

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

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH INDEPENDENT AUDITOR'S REPORT**

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH INDEPENDENT AUDITOR'S REPORT

INDEX	PAGE
Independent auditor's report	1-4
Consolidated statement of financial position	5
Consolidated statement of profit or loss and other comprehensive income	6
Consolidated statement of changes in equity	7
Consolidated statement of cash flows	8
Notes to the consolidated financial statements	9-41

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(1/4)

OPINION

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

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

- ✦ The consolidated statement of financial position as at December 31, 2022;
- ✦ The consolidated statement of profit or loss and other comprehensive income for the year then ended;
- ✦ The consolidated statement of changes in equity for the year then ended;
- ✦ The consolidated statement of cash flows for the year then ended, and;
- ✦ The notes to the consolidated financial statements, including a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent from the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated 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 MATTER

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

Key Audit Matter	How our audit addressed the key audit matter
Impairment of cash generating units	
As of December 31, 2022, property, plant and equipment amounted to SR. 154.62 million (2021: SR 165.52 million) which represents 34.70% (2021: 32.93%) of the total assets of the Group as of December 31, 2022.	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> ✦ Evaluated the indicators for the management basis of impairment assessment of its CGUs under property, plant and equipment ✦ Evaluated whether the methodology used by management to calculate the value in use of respective CGUs is in compliance with the requirements of IAS 36.



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(2/4)

KEY AUDIT MATTER (Continued)

Key Audit Matter	How our audit addressed the key audit matter
Impairment of cash generating units	
<p>Management has performed an impairment assessment of its property, plant and equipment (cash generating units) as at December 31, 2022. In preparing these impairment studies, management assesses the future business plan of the respective cash generating units (CGUs) and apply valuation models to determine the expected recoverable amounts of these CGUs for the purpose of impairment assessment.</p> <p>We have considered this matter as a key audit matter because the assessment of the recoverable amount of these CGUs requires a number of judgments and assumptions related to future sales volume, prices, operating assets, growth rates, terminal value, discount rates and other related assumptions.</p> <p>Refer note 3 to the consolidated financial statements for the accounting policy related to impairment of tangible and intangible assets.</p>	<ul style="list-style-type: none"> Validated the assumptions used for estimating the future cash flows, the related discount rates and other related assumptions. Analyzed the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current economic condition and expected future performance. Engaged auditor's expert to assess the application of valuation method to calculate value in use as per IAS 36 "Impairment of assets" and to perform reasonable check of assumptions used in the model. Compared key assumptions against historic trends, business plans and industry benchmarks as applicable. Additionally, we reviewed and assessed the future business plans both from internal and external perspectives, and compared forecast to historical trends. Checked the accuracy and completeness of the information by verifying the data inputs as used in the impairment assessment as the basis of impairment assessment; and Assessed whether the related disclosures are in accordance with the requirements of International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group but does not include the consolidated 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 consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated 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 consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(3/4)

OTHER MATTER

The financial statements of the Company for the year ended December 31, 2021 were audited by another auditor, who expressed an unmodified opinion dated March 30, 2022G corresponding to Sha'aban 27, 1443H.

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group's to cease to continue as a going concern.



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(4/4)

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

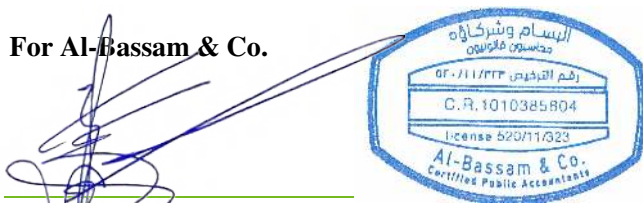
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for direction, supervision and performance of group audit. We remain solely responsible for our audit opinion.

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

For Al-Bassam & Co.



