

**NATIONAL METAL MANUFACTURING AND
CASTING COMPANY (MAADANIYAH)**
(A SAUDI JOINT STOCK COMPANY)

**FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT FOR THE YEAR ENDED
DECEMBER 31, 2021**

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
National Metal Manufacturing and Casting Company ("MAADANIYAH")
Joint Stock Company
Jubail Industrial City - Kingdom of Saudi Arabia.

Opinion

We have audited the financial statements of National Metal Manufacturing and Casting Company ("MAADANIYAH") (a Saudi Joint Stock Company) ("the Company") which comprise the statement of financial position as at December 31, 2021 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics 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 for the year ended December 31, 2021. 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.

Impairment of non-current assets	
Refer to note (3v) for the accounting policy and note 5 for the related disclosure.	
Key audit matter	How the matter was addressed in our audit
<p>Due to the continuous operating losses of relevant Cash Generating Units (CGUs) of the Company, the management has carried out an impairment exercise in line with the requirements of "IAS 36 – Impairment of assets", in which the recoverable amount was determined based on value-in-use derived from discounted cash flow model. The management determined that no impairment of non-current assets was required to be recorded during the year as the recoverable amount was higher than the carrying value of respective CGUs as at December 31, 2021.</p> <p>We considered the impairment of non-current assets as a key audit matter due to the significant judgments and estimates involved in the impairment assessment process.</p>	<p>Our audit procedures to assess impairment of non-current assets included the following:</p> <ul style="list-style-type: none"> - Assessed the methodology adopted by management to determine recoverable amount based on value in use of the relevant CGUs in line with the requirements of relevant accounting standards; - Tested the arithmetical accuracy of the assessment; - Evaluated the appropriateness of the assumptions applied to key inputs such as sales volumes and prices, operating costs, discount rates and long-term growth rates based on our knowledge of the Company; - Assessed the accuracy and completeness of the information produced by management, which was used for the basis of the impairment assessment; - Assessed the adequacy of the Company's disclosures in the financial statements including disclosures of key assumptions and judgements.

Valuation of inventories	
Refer to note 3(viii) for the accounting policy and note 10 for related disclosures.	
Key audit matter	How the matter was addressed in our audit
<p>The inventory as at December 31, 2021 amounted to SR 94,712,229 constitute around 19% of the total assets of the Company.</p> <p>Inventories are stated at lower of cost or net realisable value. At each reporting date, management reviews the valuation of inventories and writes down the cost of inventories that are forecasted to be sold below cost.</p> <p>We considered this as a key audit matter due to the significant judgments and key assumptions applied by the management in determining the allowance for slow moving inventories and the level of inventories write down required based on the net realizable value assessment.</p>	<p>Our audit procedures to test / assess valuation of inventories included the following:</p> <ul style="list-style-type: none"> - Assessed the appropriateness of the Company's accounting policies for recognition and measurement of inventories in line with the requirements of applicable accounting standards; - Assessed the design and implementation of the Company's relevant controls around recognition and measurement of inventories; - Tested the net realisable value of finished goods inventories on sample basis by comparing with their costs; - Obtained the aging of inventory as at the reporting date and assessed the adequacy of allowance/write offs for slow moving and obsolete inventory; - Assessed the adequacy of the disclosure in the Company's financial statements as per the applicable accounting standard.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Company (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will 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.

When we read the Annual Report of the Company, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and Those Charged with Governance ("TCWG") for the financial statements

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

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

Those Charged with Governance, in particular 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 the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's responsibilities for the audit of the financial statements (continued)

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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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.

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 Dr. Mohamed Al-Amri & Co.



Maher T. Al-Khatib
Certified Public Accountant
Registration No. 514

March 30, 2022 G
Sha'aban 27, 1443 H



NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021
Expressed in Saudi Riyal

ASSETS

	Note	2021	2020
Non- current assets			
Property, plant and equipment	5	165,524,186	178,134,761
Right-of-use assets	6	3,210,334	3,961,242
Intangible assets	7	1,049,767	2,930,944
Investment property	8	1,833,004	2,034,156
Equity instruments designated at fair value through other comprehensive income (FVOCI)	9	3,750,000	3,750,000
Total non-current assets		175,367,291	190,811,103
Current assets			
Inventories	10	94,712,229	105,574,774
Trade receivables	11	78,553,408	76,213,204
Prepayments and other receivables	12	6,492,011	5,364,602
Cash and cash equivalents	13	147,535,355	36,592,319
Total current assets		327,293,003	223,744,899
TOTAL ASSETS		502,660,294	414,556,002

EQUITY AND LIABILITIES

Equity

Share capital	14	354,000,000	281,120,890
Statutory reserve	15	27,173,232	27,173,232
Accumulated losses		(29,375,136)	(40,156,992)
Total equity		351,798,096	268,137,130

Non-current liabilities

Lease liabilities	6	2,941,097	3,557,290
Long term loans	16	16,815,334	47,167,334
Employees benefits obligations	17	34,138,009	28,015,614
Total non-current liabilities		53,894,440	78,740,238

Current liabilities

Trade and other payables	18	25,246,114	23,815,644
Lease liabilities – current portion	6	611,312	573,321
Long term loans - current portion	16	22,400,000	16,700,000
Short term loans	19	-	5,000,000
Accrued and other liabilities	20	44,070,332	16,409,669
Zakat provision	21	4,640,000	5,180,000
Total current liabilities		96,967,758	67,678,634
Total liabilities		150,862,198	146,418,872
TOTAL EQUITY AND LIABILITIES		502,660,294	414,556,002

The accompanying notes from 1 to 37 form an integral part of these financial statements.

Finance Manager



CEO



Chairman



NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021
Expressed in Saudi Riyal

	Note	2021	2020
Revenue	22	227,017,605	205,962,102
Cost of sales	23	(213,785,887)	(203,960,097)
Gross profit		13,231,718	2,002,005
Selling and distribution expenses	24	(13,132,772)	(12,774,788)
General and administrative expenses	25	(17,945,100)	(18,790,373)
Allowance for expected credit losses	11	(4,949,824)	(2,735,505)
Other income, net	26	1,205,886	796,715
Operating loss		(21,590,092)	(31,501,946)
Finance cost		(3,217,123)	(3,633,647)
Loss before zakat		(24,807,215)	(35,135,593)
Zakat expense	21	(4,322,865)	(5,678,991)
Loss for the year		(29,130,080)	(40,814,584)
Other comprehensive (loss) / income			
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement (loss) / gain on employees benefit obligations	17	(2,675,954)	440,847
Total comprehensive loss for the year		(31,806,034)	(40,373,737)
Loss per share	30		(restated)
- Basic and diluted		(0.98)	(1.38)

The accompanying notes from 1 to 37 form an integral part of these financial statements.

