,438)**	(77,606)
Actuarial gain through OCI	**(612,396)**	(801,178)
	6,108,720	5,625,963

The following is a statements of expected payments or contributions made to employees during the years :

	31 December 2023	31 December 2022
Less than a year	**398,646**	23,774
1-5 years	**2,284,548**	1,249,729
More than 5 years	**3,425,526**	4,352,460
	6,108,720	5,625,963

13-3 The sensitivity of the defined benefit obligation to changes in the weighted average of the key assumptions is:

	Change in assumption	**31 December 2023**	31 December 2022
Discount rate	1+%	**5,800,611**	5,250,118
	1-%	**6,451,384**	6,053,315
Long-term salaries	1+%	**6,496,335**	6,081,346
	1-%	**5,755,439**	5,218,700

14. Accrued expense and other credit balances

	31 December 2023	31 December 2022
Advances from customers	**3,881,372**	12,995,775
Employees' accruals	**1,898,267**	1,927,454
Board Remuneration	**989,500**	1,579,000
GOSI	**166,056**	147,921
Accrued consulting fees	**-**	81,000
Others	**-**	4,445
	6,935,195	**16,735,595**

(All amounts in Saudi Riyals unless otherwise stated)

15. Transaction and balances with related parties

A. Transactions with related parties

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

B. Key management

Transactions with key management personnel are represented in the salaries, bonuses, and allowances of the members of the board of directors, and executive management that took place during the year between the company and members of the board of directors, the members of the committees and the executive management.

The significant transactions with key management personnel are as follows:

	31 December 2023		31 December 2022	
	Board members and committees	**Executive management**	**Board members and committees**	**Executive management**
Remunerations of Board Members, Committees and Executive Management	**727,500**	**100,000**	1,280,000	200,000
Board and committee attendance allowances	**162,000**	**-**	99,000	-
Salaries, wages and equivalents	**-**	**2,772,500**	-	2,508,600
Bonuses	**-**	**-**	-	76,050
End of service	**-**	**201,200**	-	215,092
	889,500	**3,073,700**	1,379,000	2,999,742

All members of the Board of Directors, the Chairman of the Board, the Managing Director, the Secretary of the Board and the Executive Management waived their bonus for the second half of the year 2023 and agreed on the bonus of the first half of the year 2023 in order to support the company's financial position and achieve more financial solvency.

16. Zakat provision

A- Zakat base

The company submitted its assessments to the Zakat, Tax, and Customs Authority (“ZATCA”)until the year ended on December 31, 2022 and the company obtained a certificate from ZATCA valid until 21 Shawwal 1445H corresponding to 30 April 2024. The company also received a final assessment for the year 2017, and the company did not receive any zakat assessments for the years from 2018 to 2022.

(All amounts in Saudi Riyals unless otherwise stated)

16. Zakat provision (continued)

B- Zakat provision movement

	2023	2022
Net adjusted profit (A)	**5,344,231**	51,867,087
Adds:		
Share capital	**121,100,000**	121,100,000
Reserves (at the beginning of the year)	**18,506,678**	13,551,414
Retained Earning (at the beginning of the year)	**97,975,471**	53,378,094
Provisions	**1,898,267**	1,833,042
Other additions	**-**	-
Deducts		
Intangible assets	**(25,944,262)**	(25,944,262)
Net fixed assets	**(273,896,233)**	(264,744,092)
Other deductions	**-**	-
Zakat base (B)	**(55,015,848)**	(48,958,717)
Zakat 2.5% (of the adjusted net profit or the Zakat base, whichever is higher)	**133,606**	1,296,677
Zakat by 2.5% from net adjusted profit	**133,606**	1,296,677

C- Zakat provision movement

	2023	2022
Balance at the beginning of the year	**1,296,677**	1,247,263
Charged during the year	**(1,296,677)**	(1,247,263)
Paid during the year	**133,606**	1,296,677
Balance end of the year	**133,606**	1,296,677