Ibrahim A. Al Bassam
Certified Public Accountant
License No. 337
Khobar: Sha'ban 28, 1444H
Corresponding to: March 20, 2023

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NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022
Expressed in Saudi Riyal

ASSETS

	Note	2022	2021
Non- current assets			
Property, plant and equipment	5	154,620,360	165,524,186
Right-of-use assets	6	3,422,787	3,210,334
Intangible assets	7	11,570,220	1,049,767
Investment properties	8	1,631,838	1,833,004
Equity instruments designated at fair value through other comprehensive income (FVOCI)	9	3,750,000	3,750,000
Total non-current assets		174,995,205	175,367,291
Current assets			
Inventories	10	103,277,455	94,712,229
Trade receivables	11	83,268,657	78,553,408
Prepayments and other assets	12	6,326,339	6,492,011
Cash and cash equivalents	13	47,459,439	147,535,355
Short term deposits	13.2	30,325,683	-
Total current assets		270,657,573	327,293,003
TOTAL ASSETS		445,652,778	502,660,294

EQUITY AND LIABILITIES

Equity

Share capital	14	354,000,000	354,000,000
Statutory reserve	15	27,173,232	27,173,232
Accumulated losses		(65,608,236)	(29,375,136)
Total equity		315,564,996	351,798,096

Non-current liabilities

Lease liabilities	6	2,250,129	2,941,097
Long term loans	16	11,618,721	16,815,334
Employees benefits obligations	17	31,857,000	34,138,009
Total non-current liabilities		45,725,850	53,894,440

Current liabilities

Trade and other payables	18	34,262,394	25,246,114
Lease liabilities – current portion	6	1,072,965	611,312
Long term loans - current portion	16	5,644,612	22,400,000
Short term loans	19	13,050,680	-
Accrued expenses and other liabilities	20	25,031,281	44,070,332
Zakat provision	21	5,300,000	4,640,000
Total current liabilities		84,361,932	96,967,758
Total liabilities		130,087,782	150,862,198
TOTAL EQUITY AND LIABILITIES		445,652,778	502,660,294

CONTINGENCIES AND COMMITMENTS

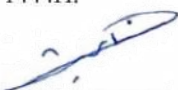
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These consolidated financial statements have been approved and authorized for issue by the Board of Directors on March 15, 2023G corresponding to Sha'ban 23, 1444H.



Chairman
Mutlaq Hamad Al Morished



Chief Executive Officer and Board Member
Shaker Nafil Al Otaibi



Chief Financial Officer
Fathalrahman Abdullah Othman

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

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022
Expressed in Saudi Riyal

	Note	2022	2021
Revenue	22	257,631,441	227,017,605
Cost of revenue	23	(258,506,840)	(213,785,887)
Gross (loss) / profit		(875,399)	13,231,718
Selling and distribution expenses	24	(13,614,271)	(13,132,772)
General and administrative expenses	25	(21,607,784)	(17,945,100)
Reversal / (allowance) for expected credit losses	11	1,919,767	(4,949,824)
Other income, net	26	2,527,993	1,205,886
Operating loss		(31,649,694)	(21,590,092)
Finance cost	16,19	(2,040,867)	(3,217,123)
Loss before zakat		(33,690,561)	(24,807,215)
Zakat expense	21	(5,306,743)	(4,322,865)
Loss for the year		(38,997,304)	(29,130,080)
Other comprehensive income / (loss)			
<i>Items that will not be reclassified to profit or loss in subsequent years:</i>			
Re-measurement gain / (loss) on employees benefits obligations	17	2,764,204	(2,675,954)
Total comprehensive loss for the year		(36,233,100)	(31,806,034)
Loss per share			
- Basic and diluted	30	(1.10)	(0.98)

These consolidated financial statements have been approved and authorized for issue by the Board of Directors on March 15, 2023G corresponding to Sha'ban 23, 1444H.