Finance Manager



CEO



Chairman

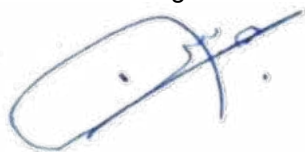


NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021
Expressed in Saudi Riyal

	<u>Note</u>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Accumulated losses</u>	<u>Total equity</u>
Balance at January 01, 2020		281,120,890	27,173,232	216,745	308,510,867
Loss for the year		-	-	(40,814,584)	(40,814,584)
Other comprehensive income	17	-	-	440,847	440,847
Total comprehensive loss for the year		-	-	(40,373,737)	(40,373,737)
Balance at December 31, 2020		281,120,890	27,173,232	(40,156,992)	268,137,130
Reduction of share capital to absorb accumulated loss	1	(47,120,890)	-	47,120,890	-
Right issue	1	120,000,000	-	-	120,000,000
Right issue cost		-	-	(4,533,000)	(4,533,000)
		72,879,110	-	42,587,890	115,467,000
Loss for the year		-	-	(29,130,080)	(29,130,080)
Other comprehensive loss	17	-	-	(2,675,954)	(2,675,954)
Total comprehensive loss for the year		-	-	(31,806,034)	(31,806,034)
Balance at December 31, 2021		354,000,000	27,173,232	(29,375,136)	351,798,096

The accompanying notes from 1 to 37 form an integral part of these financial statements.

Finance Manager



CEO



Chairman

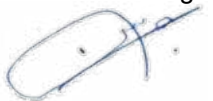


NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
Expressed in Saudi Riyal

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before zakat		(24,807,215)	(35,135,593)
Adjustments for non – cash items to reconcile loss before zakat to net cash flows			
Depreciation of property, plant and equipment	5	14,996,035	15,576,628
Depreciation of right-of-use assets	6	750,908	750,908
Depreciation of investment property	8	201,152	201,152
Amortization of intangible assets	7	1,881,177	1,881,177
Finance cost		3,217,123	3,633,647
(Reversal) / allowance for slow moving inventories	10	(2,262,517)	6,969,147
Write down of inventories to net realizable value		-	2,431,633
Allowance for expected credit losses	11	4,949,824	2,735,505
Loss from disposal of property, plant and equipment	26	229,363	12,904
Provision for employees' end of service obligations	17	4,196,309	3,397,417
		3,352,159	2,454,525
Working capital changes			
Inventories		13,125,062	6,957,698
Trade receivables		(7,290,028)	25,019,715
Prepayments and other receivables		(1,127,409)	1,781,845
Trade and other payables		1,430,470	9,860,900
Accrued and other liabilities		27,727,736	3,218,461
Cash generated from operations		37,217,990	49,293,144
Zakat paid	21	(4,862,865)	(6,048,991)
Employees' end of service benefits paid	17	(749,868)	(1,806,443)
Net cash generated from operating activities		31,605,257	41,437,710
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	5	(2,634,823)	(9,729,710)
Proceeds from disposal of property, plant and equipment		20,000	107,811
Net cash used in investing activities		(2,614,823)	(9,621,899)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of short term loans		(53,880,225)	(48,761,181)
Proceeds from short term loans		48,880,225	40,517,531
Repayment of long term loans		(24,652,000)	(10,800,000)
Proceeds from long term loans		-	7,893,126
Finance cost paid		(3,070,335)	(3,072,441)
Repayment of lease liabilities	6	(792,063)	(696,563)
Proceeds from right issue of shares, net of cost		115,467,000	-
Net cash generated from / (used in) financing activities		81,952,602	(14,919,528)
Net change in cash and cash equivalents		110,943,036	16,896,283
Cash and cash equivalents at January 1,		36,592,319	19,696,036
Cash and cash equivalents at December 31,	13	147,535,355	36,592,319

The accompanying notes from 1 to 37 form an integral part of these financial statements.

Finance Manager



CEO



Chairman



NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
Expressed in Saudi Riyal

1. ORGANIZATION AND ACTIVITIES

National Metal Manufacturing and Casting Company (MAADANIYAH) ("the Company") was incorporated pursuant to Council of Ministerial Resolution Number 253 dated 13 Rabi 'I, 1411-H corresponding to October 2, 1990G and registered as a Saudi Joint Stock Company under Commercial Registration Number 2055002251 dated 16 Jumada 'I, 1411-H corresponding to December 3, 1990 G issued in Al Jubail. The registered office of the Company is situated in Al-Jubail, Kingdom of Saudi Arabia. As of December 31, 2021, the Company has the following branches:

Branch name	Commercial Registration Number	Date
Axles, Foundries and Spare Parts Factory	2050016156	29/5/1406-H
Wire Drawing and Related Products Factory (ASLAK)	2055013867	25/8/1432-H
Branch of National Metal Manufacturing and Casting Company (MAADANIYAH)	1010389002	25/11/1434-H
Gulf Baas Industries	2050116884	04/11/1439-H

The financial results of these branches are included in these financial statements. The Company and its branches objectives are as follows:

- Manufacturing of drawn steel wire rod, pre-stressed concrete steel wire strand (PC strand), spring wire, mattress spring wire, strengthening wire strand for electrical power and high and low galvanized steel wire, fasteners, nails, bolts and welding wire.
- Manufacturing of metal castings of various types.
- Manufacturing of axles, various qualities of suspensions and spare parts for trucks, vehicles and equipment.
- Wholesale and retail trade in the Company's products, building materials, industrial materials, including the import and export.
- Ownership of land and property and constructing buildings thereon.
- Ownership of patents and benefiting from them to achieve industrial objectives inside and outside the Kingdom of Saudi Arabia.
- Commercial agencies and representation of local or foreign companies inside and outside the Kingdom of Saudi Arabia.
- Tenders and contracting business.
- Construction of industrial, service and commercial projects inside and outside the Kingdom of Saudi Arabia.

New Projects

- On November 29, 2021 , a new company has been registered with CR number 149926 issued in Bahrain under the name PC Strand Bahrain CO.WLL. The issued capital of the said company is 20,000 Bahrain Dinar which is yet to be paid by the Company. The activities of this Company will be to manufacture / trade steel wire strand (PC strand) products. As at December 31, 2021, the company is yet to commence its operation and has no assets and liabilities.

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
Expressed in Saudi Riyal

1. ORGANIZATION AND ACTIVITIES (CONTINUED)

- The Board of Directors of the Company, in its meeting held on October 3, 2021, has approved the cancellation of MoU signed with Valco Group to establish a factory / plant specialized in manufacturing valves used in Oil, Gas & Petrochemical due to the lack of an agreement between the two parties. The said MoU was signed on May 01, 2016. Now the project is 100% owned by the Company. The Company will run this project through its branch, Gulf Baas Industries (Baas). On December 28, 2021, the Company, Baas and Valvospain Solutions and Licenses S.L. (Valvospain) (a Spanish company) have entered into "License and Technology Transfer Agreement" as per which Valvospain will technically support Baas with the design for the operations of the plant by virtue of transferring technological know-how, industrial knowledge, trade database and licensing the rights to use its brand names. The expected date of completion of this project is first quarter of 2023.
- On February 28, 2021, the Company has signed a Memorandum of Understanding (MOU) with IGL Group to establish a plant for Aluminum Foundry, as part of the Company's plans to develop its projects. The duration of MOU was initially six months from the date of signing which was subsequently extended till end of August 2022.