17. Sales

	2023	2022
Steel Sales	**370,108,596**	595,642,245
	370,108,596	595,642,245

	2023	2022
At a point in time	**370,108,596**	595,642,245
Over Time	**-**	-
	370,108,596	595,642,245

18. Cost of sales

	2023	2022
Consumed material	**276,137,077**	441,863,323
Energy expenses	**22,931,641**	32,320,800
Depreciation of property, plant, and equipment	**18,350,601**	19,066,466
Salaries wages and equivalents	**18,253,537**	18,002,780
Maintenance and repairs ans spare parts	**8,379,408**	11,011,598
Other manufacturing costs	**1,623,213**	2,003,496
	345,675,477	524,268,463

(All amounts in Saudi Riyals unless otherwise stated)

19. Selling and marketing expenses

	2023	2022
Salaries, wages and equivalents	**555,698**	308,058
Shipping and transportation	**145,940**	1,000
Depreciation (note 5)	**743**	743
Others	**62,175**	23,664
	764,556	333,465

20. General and administrative expenses

	2023	2022
Salaries, wages, and equivalents	**9,877,994**	9,380,160
Board of directors' remuneration	**989,500**	1,579,000
Professional and consulting fees	**965,723**	1,790,220
Transportation and transfer	**83,443**	135,450
Medical insurance	**242,312**	182,480
Depreciation (note 5)	**187,137**	156,209
Electricity, water, and communication	**177,634**	589,772
Subscription and charges	**139,265**	112,597
Hospitality	**33,747**	47,539
Bank charges	**10,216**	6,588
Others	**330,587**	440,829
	13,037,558	14,420,844

21. Finance cost

	2023	2022
Local bank loan	**6,675,122**	3,874,747
Interest on employees' end-of-service benefits (note 13-2)	**328,812**	123,138
Interest on loan from SIDF	**-**	3,100,000
	7,003,934	7,097,885

22. Other revenue, net

	2023	2022
Sales of production waste	**751,404**	1,312,770
(Losses) / gain from disposal of property plant and equipment	**(24)**	14,960
	751,380	1,327,730

23. Capital commitment and contingent liabilities

A) Capital Commitment

There is no capital commitment for the company on 31 December 2023.

B) Contingent liabilities

There is no contingent liabilities for the company on 31 December 2023.

C) Contingent assets

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

(All amounts in Saudi Riyals unless otherwise stated)

24. Basic and diluted earnings per share

Diluted earnings per share is calculated by dividing the profit for the year attributable to shareholders of the company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares, the impact of share increase taken retroactively

	2023	2022 (restated)
Net profit attributed to ordinary share holders	**4,244,845**	49,552,641
Estimated average of number of issued ordinary shares	**181,650,000**	181,650,000
	0.02	0.27

25. Segment reporting

The main activity of the company is the manufacture of rebar and iron primary products in the form of billets from substrates and waste after remelting them. The company's foreign sales did not achieve any of the quantitative limits referred to in International Financial Reporting Standard No. (8) "Operational Segments".

26. Financial instruments and risk management

The Company's principal financial liabilities include borrowing, trade and other credit balances, due to related parties, and loans. The Company's principal financial assets consist of cash and bank balances, trade receivables, prepayments and other debit balances, and due from related parties. The main financial risks arising from the company's financial instruments are market risk, credit risk, liquidity risk, currency risk and concentration risk. Management reviews and conforms to policies to manage these risks.

26-1 Financial Assets

	2023	2022
Financial assets at amortised cost:		
Prepayments and other debit balances	**38,352**	79,049
Balances at banks	**9,509,407**	11,863,798
	9,547,759	11,942,847

26-2 Financial Liabilities

	Effective interest rate	**Maturity**	**2023**	2022
Short-term borrowings	Note 12	Less than 1 year	**91,156,636**	76,902,786
Trade payables	Interest free	Less than 1 year	**32,776,071**	37,485,811
Accrued expense and other credit balances	Interest free	Less than 1 year	**3,053,823**	3,739,820
			126,986,530	118,128,417

26-3 Market risk

It is the risk of fluctuation in a financial instrument due to changes in prices prevailing in the market, such as foreign exchange rates and interest rates, which affects the company's income or the value of its financial instruments. Market risk management aims to manage and control exposure to market risk within acceptable limits while maximizing returns. There has been no change in the company's exposure to market risks or the way in which these risks are managed and how they are measured.