Chairman
Mutlaq Hamad Al Morished



Chief Executive Officer and Board Member
Shaker Nafil Al Otaibi



Chief Financial Officer
Fathalrahman Abdullah Othman

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NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022
Expressed in Saudi Riyal

	Note	Share capital	Statutory reserve	Accumulated losses	Total equity
Balance at December 31, 2020		281,120,890	27,173,232	(40,156,992)	268,137,130
Transactions with owners in their capacity as owners:					
Reduction of share capital to absorb accumulated losses	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)
		354,000,000	27,173,232	2,430,898	383,604,130
Loss for the year		-	-	(29,130,080)	(29,130,080)
Other comprehensive loss	17	-	-	(2,675,954)	(2,675,954)
Balance at December 31, 2021		354,000,000	27,173,232	(29,375,136)	351,798,096
Loss for the year		-	-	(38,997,304)	(38,997,304)
Other comprehensive income	17	-	-	2,764,204	2,764,204
Balance at December 31, 2022		354,000,000	27,173,232	(65,608,236)	315,564,996

These consolidated financial statements have been approved and authorized for issue by the Board of Directors on March 15, 2023G corresponding to Sha'ban 23, 1444H.


		
Chairman Mutlaq Hamad Al Morished	Chief Executive Officer and Board Member Shaker Nafil Al Otaibi	Chief Financial Officer Fathalrahman Abdullah Othman

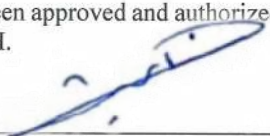
The accompanying notes form an integral part of these consolidated financial statements.


NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
Expressed in Saudi Riyal

	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before zakat		(33,690,561)	(24,807,215)
Adjustments for non - cash items to reconcile loss before zakat to net cash flows			
Depreciation of property, plant and equipment	5	14,517,600	14,996,035
Depreciation of right-of-use assets	6	750,907	750,908
Depreciation of investment properties	8	201,166	201,152
Amortization of intangible assets	7	967,039	1,881,177
Rent concession	6.2	(410,063)	-
Finance cost		2,040,867	3,217,123
Interest income		(1,128,223)	-
Reversal of allowance for slow moving inventories	10	(2,527,388)	(2,262,517)
(Reversal) / allowance for expected credit losses	11	(1,919,767)	4,949,824
Loss from disposal of property, plant and equipment	26	223,170	229,363
Provision for employees' end of service obligations	17	3,578,204	4,196,309
		(17,397,049)	3,352,159
Working capital changes			
Inventories		(6,037,838)	13,125,062
Trade receivables		(2,795,482)	(7,290,028)
Prepayments and other assets		347,123	(1,127,409)
Trade and other payables		9,016,280	1,430,470
Accrued expenses and other liabilities		3,751,164	27,727,736
Cash (used in) / generated from operations		(13,115,802)	37,217,990
Zakat paid	21	(4,646,743)	(4,862,865)
Employees' end of service benefits paid	17	(3,095,009)	(749,868)
Finance cost paid		(1,754,500)	(3,070,335)
Interest income received		621,089	-
Net cash (used in) / generated from operating activities		(21,990,965)	28,534,922
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	5	(3,899,677)	(2,634,823)
Proceeds from disposal of property, plant and equipment		62,733	20,000
Additions to intangibles assets		(11,487,492)	-
Additions to right-of use assets		(963,360)	-
Short term deposits		(30,000,000)	-
Net cash used in investing activities		(46,287,796)	(2,614,823)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of short term loans		(29,054,288)	(53,880,225)
Proceeds from short term loans		42,054,288	48,880,225
Repayment of long term loans		(22,400,000)	(24,652,000)
Repayment of lease liabilities	6	-	(792,063)
Proceeds from right issue of shares, net of cost		-	115,467,000
Repayment against rump offering		(22,397,155)	-
Net cash (used in) / generated from financing activities		(31,797,155)	85,022,937
Net change in cash and cash equivalents		(100,075,916)	110,943,036
Cash and cash equivalents at January 1,		147,535,355	36,592,319
Cash and cash equivalents at December 31,	13	47,459,439	147,535,355

These consolidated financial statements have been approved and authorized for issue by the Board of Directors on March 15, 2023G corresponding to Sha'ban 23, 1444H.