Capital restructure

On February 28, 2021, the Board of directors has resolved to set off accumulated losses against share capital equivalent to an amount of 7.4% of share capital subject to regulatory approvals and the approval of shareholders. At the same meeting, the Board of directors has also resolved to increase the share capital of the Company by a way of a right issue amounted to SR 120 million subject to regulatory approvals and the approval of shareholders. On March 29, 2021, the Board of directors has amended the above resolution to increase the amount of accumulated losses to be set off up to 14.28% of the share capital subject to regulatory approvals and the approval of shareholders. On May 24, 2021, the Board of directors has amended the above resolution to increase the amount of accumulated losses to be set off up to 16.76 % of the share capital subject to regulatory approvals and the approval of shareholders. In accordance with the aforesaid Board resolution, the management had submitted relevant documents to the Capital Market Authority ("CMA") for approval. On September 14, 2021, CMA has announced its resolution approving the Company's request to reduce its capital from SR 281,120,890 to SR 234,000,000 by reducing the number of shares from 28,112,089 shares to 23,400,000 shares. In addition, CMA has also issued its resolution approving the Company's request of increase in its capital by way of right issue amounted to SR 120,000,000 subject to approval of the Company's shareholders and completion of the necessary procedures in relation to the applicable regulations.

On November 23, 2021, the Extra Ordinary General Assembly Meeting (EGA) was conveyed in which the shareholders have approved the reduction of share capital of the Company from 281,120,890 to SR 234,000,000 by offsetting SR 47,120,890 with the accumulated losses of the Company. Further the shareholders, in the same meeting, have approved the increase of share capital of the Company by way of right issue amounted to SR 120,000,000. The share issuance and deposit procedures have been completed within the year ended December 31, 2021.

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
Expressed in Saudi Riyal

2. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”).

(b) Basis of measurement

These financial statements have been prepared on historical cost basis except for employees benefit obligations and investment in equity instruments designated at FVOCI which are measured at present value using the Projected Unit Credit Method and at fair value, respectively.

(c) Functional and presentation currency

These financial statements are presented in Saudi Riyals (SR) which is also the functional currency.

(d) Use of judgments and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company’s accounting policy and the reported amounts of assets, liabilities, income, expenses, the accompanying disclosures and the disclosure of contingent liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Judgements

The Company has made judgements in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements in the following areas:

- determining the lease term of contracts with renewal and terminations option [note 3 (ii)];
- determination of reportable operating segments [note 3 (xvi)]

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that may have a significant risk of resulting in a material adjustment in the year ended December 31, 2021 are included in the following accounting policies:

- useful life of property plant and equipment [note 3 (i)];
- impairment of non-current assets: assumptions and estimates used to determine the recoverable amount [note 3 (v)];
- Expected credit loss - trade receivables [note 3 (vi)];
- net realizable value of inventory [note 3 (viii)];
- measurement of defined benefit obligations: key actuarial assumptions [note (x)];
- Provision for zakat [note 3 (xv)].

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
Expressed in Saudi Riyal

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted and consistently applied in preparation of these financial statements are as follows:

(i). Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Cost includes all expenditure directly attributable to the construction or purchase of the item of property, plant and equipment. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates these accordingly. All repair and maintenance costs are recognized in the profit or loss as incurred. Improvements that increase the value or materially extend the life of the related assets are capitalized. Capital work in progress are stated at cost and not depreciated and are transferred to property, plant and equipment as and when assets are available for intended use. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Lease hold improvements are depreciated at the lower of its useful life or lease term.

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

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

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings and leasehold improvements	33 years
Plant, machinery and equipment	25 - 33 years
Furniture, fixtures and office equipment	5 - 10 years
Vehicles, forklift and trollies	4 - 8 years
Tools and other equipment	3 - 13 years

(ii). Right-of-use assets and lease liabilities

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in "IFRS 16 - Leases". Currently, the Company has no lease contract as a lessor.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. Currently, the Company has no contract which includes lease and non-lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs and restoration costs, if any.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING (CONTINUED)

(ii) Right-of-use assets and lease liabilities (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability mainly comprise of fixed lease payments. The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease or the Company's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

Determining the lease term of contracts with renewal and terminations options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, the management generally considers certain factors including historical lease durations, significant leasehold improvements over the term of the lease that have significant economic benefit to the Company's operation, the importance of the leased asset to the Group's operation and whether alternatives are available for the Company and business disruption required to replace the leased asset.

Short-term leases and leases of low-value assets

The Company has selected not to recognise right-of-use assets and lease liabilities for leases of low value assets and short term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii). Investment property

Investment property is property (land or a building or part of a building or both) held to earn rentals or for capital appreciation or both, rather than for:

- (a) use in the production or supply of goods or services or for administrative purposes; or
- (b) sale in the ordinary course of business.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the Company measures its investment property using cost model i.e cost less accumulated depreciation and impairment, if any. The useful lives of investment property is 33 years.

Investment properties are derecognized either when they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the profit or loss in the year of de-recognition.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING (CONTINUED)

(iv). Intangible assets

Softwares

Softwares are measured at cost, less accumulated amortization and accumulated impairment losses, if any, and are amortised on a straight-line basis over the estimated useful lives of 5 years. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company and amount can be measured reliably. Softwares residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the profit or loss when the asset is derecognized.

(v). Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs).

Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING (CONTINUED)

(vi). Financial instruments

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

The Company determines the classification of its financial assets at initial recognition. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

- Initial recognition and measurement

The Company initially recognises financial assets on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of profit or loss and other comprehensive income as incurred.

- Subsequent measurement

The financial assets are classified in the following measurement categories for the purpose of subsequent measurement:

- a) Those to be measured subsequently at fair value (either through other comprehensive income, or through statement of profit or loss), and
- b) Those to be measured at amortized cost.

For assets measured at fair value, gains and losses will either be recorded in the statement of profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company has elected to recognise changes in the fair value of investments in equity shares in OCI. These changes are accumulated within the 'other reserve' classified under equity. The Company may transfer this amount from other reserve to retained earnings when the relevant shares are derecognised. Dividends from such investments continue to be recognised in the profit or loss as other income when the Company's right to receive payments is established. Accumulated gains and losses on these financial assets are never recycled to the profit or loss.

Financial asset at amortised cost

Subsequent measurement of financial assets at amortized cost depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies financial assets at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- a) The asset is held within a business model with the objective of collecting the contractual cash flows, and
- b) The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The Company's financial assets at amortized cost include trade and other receivables and cash and cash equivalents.

Trade receivables are stated at the amortized cost, which generally correspond to face value (original invoice amount), do not bear interest, and generally have a 60 to 90 days term, less any impairment. An allowance for doubtful debts is made based upon Company's best estimate of expected credit losses related to those receivables. Such estimate is based on customers' financial status and historical write-off experience. Account balances are written off against such allowance after all means of collection have been exhausted and potential of recovery is remote. Bad debts written off as such are recorded in the statement of profit or loss as incurred.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING (CONTINUED)

(vi) . Financial instruments (continued)

Financial asset at FVTPL

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

- **De-recognition of financial assets**

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the Company is recognised as a separate asset or liability.