26-3-1 Interest rate risk

Interest rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the company's financial position and cash flows. The company is exposed to interest rate risk on its interest-bearing assets and liabilities, which mainly consist of bank facilities and loans.

(All amounts in Saudi Riyals unless otherwise stated)

26. Financial instruments and risk management (continued)

26-3 Market risk (continued)

26-3-1 Interest rate risk (continued)

Management limits interest rate risk by monitoring changes in interest rates. Management monitors changes in interest rates and believes that the cash flow and interest rate risks to the fair value of the group are not significant. Companuy's receivables and payables carried at amortized cost are not subject to interest rate risk as defined in IFRS7 as the carrying amount or future cash flows will not change due to changes in market interest rates. Thus, the company is not exposed to fair value interest rate risk.

The company's exposure to changes in interest rates is as follows:

	2023	2022
Variable interest rate loans	**91,156,636**	76,902,786

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

Sensitivity analysis

The following table shows the sensitivity of income to reasonably possible changes in interest rates, with other variables held constant, there is no direct impact on the equity of the company.

	Statement of Profit and loss and Other Comprehensive Income			
	2023		**2022**	
	100 points more	**100-points discount**	100 points discount	100-points more
Variable interest rate loans	**9,115,664**	**(9,115,664)**	**7,690,279**	**(7,690,279)**
Changes in cash flow	**9,115,664**	**(9,115,664)**	**7,690,279**	**(7,690,279)**

There is no effect on the statement of equity

26-3-2 Currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates, foreign currency risk arises when future commercial transactions, assets and liabilities are recognized in a currency other than the Saudi Riyal. . The company's exposure to foreign currency risk is mainly limited to Euro, Bahraini Dinar, United Arab Emirates Dirham, and US dollar transactions. The company's management believes that its exposure to foreign currency risk is limited as the Saudi riyal is pegged to the US dollar, AED, and BHD. Fluctuations in the Euro exchange rates are monitored on an ongoing basis.

As at 31 December 2023, the company has no outstanding balance in foreign currenct other than US dollar.

26-4 Credit risk

It is the risk that one party will not be able to fulfill its obligations, causing financial losses to the other party. The company does not have significant concentration of credit risk. Cash and cash equivalents are deposited with local banks with high credit ratings. Trade and other receivables are mainly due from customers in the local market and are shown at their estimated collectible value. The company has policies in place to reduce its exposure to credit risk. The book value of the financial assets represent the maximum credit risk.

The following is the credit rating of the banks that the company deals with and their balance as on December 31:

Credit rating	**2023**	2022
A1	**2,051,621**	1,209,414
A2	**4,922,815**	10,391,968
A3	**2,534,971**	262,416
	9,509,407	11,863,798

(All amounts in Saudi Riyals unless otherwise stated)

26.Financial instruments and risk management (continued)

26-5 Liquidity risk

It is the risk that the company will encounter difficulties in obtaining the necessary financing to meet obligations associated with financial instruments. Liquidity risk may arise when the inability to sell a financial asset quickly at a value close to its fair value. Liquidity risk is managed through regular monitoring of the adequacy of liquidity available to meet the company's financial obligations. The company's approach to managing liquidity is to ensure that it has sufficient liquidity to meet its liabilities when due, under normal and established conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The following table summarizes the company's financial liabilities in the related maturity companies based on the remaining period at the balance sheet date and up to the contractual maturity date. The amounts shown in the table are the contractual undiscounted cash flows.