Chairman
Mutlaq Hamad Al Morished


Chief Executive Officer and Board Member
Shaker Nafil Al Otaibi


Chief Financial Officer
Fathalrahman Abdullah Othman

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

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
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 Group is situated in Al-Jubail, Kingdom of Saudi Arabia. As of December 31, 2022, the Group 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
Arabian Axles Manufacturing Co.	2056149638	01/03/1443-H

The financial results of these branches are included in these consolidated financial statements. The Group 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.
- Manufacturing of spindles (Roman blie and bearings)
- Wholesale and retail trade in the Group'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.

Structure of the Group

The consolidated financial statements as at December 31, 2022 include the financial statements of the Company and its following subsidiary (collectively referred to as "the Group"):

<u>Name of consolidated subsidiary</u>	<u>Principal activities</u>	<u>Effective ownership</u>	
		<u>2022</u>	<u>2021</u>
PC Strand Bahrain Co.WLL.	Manufacturing / trading of steel wire strand (PC strand)	100%	100%

On November 29, 2021 , a new Subsidiary 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 (SR 200,000) which is paid in Quarter 4 of the year 2022. The activities of this Company will be to manufacture / trade steel wire strand (PC strand) products. As at December 31, 2022, the Company is yet to commence its operation and has no assets and liabilities except for share capital and bank balance. The Company will establish a plant specialized in PC Stranding with estimated cost of SR 28.5 million.

1. ORGANIZATION AND ACTIVITIES (Continued)

Projects

- The Board of Directors of the Group, 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 Group. The Group 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 last quarter of 2023.
- On February 28, 2021, the Group has signed a Memorandum of Understanding (MOU) with IGL Group to establish a plant for Aluminum Foundry, as part of the Group's plans to develop its projects. The duration of MOU was initially six months from the date of signing which was subsequently extended during the year till end of February 2023. Subsequent to the year end, the Group has again further extended from the beginning of March 2023 for additional six months.

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 Group 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 Group'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 Group's request of increase in its capital by way of right issue amounted to SR 120,000,000 subject to approval of the Group'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 Group from 281,120,890 to SR 234,000,000 by offsetting SR 47,120,890 with the accumulated losses of the Group. Further the shareholders, in the same meeting, have approved the increase of share capital of the Group 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.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The consolidated financial information has been prepared under the historical cost convention, unless it is allowed by the IFRS to be measured at other valuation method as illustrated in significant accounting policies note.

2.2 Preparation of the consolidated financial statements

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts in consolidated financial statements. The estimates that are significant to the consolidated financial statements are disclosed in note 4.

2. BASIS OF PREPARATION (Continued)

2.3 Basis of consolidation

The consolidated financial statements comprise those of National Metal Manufacturing and Casting Company and of its subsidiary (the Group) as detailed in note 1.

Control is achieved when the Group:

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Consolidated statement of profit or loss and each component of other comprehensive income are attributed to the shareholders of the Group. Total comprehensive income of subsidiary is attributed to the shareholders of the Group.

When necessary, adjustments are made to consolidated financial statements of subsidiary to bring its accounting policies into line with the Group's accounting policies.

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognized in the consolidated statement of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified consolidated statement of profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2. BASIS OF PREPARATION (Continued)

2.4 Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyal (SR), which is the functional and presentation currency. Figures have been rounded off to nearest Riyal, unless otherwise stated.

2.5 New standards, amendments to standards and interpretations

Amendments

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

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

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements. IFRS 9: The amendment clarifies that in applying the '10 percent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. IFRS 1: The amendment provides additional relief to a subsidiary that becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022
Expressed in Saudi Riyal

2. BASIS OF PREPARATION (Continued)

2.5 New standards, amendments to standards and interpretations (Continued)

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 16	Property, Plant, and Equipment: Proceeds before Intended Use	January 1, 2022	The amendments prohibit deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of 'testing whether an asset is functioning properly'.
IFRS 3	Reference to the Conceptual Framework	January 1, 2022	The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.