- **Impairment of financial assets**

The Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets and credit risk exposure that are debt instruments and are measured at amortized cost.

Expected credit losses are the probability-weighted estimate of credit losses (i.e. present value of all cash shortfalls) over the expected life of the financial asset. A cash shortfall is the difference between the cash flows that are due in accordance with the contract and the cash flows that the Company expects to receive. The expected credit losses consider the amount and timing of payments and hence, a credit loss arises even if the Company expects to receive the payment in full but later than when contractually due. The expected credit loss method requires assessing credit risk, default and timing of collection since initial recognition. This requires recognizing allowance for expected credit losses in the statement of profit or loss and other comprehensive income even for receivables that are newly originated or acquired.

Impairment of financial assets is measured as either 12 month expected credit losses or life time expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. '12 month expected credit losses' represent the expected credit losses resulting from default events that are possible within 12 months after the reporting date. 'Lifetime expected credit losses' represent the expected credit losses that result from all possible default events over the expected life of the financial asset.

Trade receivables are of a short duration, normally less than 12 months and hence the loss allowance measured as lifetime expected credit losses does not differ from that measured as 12 month expected credit losses. The Company applies simplified approach for measuring expected credit losses for trade receivables using a provision matrix based on ageing of receivables.

- **Financial liabilities**

The financial liabilities are classified in the following measurement categories:

- a) Those to be measured as financial liabilities at fair value through profit or loss, which includes
 - (i) Designated upon initial recognition as liability at FVTPL;
 - (ii) Held for trading.
- b) Those to be measured at amortized cost.

All financial liabilities are recognised initially when the Company becomes party to contractual provisions and obligations under the financial instrument. The liabilities are recorded at fair value, and in the case of loans and borrowings and payables, the proceeds received net of directly attributable transaction costs.

Subsequent measurement

Financial liabilities at FVTPL continue to be recorded at fair value with changes being recorded in the profit or loss. For other financial liabilities, including loans and borrowings and trade payables, after initial recognition, these are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss when the liabilities are de-recognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR method. The EIR amortisation is included as finance costs in the statement of profit or loss.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING (CONTINUED)

(vi) . Financial instruments (continued)

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

Off setting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

(vii). 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 takes place either:

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

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

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

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

Management believes that the fair values of the financial assets and liabilities are not materially different from their carrying values.

(viii). Inventories

Inventories are stated at lower of cost or estimated net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less any cost to complete the selling process. Cost is determined using the weighted average method. Cost of Inventories includes all cost of purchase, costs of conversion and other costs incurred to bring the inventory to their present location and condition.

When inventories are sold, the carrying amount of those inventories shall be recognized as expense in the year in which the related revenue is recognized. The amount of any write down of inventories to net realizable value and all losses of inventories are recognized as expense in the year the write down or loss occurs. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed (i.e. the reversal is limited to the amount of the original write-down) so that the new carrying amount is the lower of the cost and the revised net realizable value

(ix). Cash and cash equivalents

Cash and cash equivalents include cash on hand and with banks and other short-term liquid investments with original maturities of three months or less from the purchase date. It also includes bank overdrafts which form an integral part of the Company's cash management and are likely to fluctuate from overdrawn to positive balances.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING (CONTINUED)

(x). Employees' end of service obligations

Employees end of service benefits are payable to all employees employed under the terms and conditions of the Labor Laws applicable to the Company, on termination of their employment contracts. The Company's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in current and prior years and discounting that amount to arrive at present value.

The Company sets the assumptions used in determining the key elements of the costs of meeting such future obligations. These assumptions are set after consultation with the Company's external actuaries and include those used to determine regular service costs and the financing elements related to the liabilities. The calculation of defined benefit obligation is performed by an external qualified actuary using the Projected Unit Credit Method.

Re-measurement of defined benefit liability, which comprise of actuarial gains and losses are recognised immediately in other comprehensive income. The Company determines net interest expense on the defined benefit obligation for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual year to the net defined benefit, taking into account any change in the net defined benefit obligation during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the profit or loss.

(xi). Revenue recognition

Revenue is recognised when a performance obligation is satisfied, at the price allocated to that performance obligation. This is defined as the point in time when control of the products has been transferred to the customer after taking into account contractually defined shipping terms, the amount of revenue can be measured reliably and collection is probable. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. No element of financing component is deemed present as the sales are made on credit terms consistent with the market practices.

(xii). Borrowing cost

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

(xiii). Expenses

Expenses are classified according to their function as part of cost of sales or cost of selling and distribution or administrative expenses. Production costs and direct manufacturing cost are classified as cost of sales. Selling and distribution expenses principally comprise the cost incurred in the distribution and sale of the Company's products. All other expenses are classified as general and administrative expenses. General and administrative expenses include direct and indirect costs not directly part of costs of sales. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

(xiv). Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

(xv). Zakat

The Company is subject to the Regulations of the Zakat, Tax, and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis and is charged to the profit or loss. The zakat charge is computed on the higher of zakat base or adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING (CONTINUED)

(xvi). Operating segment

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Segment results that are reported to the Company's Chief Operating Decision Maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(xvii). Dividend

The Company recognizes a liability to make cash distribution when the distribution is authorized and the distribution is no longer at the discretion of the Company. As per the corporate laws in KSA, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity. Interim dividends, if any, are recorded when approved by the Board of Directors of the Company.

(xviii). Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a discount rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(xix). Earnings / loss per share

Earnings / loss per share are computed by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS

4.1 New Standards, interpretations and amendments effective in the current year.

Standard , interpretation and amendments to existing standards

The following are the new interpretations and amendments to the standards that are effective in the current year and which either do not give rise to significant changes or not applicable to the Company's accounting policies:

<u>Standards</u>	<u>Title</u>	<u>Effective date</u>
IFRS 16	Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions	April 01, 2021
IFRS 9, IAS 39 and IFRS 7	Amendments to IFRS 7 and IFRS 16 interest rate benchmark reform – Phase 2	January 01, 2021

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4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS (CONTINUED)

4.2 New and amended IFRS Standards that are not yet effective

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Company does not foresee any material impact on financial statements upon the adoption of these amendments to standards.