31 December 2023	Carrying amount	Less than a year	1-5 years	More than 5 years
Short-term Borrowings	**91,156,636**	**91,156,636**	**-**	**-**
Trade payables	**32,776,071**	**32,776,071**	**-**	**-**
Accrued expense and other credit balances	**6,935,195**	**6,935,195**	**-**	**-**
	130,867,902	**130,867,902**	**-**	**-**

31 December 2022	Carrying amount	Less than a year	1-5 years	More than 5 years
Short-term Borrowings	76,902,786	76,902,786	**-**	**-**
Trade payables	37,485,811	37,485,811		
Accrued expense and other credit balances	16,735,595	16,735,595	**-**	**-**
	131,124,192	131,124,192	**-**	**-**

(All amounts in Saudi Riyals unless otherwise stated)

26.Financial instruments and risk management (continued)

26-6 Capital risk management

The company's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital used to maintain the company's ability to continue operating as a going concern so that it can provide returns to shareholders and benefits to other stakeholders. The company monitors its capital base using the net dept to equity ratio. Net dept is calculated as loans less bank balances.

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

	2023	2022
Borrowings	**91,156,636**	76,902,786
Less:		
Balances at banks	**(9,509,407)**	(11,863,798)
Net dept	**81,647,229**	65,038,988
Total equity attributable to the company's shareholders	**242,439,390**	237,582,149
Net dept to equity ratio	**33.7%**	27.4%

26-7 Commodity price risk

It is the risk associated with changes in the prices of certain commodities, which the company is exposed to from an undesirable effect on the company's costs and cash flows. This risk in commodity prices arises from the expected purchases of some goods from the raw materials that the company uses.
The sensitivity of the commodity prices to reasonably possible changes in rates by 5 . thers is no direct impact on the company’s equity

26-8 Fair value

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

- The first level: prices traded in active markets for the same assets or liabilities.
- The second level: Other valuation methods in which the minimum essential data are observable, directly or indirectly, to measure the fair value.
- The third level: other valuation methods in which there are minimal essential data that are not observable to measure the fair value.

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

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

(All amounts in Saudi Riyals unless otherwise stated)

26. Financial instruments and risk management (continued)

26-8 Fair value (continued)

The following tables show the carrying value and fair value of the financial assets and financial liabilities of the company, including levels of the fair value hierarchy, for financial assets and liabilities that are not measured at fair value and have a short-term maturity, it is assumed that the book value approximates its fair value and therefore it does not include fair value information for these financial instruments. It includes cash and cash equivalents, trade receivables, prepayments and other assets, loans, trade and other credit balances.

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

	Carrying value			Fair value			
As at 31 December 2022	**Financial assets at FVTOCI**	**Amortized cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets							
Prepayments and other debit balances	--	79,049	79,049	--	--	--	--
Balances at banks	--	11,863,798	11,863,798	--	--	--	--
	--	11,942,847	11,942,847				
Financial liabilities							
Short-term Borrowings	--	76,902,786	76,902,786	--	--	--	--
Trade payables	--	37,485,811	37,485,811	--	--	--	--
Accrued expense and other credit balances	--	16,735,595	16,735,595	--	--	--	--
	--	131,124,192	131,124,192	--	--	--	--

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

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

(All amounts in Saudi Riyals unless otherwise stated)

28. Reclassification of comparative year

The following is the reclassification of the balances for the fiscal year ending on 31 December 2022 as follows:

28-1 Statement of Profit and loss and Other Comprehensive Income

Account	Balance before reclassification	Reclassification Debit / (credit)	Balance after reclassification	Comment
General and administrative expenses	14,543,982	(123,138)	14,420,844	Reclassifying the interest cost for employees' end-of-service benefits charged to the salaries, wages, and related cost account within the general and administrative expenses account to the finance costs item in the statement of profit or loss.
Finance cost	6,974,747	123,138	7,097,885	

28-2 Statement of Cash flow

Account	Balance before reclassification	Reclassification Debit / (credit)	Balance after reclassification	Comment
Interest cost for employees' end-of-service benefits	123,138	(123,138)	-	Reclassifying the interest cost of employees' end-of-service benefits into the finance cost.
Finance cost	6,974,747	123,138	7,097,885	

29. Approval of the financial statements

The financial statements for the year ended on 31 December 2023 were approved by the Company's Board of Directors on 23 Shaaban 1445H corresponding to 4 March 2024.