2.6 New standards, amendments to standards and interpretation that have been issued but are not yet effective

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

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 17	Insurance Contracts	January 1, 2023	This is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005.
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right, and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of liability would not impact its classification.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements.
IAS 8	Amendment to the definition of accounting estimate	January 1, 2023	These amendments regarding the definition of accounting estimates help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Income taxes	January 1, 2023	This amendment deals with clarification regarding the accounting of deferred tax on transactions such as leases and decommissioning obligations.
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses result from the loss of control of a subsidiary.

2. BASIS OF PREPARATION (Continued)

2.6 New standards, amendments to standards and interpretation that have been issued but are not yet effective (Continued)

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

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies applied by the Group.

3.1 Property, plant and equipment

Property, plant and equipment are carried at the historical cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is charged to the consolidated statement of profit or loss, using the straight-line method to allocate the costs of the related assets less their residual values over the following estimated economic useful lives.

Class of assets	No. of Years
- Buildings and leasehold improvements	33
- Plant, machinery and equipment	25 – 33
- Furniture, fixtures and office equipment	05 – 10
- Vehicles, forklift and trollies	04 – 08
- Tools and other equipments	03 – 13

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the consolidated statement of profit or loss.

I. Capitalization of costs under property, plant and equipment

The cost of an item of property, plant and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Capital work in progress represents the accumulated costs incurred by the Group in relation to the construction of its building and structures in the development stage. Cost incurred are initially charged to the capital work in progress then these costs are transferred to property, plant and equipment when the construction of these facilities are completed. Finance costs on borrowings attributable to the construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

II. Derecognition of property, plant and equipment

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in consolidated statement of profit or loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Property, plant and equipment (Continued)

III. Capital Spare Parts (CSP)

The Group classifies CSPs into critical spare parts (strategic spare parts) and general spare parts using the below guidance:

- A critical spare part is one that is on “stand-by”, i.e. probable to be a major item / part critical to be kept on hand to ensure uninterrupted operation of production. They would normally be used only due to a breakdown, and are not generally expected to be used on a routine basis. Depreciation on critical spares commences immediately on the date of purchase.
- General spare parts are other major spare parts not considered critical and are bought in advance due to planned replacement schedules (in line with prescribed maintenance program) to replace existing major spare parts with new parts that are in operation. Such items are considered to be “available for use” only at a future date, and hence depreciation commences when it is installed as a replacement part. The depreciation period for such general capital spares is over the lesser of its useful life, and the remaining expected useful life of the equipment to which it is associated.

3.2 Intangible assets

Intangible assets anticipated to provide identifiable future benefits are classified as non-current assets. Intangible assets comprise of computer software. Enterprise resource planning (ERP) system development costs represent costs incurred to implement new system and are amortized over 5 years period from the date it is fully implemented.

Capital work in progress includes advance payment for technology and industry know-how, trade data base, license and right to use brand name.

3.3 Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in consolidated statement of profit or loss and other comprehensive income.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in consolidated statement of profit or loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Investment properties

Investment property is a 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 Group measures its investment property using cost model i.e cost less accumulated depreciation and impairment, if any. Land is non-depreciable. The useful life of the building 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 consolidated profit or loss in the year of de-recognition.

3.5 Inventories

Inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials, spare parts, consumables and other inventories at weighted average cost basis; cost comprises all costs of purchases and other costs incurred in bringing the inventories to their present location and condition.
- Finished goods and work-in-process at weighted average cost basis: these include cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

Net realizable value (NRV) is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Allowance is made for slow moving inventories.

Spare parts may represent items that might result in fixed capital expenditure but are not distinguishable from consumables spare parts, hence these are classified under spare parts as current assets.

3.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held with the bank, all of which have maturities of 90 days or less and are available for use by the Group unless otherwise stated. Bank overdraft if any, is shown under line item borrowings.