<u>Standards</u>	<u>Title</u>	<u>Effective date</u>
IAS 37	Onerous Contracts – Amendments regarding Cost of Fulfilling a Contract	January 01, 2022
IAS 16	Amendments regarding Property, Plant and Equipment: Proceeds before Intended Use	January 01, 2022
IFRS 1, IFRS 9, IFRS 16 and IAS 41	Amendment regarding Annual Improvements to IFRS Standards 2018-2020	January 01, 2022
IFRS 3	Amendments regarding References to Conceptual Framework	January 01, 2022
IAS 1, IFRS Practice Statement 2	Disclosure of Accounting Policies	January 01, 2023
IAS 1	Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities	January 01, 2023
IAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	January 01, 2023
IAS 8	Amendment regarding definition of accounting estimates	January 01, 2023

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5. PROPERTY, PLANT AND EQUIPMENT

<u>2021</u>	Buildings and leasehold improvements	Plant , machinery and equipment	Furniture, fixtures and office equipment	Vehicles, forklifts and trolleys	Tools and equipment	Capital work-in- progress	Total
Cost							
January 1, 2021	113,332,146	348,450,544	5,646,036	8,465,518	16,708,310	11,294,524	503,897,078
Additions	437,546	538,837	531,705	-	-	1,126,735	2,634,823
Transfers	382,750	380,000	45,064	-	-	(807,814)	-
Disposals/write offs	-	(11,199,806)	(210,883)	(343,750)	-	-	(11,754,439)
December 31, 2021	114,152,442	338,169,575	6,011,922	8,121,768	16,708,310	11,613,445	494,777,462
Accumulated Depreciation							
January 1, 2021	74,508,903	223,817,093	4,902,656	7,163,654	15,370,011	-	325,762,317
Charge for the year	3,517,414	10,241,204	257,342	400,357	579,718	-	14,996,035
Disposals/write offs	-	(10,951,133)	(210,197)	(343,746)	-	-	(11,505,076)
December 31, 2021	78,026,317	223,107,164	4,949,801	7,220,265	15,949,729	-	329,253,276
Net book value							
December 31, 2021	36,126,125	115,062,411	1,062,121	901,503	758,581	11,613,445	165,524,186

<u>2020</u>	Buildings and leasehold improvements	Plant , machinery and equipment	Furniture, fixtures and office equipment	Vehicles, forklifts and trolleys	Tools and equipment	Capital work-in- progress	Total
Cost							
January 1, 2020	112,801,755	350,398,386	5,327,296	9,585,668	16,708,310	3,162,900	497,984,315
Additions	466,241	581,720	329,925	62,200	-	8,289,624	9,729,710
Transfers	64,150	93,850	-	-	-	(158,000)	-
Disposals/write offs	-	(2,623,412)	(11,185)	(1,182,350)	-	-	(3,816,947)
December 31, 2020	113,332,146	348,450,544	5,646,036	8,465,518	16,708,310	11,294,524	503,897,078
Accumulated Depreciation							
January 1, 2020	71,027,589	215,675,910	4,650,673	7,895,469	14,632,280	-	313,881,921
Charge for the year	3,481,314	10,649,107	263,159	445,317	737,731	-	15,576,628
Disposals/write offs	-	(2,507,924)	(11,176)	(1,177,132)	-	-	(3,696,232)
December 31, 2020	74,508,903	223,817,093	4,902,656	7,163,654	15,370,011	-	325,762,317
Net book value							
December 31, 2020	38,823,243	124,633,451	743,380	1,301,864	1,338,299	11,294,524	178,134,761

- 5.1** Capital work-in-progress represents payments made by the Company towards the construction in progress for factories expansion and development of product lines.
- 5.2** Property, plant and equipment of the Company are constructed on lands leased from the Royal Commission for Jubail and Yanbu and Saudi Organization for Industrial Estate and Technology Zones for periods of 10 and 23 Hijri years, starting from 1 Dhu Al Hijjah 1434 (October 6, 2013) and 23 Sha'aban 1429 (August 24, 2008) respectively.
- 5.3** As at the reporting date , the management reassessed the recoverable amount of its CGUs owing to the continuous operating losses. The recoverable amount was estimated based on value-in-use calculations which used cash flow projections approved by the management of the Company which is based on the best available information on projected sales and production volumes, sales prices and production costs based on management's expectations of market development. The growth rate used to extrapolate the cash flows of CGUs beyond the five years is 1% per annum. Management believes that the estimated growth rate used do not exceed the average growth rates over the long term on the Company's activities. The cash flows have been discounted by 11 % per annum which is based on risk-adjusted weighted average cost of capital. No impairment was required to be recorded as the recoverable amount was higher than the carrying value of respective CGUs as at December 31, 2021. The calculation of value in use is sensitive to the assumptions on sales growth rate and discount rate.

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5 . PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

5.4 Allocation of depreciation charge for the year

	Note	2021	2020
Cost of sales	23	14,006,399	14,610,969
Selling and distribution expenses	24	268,639	268,807
General and administrative expenses	25	720,997	696,852
Total		14,996,035	15,576,628

6. RIGHT OF USE ASSETS AND LEASE LIABILITIES

The Company leases lands. The lease terms on the various leases are between 10-23 years.(Refer note 5).

6.1 RIGHT-OF-USE ASSETS

	2021	2020
Cost		
At January 01,	5,463,058	5,463,058
At December 31,	5,463,058	5,463,058
Accumulated Depreciation		
At January 01,	1,501,816	750,908
Depreciation	750,908	750,908
At December 31,	2,252,724	1,501,816
Net book value at December 31,	3,210,334	3,961,242

6.2 LEASE LIABILITIES

	2021	2020
At January 01,	4,130,611	4,581,856
Interest charge	213,861	245,318
Payments	(792,063)	(696,563)
At December 31,	3,552,409	4,130,611

Presentation in the statement of financial position

	2021	2020
Non-current portion	2,941,097	3,557,290
Current portion	611,312	573,321
	3,552,409	4,130,611

The following table details the Company's remaining contractual maturity for its lease liabilities. The table has been drawn up based on the undiscounted cash flows of the lease liabilities. The table includes both interest and principal cash flows.

	2021	2020
Within one year	792,063	792,063
From two to five years	1,938,063	2,730,126
Over five years	1,516,488	1,516,488
	4,246,614	5,038,677

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7. INTANGIBLE ASSETS

Softwares

	2021	2020
Cost		
January 1,	9,405,884	10,713,904
Write off	-	(1,308,020)
December 31	9,405,884	9,405,884
Amortization		
January 1,	6,474,940	5,901,783
Charge for the year	1,881,177	1,881,177
Write off	-	(1,308,020)
December 31	8,356,117	6,474,940
Net book value	1,049,767	2,930,944

8. INVESTMENT PROPERTY

	2021	2020
Cost		
At the beginning of the year	6,783,950	6,783,950
	6,783,950	6,783,950
Accumulated depreciation		
At the beginning of the year	4,749,794	4,548,642
Charge for the year	201,152	201,152
At the end of the year	4,950,946	4,749,794
Net book values	1,833,004	2,034,156

For the purpose of disclosing fair value as per the requirements of IAS 40 "Investment Property", management performed an independent valuation for its investment properties as at December 31, 2021 and determined the fair value of investment properties as SR 9.8 million (December 31, 2020 : SR 9.8 million).

An independent valuation of the Company's investment properties was performed by an independent external valuer Mr. Hamed Abdulaziz A.AL Hamoud having License No.1210000849 (Licensed by Saudi Authority for Accredited Valuers) to determine the fair value of the investment properties at December 31, 2021.

9. EQUITY INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

In 2019, the Board of Directors of the Company, in its meeting held on October 27, 2019 resolved to invest in 10% of the share capital of Saudi National Automotive Manufacturing Company (SNAM) (formerly National Automotive Manufacturing Company) , an investee Company, amounted to SR 3.8 million. The initial share capital of SNAM was SR 0.1 million which was subsequently increased to SR 37.5 million by its shareholders in 2019.

The Company has classified this investment at fair value through other comprehensive income at the initial recognition. As SNAM is in development / formation stage, management has determined that, based on adjusted net asset based method, cost is the best estimate of its fair value as at December 31, 2021.

10. INVENTORIES

	2021	2020
Raw materials	19,054,821	25,886,840
Finished goods	40,808,637	66,912,327
Good in transit	17,053,363	-
Works-in-process	10,905,753	7,596,681
Spare parts	8,505,293	8,914,464
Consumables and other inventories	3,165,718	3,308,335
	99,493,585	112,618,647
Less: allowance for slow moving inventories	(4,781,356)	(7,043,873)
	94,712,229	105,574,774

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10 . INVENTORIES (CONTINUED)

Movement in the allowance for slow moving inventories is as follows:

	2021	2020
Balance as at January 1	7,043,873	74,726
Charge for the year	415,860	6,969,147
Reversal	(2,678,377)	-
Balance as at December 31	4,781,356	7,043,873

11. TRADE RECEIVABLES

	2021	2020
Trade receivables	99,104,328	92,074,056
Allowance for expected credit losses	(20,550,920)	(15,860,852)
	78,553,408	76,213,204

Movement in allowance for expected credit losses is as follows:

	2021	2020
Balance as at January 1,	15,860,852	13,125,347
Charge for the year	4,949,824	2,735,505
Write offs	(259,756)	-
Balance as at December 31,	20,550,920	15,860,852

The ageing analysis of trade receivable is as follows:

	Total Outstanding	Amount not due	1-90 days	91-180 days	181-360 days	Over 361 days
December 31,2021	99,104,328	38,990,110	28,292,813	6,176,753	6,000,060	19,644,592
December 31,2020	92,074,056	31,456,861	24,068,617	8,716,008	12,359,938	15,472,632

12. PREPAYMENTS AND OTHER RECEIVABLES

	2021	2020
Prepayments	2,521,830	2,267,917
Advances to suppliers	2,188,927	2,804,637
Margin on bank guarantee	676,579	-
Other receivables	1,104,675	292,048
	6,492,011	5,364,602

13. CASH AND CASH EQUIVALENTS

	2021	2020
Cash in hand	17,000	14,210
Cash at banks	98,085,705	21,958,187
Term/call deposits	49,432,650	14,619,922
	147,535,355	36,592,319

Term deposits with the local banks carry profit rate ranging from 1% to 2.65% per annum having original maturities of less than three months.

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14. SHARE CAPITAL

The issued and paid up share capital of the Company is SR 354,000,000 (2020 : SR 281,120,890) , which is divided into 35,400,000 shares (December 31, 2020: 28,112,089 shares) of SR 10 each.

Reconciliation of shares at the start and end of the year

	2021	2020
Number of shares in issue as at January 01 ,	28,112,089	28,112,089
Adjustment of shares against accumulated losses	(4,712,089)	-
Total number of shares before the right issue	23,400,000	-
Issue of right shares	12,000,000	-
Number of ordinary shares in issue as at December 31	35,400,000	28,112,089
Ordinary share capital issued and fully paid –SR	354,000,000	281,120,890

15. STATUTORY RESERVE

In accordance with the Company's By-Laws, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 30% of the share capital. This reserve is not available for dividend distribution.

16. LONG TERM LOANS

	2021	2020
Saudi Industrial Development Fund (SIDF)	21,850,000	25,150,000
Less : deferred financial charges	(634,666)	(1,082,666)
Less: current portion	(4,400,000)	(3,300,000)
	16,815,334	20,767,334
Other loans from local banks	18,000,000	39,800,000
Less: current portion	(18,000,000)	(13,400,000)
	-	26,400,000
Total long term loans –non current portion	16,815,334	47,167,334
Total long term loans –current portion	22,400,000	16,700,000

a) Loan from SIDF

In 2018, the Company obtained a loan from SIDF to finance a portion of the expansion project of the Company. The loan is repayable in unequal half yearly installments from December 2019 and is secured by promissory notes and a mortgaged on certain property, plant and equipment of the Company. The loan is repayable in full by April 2025. It contains certain covenants which requires, among other things, certain financial ratios to be maintained.

b) Loans from local banks

These loans have been obtained from two banks i.e. “Saudi British Bank” (SABB) and “The Saudi National Bank” (SNB) (formerly the National Commercial Bank) to finance the expansion project cost of the Company.

In 2018, the Company obtained a new loan facility from SNB with limit of SR 12 million. In December 2021, the loan was repaid in full. This loan was to finance expansion project. This loan was subject to mark-up at SIBOR plus margin and was secured by promissory notes.

SABB’s loan has been provided under murabaha terms with limit of SR 50 million out of which SR 18 million is outstanding as of December 31, 2021 (December 31, 2020: SR 29 million). This loan is repayable in semi-annual installments over five years starting from 2018. It is subject to mark-up at SIBOR plus margin and is secured by promissory notes. This loan was repaid in full in January 05, 2022.

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16 . LONG TERM LOANS (CONTINUED)

The following are the aggregate maturity amounts of the long term loans as of December 31, 2021:

	SABB	SIDF	Total
2022	18,000,000	4,400,000	22,400,000
2023	-	5,800,000	5,800,000
2024	-	7,100,000	7,100,000
2025	-	4,550,000	4,550,000
	18,000,000	21,850,000	39,850,000

17. EMPLOYEES BENEFIT OBLIGATIONS

	2021	2020
January 1	28,015,614	26,865,487
Charge for the year – profit or loss	4,196,309	3,397,417
Remeasurement loss / (gain) on defined benefit obligations – other comprehensive income	2,675,954	(440,847)
Payments made during the year	(749,868)	(1,806,443)
December 31	34,138,009	28,015,614

Measurement of end of service and other employees benefit obligations

Employees end of services obligations are determined by actuarial valuations using the Projected Unit Credit Method. The following table represents the components of the defined benefits liability as at December 31:

	End of Service Benefit Plan	
	2021	2020
As at January 1	28,015,614	26,865,487
<i>Charged to profit or loss</i>		
Current service cost	3,574,394	2,462,775
Interest cost	621,915	934,642
	4,196,309	3,397,417
<i>Charged to other comprehensive income</i>		
Loss / (gain) on remeasurement defined benefit obligations	2,675,954	(440,847)
Payments during the year	(749,868)	(1,806,443)
As at December 31	34,138,009	28,015,614

Significant assumptions

	2021	2020
Discount rate per annum	2.45%	2.25%
Salary increase rate per annum	2.95%	2.75%
Duration	6.5 years	6.5 years

The sensitivity analysis of significant assumptions is as follows;

	2021	2020
Discount rate		
+1 % discount rate	25,663,463	25,982,295
-1 % discount rate	28,473,634	30,345,030
Salary rate:		
+1% salary rate	28,588,625	30,308,974
-1% salary rate	25,532,442	25,972,950