3.6.1 Short-term deposits

Short-term deposits comprise of time deposits with banks with maturity periods of more than three months but less than one year from the date of acquisition.

3.7 Financial instruments

Classification of financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The Group classified its investments in unquoted equity securities under fair value through other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Financial instruments (Continued)

Classification of financial assets (Continued)

Financial Asset at amortized cost (Continued)

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

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

Business model assessment

The Group assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading, if any, and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessments whether contractual cash flows are solely payments of principal and profit

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Profit' is the consideration for the time value of money, the credit and other basic lending risks associated with the principal amount outstanding during a particular period and other basic lending costs (e.g. liquidity risk and administrative costs), along with profit margin. Financial assets measured at fair value, gains and losses will either be recorded in consolidated profit or loss or other comprehensive income (OCI).

Financial assets at fair value through other comprehensive income (FVOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flow represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Financial instruments (Continued)

Financial assets at fair value through profit or loss (FVPL)

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in consolidated profit or loss and presented net within other gains / (losses) in the period in which it arises.

Classification of financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the Effective Interest Rate (EIR).

De-recognition

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in consolidated profit or loss.

Impairment

The impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The impairment methodology is generally dependent on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach as required by IFRS 9.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Offsetting financial instruments

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

Effective interest rate method

The effective interest rate (EIR) method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The results of discontinued operations are presented separately in the consolidated statement of profit and loss and other comprehensive income. Non-current assets (or disposal groups) are classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This is the case when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets (or disposal groups) and the sale is considered to be highly probable.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Discontinued operations and non-current assets held for sale

A sale is considered to be highly probable if the appropriate level of management is committed to a plan to sell the asset (or disposal group), and an active program to locate a buyer and complete the plan has been initiated. Further, the asset (or disposal group) has been actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale is expected to qualify for recognition as a completed sale within one-year from the date that it is classified as held for sale.

Non-current assets held for sale are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of the disposal group continued to be recognized.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

3.9 Foreign Currency translations

Transactions denominated in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of each reporting period are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences on monetary items are recognized in the consolidated statement of profit and loss and other comprehensive income in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to consolidated statement of profit or loss on repayment of the monetary items.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to consolidated statement of profit or loss. In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognized in the consolidated statement of profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to consolidated statement of profit or loss and other comprehensive income.

3.10 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and restoration costs. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over underlying asset's useful life. Right-of-use assets are subject to impairment.

3.12 Lease liabilities

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

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Incremental rate is the rate that the individual lessee would pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit and loss over the lease period so as to produce constant periodic rate of interest on the remaining balance of the liability of each year.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of rented properties (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.13 Employee benefits

I. Short term employees' benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations within accruals in the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Employee benefits (Continued)

II. Employee end of service benefits (EOSB)

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The liability recognized in consolidated statement of financial position in respect of employee benefits is the present value of defined benefits obligation at the end of reporting period.

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

Defined benefit costs are categorized as follows:

Service cost

Service costs includes current service cost and past service cost are recognized immediately in consolidated statement of profit or loss.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in consolidated statement of profit or loss and other comprehensive income as past service costs.

Interest cost

Interest cost is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability. This cost is included in employee benefit expense in the consolidated statement of profit or loss.

Re-measurement gains or losses

Re-measurement gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

3.14 Revenue from contract with customers

The Group recognizes revenue when a customer obtains controls of the goods at a point in time i.e. on delivery and acknowledgement of goods, using the five-step model. This includes:

- a) Identification of a contract with a customer, i.e., agreements with the Group that creates enforceable rights and obligations.
- b) Identification of the performance obligations in the contract, i.e., promises in such contracts to transfer products or services.
- c) Determination of the transaction price which shall be the amount of consideration the Group will expect to be entitled to in exchange for fulfilling its performance obligations (and excluding any amounts collected on behalf of third parties).
- d) Allocation of the transaction price to each identified performance obligation based on the relative stand-alone estimated selling price of the products or services provided to the customer.
- e) Recognition of revenue when/as a performance obligation is satisfied, i.e., when the promised products or services are transferred to the customer and the customer obtains control. This may be over time or at a point in time.