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18. TRADE AND OTHER PAYABLES

	2021	2020
Trade payables	10,616,788	11,707,232
Notes payables	14,629,326	12,108,412
	25,246,114	23,815,644

19. SHORT TERM LOANS

The Company arranged bank facilities ("the facilities") from local banks for working capital requirements in the form of opening letters of credit, letter of credit refinancing and short term loans. Short term loans are payable within one year. These facilities carry mark up at SIBOR plus a certain margin and are secured by promissory notes. As at December 31, 2021, the company did not utilize these facilities (December 31, 2020: SR 5,000,000)

20. ACCRUED AND OTHER LIABILITIES

	2021	2020
Payable to shareholders on account of rump offering and fraction shares (note 20.1)	26,300,323	-
Employees accruals	5,979,675	5,484,228
Accrued customs duty	680,069	680,069
Accrued expenses	2,374,436	4,295,098
Advances from customers	1,706,050	1,028,388
Dividend payable	760,243	760,243
Value added tax	1,561,730	1,032,381
Other liabilities	4,707,806	3,129,262
	44,070,332	16,409,669

20.1 It represents net cash compensation for right issues and fraction shares payable to the shareholders who have not exercised their right to subscribe in whole or in part to the new shares and to those entitled to fractional shares as a result of rump offering as per the Company's announcement on Tadwul dated December 20, 2021. The cash compensation amounts represent the amount that exceeds the Offering Price from the net proceeds of selling the Rump Shares and the fractions of shares.

21. ZAKAT

a) The principal elements of the zakat base are as follows:

	2021	2020
Non-current assets	(175,367,291)	(190,811,103)
Non-current liabilities	53,894,440	78,740,238
Opening shareholders' equity	268,137,130	308,510,867
Net loss before zakat	(24,807,215)	(35,135,593)

b) The movement in zakat provision during the year is as follows:

	2021	2020
January 1	5,180,000	5,550,000
Charge for the year	4,322,865	5,678,991
Paid during the year	(4,862,865)	(6,048,991)
December 31	4,640,000	5,180,000

c) Status of assessment

The Company has submitted its zakat returns up to year ended December 31, 2020 and obtained the required certificates and official receipts. The Company has finalized its zakat assessments with Zakat, Tax, and Customs Authority ("ZATCA") up to 2018.

During the year, the Company has received assessments for the years 2019 and 2020 with a total difference amounted to SR 565,077 out of which SR 64,314 was paid to ZATCA and an appeal was filed for the remaining amount.

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22. REVENUE

	2021	2020
Revenue	<u>227,017,605</u>	<u>205,962,102</u>

22.1 Disaggregation of revenue

A. By product

	2021	2020
Wire drawing and related products	160,515,288	136,249,650
Axles, foundries and spare parts	66,502,317	69,712,452
	<u>227,017,605</u>	<u>205,962,102</u>

B. By geography

	2021	2020
Local	133,649,321	119,142,130
Export	93,368,284	86,819,972
	<u>227,017,605</u>	<u>205,962,102</u>

23. COST OF SALES

	Note	2021	2020
Raw materials consumed		158,760,775	137,919,879
Employees related costs		31,554,580	27,957,613
Depreciation of property, plant and equipment	5.4	14,006,399	14,610,969
Depreciation of right of use assets	6	750,908	750,908
Amortization		1,275,316	1,275,315
Repairs and maintenance		2,084,454	2,643,421
Utilities		4,553,814	8,124,223
(Reversal) /allowance for slow moving inventories, net	10	(2,262,517)	6,969,147
Write down of inventories to net realizable value		-	2,431,633
Others		3,062,158	1,276,989
		<u>213,785,887</u>	<u>203,960,097</u>

24. SELLING AND DISTRIBUTION EXPENSES

	Note	2021	2020
Employees related costs		5,677,873	5,042,518
Transportation and distribution		4,494,223	5,991,021
Consultancy fees		1,577,323	224,250
Depreciation	5.4	268,639	268,807
Rent		115,572	134,368
Insurance		208,276	270,350
Utilities		59,977	56,153
Advertising		27,387	72,584
Travelling		145,293	139,934
Others		558,209	574,803
		<u>13,132,772</u>	<u>12,774,788</u>

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25. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2021	2020
Employees related costs		10,125,880	10,992,141
Professional fees		1,377,641	1,731,836
Depreciation	5.4 & 8	922,149	898,004
Amortization		605,860	605,860
Repairs and maintenance		492,588	273,861
Travelling		88,496	152,532
Telephone and utilities		337,654	291,446
Insurance		143,265	138,438
Security		417,113	406,252
Board of directors' expenses		1,470,000	1,478,520
IT expenses		1,449,674	1,111,483
Others		514,780	710,000
		17,945,100	18,790,373

26. OTHER INCOME , NET

	2021	2020
Scrap sales	933,122	363,829
Rental income	337,083	294,500
Foreign exchange loss	(44,117)	(262,943)
Loss on disposal / write off of property, plant and equipment	(229,363)	(12,904)
Others	209,161	414,233
	1,205,886	796,715

27. CONTINGENCIES AND COMMITMENTS

- (a) As of December 31, the Company's outstanding contingencies and commitments are as follows:

	2021	2020
Letter of credits	40,606,079	21,842,853
Letter of guarantees	376,870	55,750

- (b) As at December 31, 2021, the Company has outstanding capital commitments amounting to SR 1.5 million (December 31, 2020: SR 1.4 million) related to expansion projects and development of production lines.

28. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties consist of major shareholders, parties controlled and influenced by them, Board of Directors and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Company. The transactions are dealt with on mutually agreed terms and the terms and conditions on these transactions are approved by the Company's management.

28.1 Transactions with related parties

The Company has transacted with National industrialization Company, a shareholder, which majorly include expenses paid on behalf of the Company.

	2021	2020
Balance as at January 1	411,462	614,442
Expenses paid on behalf of the Company	17,839	2,769,768
Amounts paid by the Company	(429,301)	(2,972,748)
Balance as at December 31	-	411,462

Above balance is included under trade and other payables.

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28 . TRANSACTIONS AND BALANCES WITH RELATED PARTIES (CONTINUED)

28.2 Transactions with key management personnel

	2021	2020
Key management executives	4,570,834	4,280,948
Directors' allowances and expenses	1,470,000	1,478,520
	6,040,834	5,759,468

29. SEGMENT INFORMATION

Consistent with the Company's internal reporting process, business segments have been approved by management in respect of the Company's activities. The Company's sales, gross profit assets and liabilities, by business segment, are as follows:

	Transformation industries	Engineering and metal forming industries	Total
2021			
For the year ended December 31, 2021			
Revenue	160,515,288	66,502,317	227,017,605
Gross profit	9,191,328	4,040,390	13,231,718
As of December 31, 2021			
Total assets	376,837,165	125,823,129	502,660,294
Total liabilities	103,322,132	47,540,066	150,862,198
2020			
For the year ended December 31, 2020			
Revenue	136,249,650	69,712,452	205,962,102
Gross profit /(loss)	5,573,046	(3,571,041)	2,002,005
As of December 31, 2020			
Total assets	282,835,787	131,720,215	414,556,002
Total liabilities	101,455,966	44,962,906	146,418,872

All of the Company's operations are located in the Kingdom of Saudi Arabia.