Revenue shall be measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described above must also be met before revenue is recognized. Where there are no specific criteria, above policy will apply and revenue is recorded as earned and accrued.

Revenue is recognized upon delivery or shipment of the products in accordance with the contract terms by which the control of the goods/ products is transferred to the customers and the Group has no effective control over or continuing management involvement over these goods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Other income

Other income includes scrap sales recoveries, gain on sales of property, plant and equipment and other recoveries. Scrap sales recoveries are recognized in profit and loss on the date on which the Group's right to receive the payment is established. Gain on sales of property, plant and equipment is recognized in consolidated profit or loss on the date on which the Group's right to receive the payment is established. Other recoveries are recognised as income when virtually certain.

3.16 Borrowing costs

Borrowing costs are recognised in profit and loss account in the period in which these are incurred except to the extent of borrowing costs on long term finances that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised, during the period of time that is required to complete and prepare the asset for its intended use.

3.17 Zakat and income tax

The Parent Company is subject to the regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the kingdom of Saudi Arabia. Zakat is calculated on accrual basis. Zakat is calculated 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.

(a) Withholding tax

The Group and its local subsidiaries withhold taxes on certain transactions with non-resident parties in the KSA, as required under Saudi Arabian Income Tax Law.

(b) Value added tax

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

- when the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- when receivables and payables are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

3.18 Statutory reserve

In accordance with regulations for companies in Saudi Arabia and the By-laws of the Parent Company, the Group has established a statutory reserve by the appropriation of 10% of net income, if available after absorption of accumulated losses, until the reserve equals 30% of the share capital. This reserve is not available for dividend distribution.

3.19 Dividend

Dividends are recognized as liability at the time of their approval in the annual general assembly meeting. Interim dividends are recorded as and when approved by the board of directors.

3.20 Expenses

Expenses are classified according to their function as part of cost of sales, or the cost of selling and marketing or administrative activities. Selling, distribution, general and administrative expenses include indirect costs not specifically part of production costs as required as per generally accepted accounting principles. Allocations between selling, marketing, general and administrative expenses and production costs, when required are made on a consistent basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Operating Segment

(a) Business segment

A business segment is group of assets, operations or entities:

- (i) Engaged in revenue producing activities;
- (ii) Results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- (iii) Financial information is separately available.

(b) Geographical segment

A geographical segment is group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, which are described in note 3, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

(1) Critical accounting judgments

The following are the critical judgements that have most significant effects on the amounts recorded in the consolidated financial statements.

Revenue

The Group recognizes revenue at a point in time revenue for goods delivered as the revenue recognition criteria for revenue over time is not fulfilled as per the requirements of IFRS.

(2) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

(a) Impairment of non-financial assets

Non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

(2) Key sources of estimation uncertainty (Continued)

(a) Impairment of non-financial assets (Continued)

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-current assets other than intangible assets and that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of profit or loss. Impairment losses recognized on Goodwill are not reversible. These are disclosed in note 5 to these consolidated financial statements.

(b) Impairment of financial assets including trade receivables

The loss allowances for trade and other receivables are based on assumptions about risk of default and unexpected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. These are disclosed in note 11 to these consolidated financial statements.

(c) Provision for slow moving inventory items

The management makes a provision for slow moving and obsolete inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration, fluctuations of price or cost directly related to events occurring subsequent to the consolidated statement of financial position date to the extent that such events confirm conditions existing at the end of year. These are disclosed in note 10 to these consolidated financial statements.

(d) Provisions and contingencies

A provision for incurred liabilities is recognized when the Group has a present legal or constructive obligations as a result of past events and it is more likely than not that an outflow of resource will be required to settle the obligation and the amount has been reliably estimated.