30. LOSS PER SHARE

Loss attributable to ordinary shareholders

Both the basic and diluted loss per share have been calculated using the loss attributable to shareholders of the Company as the numerator, i.e. no adjustments to profit were necessary in 2021 or 2020. Loss attributable to the shareholders used in calculating loss per share is SR 29.13 million for the year 2021 (2020: SR 40.81 million).

Weighted average number of ordinary shares

The weighted average number of shares in the calculation of basic loss per share after incorporating the impacts of capital restructuring as mentioned in note 1 is as follows:

	2021	2020 (restated)
Outstanding during the year	29,649,681	29,520,822
Basic loss per share	(0.98)	(1.38)

Basic loss per share is calculated by dividing the loss after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. There is no dilutive effect on the loss per share of the Company.

The reconciliation of shares is given in note 14.

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31. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry company, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of December 31, 2021 and December 31, 2020, all of the Company's financial instruments have been carried at amortized cost and the Company does not hold any financial instruments measured at fair value except investment designated at FVOCI which has been classified in level 3 of fair value hierarchy. The carrying value of the other financial assets and liabilities in the statement of financial position approximates to their fair values.

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32. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

	At amortized cost	At fair value through the profit and loss	At fair value through other comprehensive income	Total
December 31, 2021				
Equity instruments designated at fair value through other comprehensive income (FVOCI)	-	-	3,750,000	3,750,000
Trade receivables	78,553,408	-	-	78,553,408
Cash and cash equivalents	147,535,355	-	-	147,535,355
	226,088,763	-	3,750,000	229,838,763
December 31, 2020				
Equity instruments designated at fair value through other comprehensive income (FVOCI)	-	-	3,750,000	3,750,000
Trade receivables	76,213,204	-	-	76,213,204
Cash and cash equivalents	36,592,319	-	-	36,592,319
	112,805,523	-	3,750,000	116,555,523

Financial liabilities

	At amortized cost	At fair value through profit and loss	Total
December 31, 2021			
Borrowings	39,215,334	-	39,215,334
Trade and other payables	25,246,114	-	25,246,114
Accrued and other liabilities	40,802,552	-	40,802,552
	105,264,000	-	105,264,000
December 31, 2020			
Borrowings	68,867,334	-	68,867,334
Trade and other payables	23,815,644	-	23,815,644
Accrued and other liabilities	14,348,900	-	14,348,900
	107,031,878	-	107,031,878

33. FINANCIAL RISK MANAGEMENT

Overview

Risk management activities are governed at Board of Directors level. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Board has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management practices are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management practices are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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33. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Company's Board oversees how management monitors the Company's risk.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The company has established procedures to manage credit exposure including evaluation of customer credit worthiness, formal credit approvals, assigning credit limits, monitoring the outstanding receivable, maintaining receivable ageing details and ensuring the close follow up.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Other financial assets

This comprises mainly of deposits with banks and other receivables. Credit risk arising from these financial assets is limited. Banks and recognized financial institutions have high credit ratings assigned by the international credit rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted and force majeure events, such as natural disasters.

Following are the maturity profile of the Company's financial liabilities based on contractual payments. The amounts are grossed and undiscounted and include estimated interest payments.

	Within 1 year	Between 2-5 years	More than 5 years	Total
December 31, 2021				
Borrowings	23,247,302	17,451,390	-	40,698,692
Trade and other payable	25,246,114	-	-	25,246,114
Accrued and other liabilities	40,802,552	-	-	40,802,552
	89,295,968	17,451,390	-	106,747,358
December 31, 2020				
Borrowings	22,198,974	48,951,484	-	71,150,458
Trade and other payables	23,815,644	-	-	23,815,644
Accrued and other liabilities	14,348,900	-	-	14,348,900
	60,363,518	48,951,484	-	109,315,002

The maturity profile of the Company's lease liabilities as at December 31, 2021 and 2020 are disclosed in note 6.

Market risk

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

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33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk

The Company exposure to currency risk is insignificant as majority of the transactions are denominated in US dollars, which is pegged to Saudi Riyals historically. In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to foreign currency risk at the end of the reporting year was as follows:

	USD	EUR	GBP	CHF	AED	Total
December 31, 2021						
Cash and cash equivalents	4,272,960	12,604	-	-	-	4,285,564
Trade receivables	36,073,898	-	-	-	-	36,073,898
Trade payables	1,526,705	1,497,250	12,525	-	6,356	3,042,836
Total monetary exposure	41,873,563	1,509,854	12,525	-	6,356	43,402,298
	USD	EUR	GBP	CHF	AED	Total
December 31, 2020						
Cash and cash equivalents	11,351,212	84,457	-	-	-	11,435,669
Trade receivables	84,460,999	-	-	-	-	84,460,999
Trade payables	1,264,675	2,583,651	11,115	-	6,356	3,865,797
Total monetary exposure	97,076,886	2,668,108	11,115	-	6,356	99,762,465

Interest rate risk

Interest rate risk is the risk that the value of financial instruments or their associated cash flows will fluctuate due to changes in market commission rates. The Company has no significant commission-bearing assets as at December 31, 2021 and December 31, 2020. Term deposits are fixed rate and therefore not subject to interest rate risk. However, as at December 31, 2021 and 2020, the Company's liabilities are subject to commission / interest rate risk and the Company is continuing monitoring its exposure to that risk.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Company manages its capital to ensure that it will be able to continue as a going concern and provide returns to their shareholders. The Company management reviews the capital structure on a regular basis and decides on a healthy mix of debt and equity structure.

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34. COVID 19 UPDATES

During the year 2020, pervasive lockdowns and movement restrictions due to the COVID-19 pandemic significantly affected economic activity. During the beginning of 2021, continued effects of the pandemic were experienced with some jurisdictions encountering further waves of the pandemic. During the latter part of 2021, as the effects of the pandemic receded in some parts of the world, many economies experienced a rebound in economic activity including KSA. In addition, protective measures and contact restrictions are relaxed. In light of COVID-19, the Company has considered whether any adjustments and changes in judgments, key sources of estimation uncertainty and risk management are required to be considered and reported in these financial statements. The Company's operations were coming back to normal from the third quarter of 2020. Since then, there is stability in the Company's operations and as such management did not observe any significant impact on the operations of the Company till December 31, 2021 due to the pandemic.

As the COVID-19 pandemic remains an evolving situation, management will continue to closely monitor the effects of the pandemic on its financial results during 2022 and beyond.

35. SUBSEQUENT EVENTS

There have been no significant events since the year ended December 31, 2021 till the date of authorization of these financial statements by the Board of directors that require either an adjustment or disclosure in these financial statements.

36. COMPARATIVE FIGURES

Certain reclassifications were made to the 2020 figures to conform to the current year's presentation.

37. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved and authorized for issue by the Company's Board of Directors on March 29, 2022 G.