All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or all present obligations arising from past events but not recognized because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability; assessed at each consolidated statement of financial position date and disclosed in the Group's consolidated financial statements under contingent liabilities. Contingencies are disclosed in note 27 to these consolidated financial statements.

(e) Useful lives of property, plant and equipment

The management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods. These are disclosed in note 5 to these consolidated financial statements.

(f) Estimation of defined benefit obligation

The cost of defined benefit obligation and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. These are disclosed in note 17 to these consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

(2) Key sources of estimation uncertainty (Continued)

(g) Leases

In case the Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity specific estimates.

The Group 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 Group has several lease contracts that include extension and termination options. The Group 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 relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. These are disclosed in note 6 to these consolidated financial statements.

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2022

Expressed in Saudi Riyal

5. PROPERTY, PLANT AND EQUIPMENT

<u>2022</u>	Buildings and leasehold improvement	Plant, machinery and equipment	Furniture, fixtures and office equipment	Vehicles, forklifts and trolleys	Tools and equipment	Capital work-in- progress	Total
Cost							
January 1, 2022	114,152,442	338,169,575	6,011,922	8,121,768	16,708,310	11,613,445	494,777,462
Additions	57,020	359,914	280,033	265,450	-	2,937,260	3,899,677
Transfers	-	-	-	137,300	-	(137,300)	-
Disposals/write offs	-	(2,543,841)	(176,105)	(408,060)	-	-	(3,128,006)
December 31, 2022	114,209,462	335,985,648	6,115,850	8,116,458	16,708,310	14,413,405	495,549,133
Accumulated Depreciation							
January 1, 2022	78,026,317	223,107,164	4,949,801	7,220,265	15,949,729	-	329,253,276
Charge for the year	3,445,287	10,063,692	314,547	399,966	294,108	-	14,517,600
Disposals/write offs	-	(2,320,757)	(175,788)	(345,558)	-	-	(2,842,103)
December 31, 2022	81,471,604	230,850,099	5,088,560	7,274,673	16,243,837	-	340,928,773
Net book value							
December 31, 2022	32,737,858	105,135,549	1,027,290	841,785	464,473	14,413,405	154,620,360

<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

5.1 Capital work-in-progress represents payments made by the Group towards the construction in progress for factories expansion and development of product lines.

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022
Expressed in Saudi Riyal

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

5.2 Property, plant and equipment of the Group 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.

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 Group 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 Group's activities. In determining the value-in-use for the CGUs, the cash flows determined using the approved budget and 5 years business plan. The cash flows have been discounted by 11 % per annum which is based on risk-adjusted weighted average cost of capital. Management is confident of its ability to meet its future business plan and believes that the carrying value of property, plant and equipment as of December 31, 2022 will not exceed their recoverable amounts. No impairment was required to be recorded as the recoverable amount was higher than the carrying value of respective CGUs as at December 31, 2022 (December 31, 2021: Nil). The calculation of value in use is sensitive to the assumptions on sales growth rate and discount rate. The outcome of these assumptions is highly dependent on the success of future operations and market conditions as estimated by management and achieving its plans in future.

5.3 Allocation of depreciation charge for the year

	Note	2022	2021
Cost of sales	23	13,480,564	14,006,399
Selling and distribution expenses	24	274,729	268,639
General and administrative expenses	25	762,307	720,997
		14,517,600	14,996,035

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

6.1 RIGHT-OF-USE ASSETS

	2022	2021
Cost		
At January 1,	5,463,058	5,463,058
Additions	963,360	-
At December 31,	6,426,418	5,463,058
Accumulated depreciation		
At January 1,	2,252,724	1,501,816
Depreciation	750,907	750,908
At December 31,	3,003,631	2,252,724
Net book value as at December 31,	3,422,787	3,210,334

6.2 LEASE LIABILITIES

	2022	2021
At January 1,	3,552,409	4,130,611
Interest charge	180,748	213,861
Payments	-	(792,063)
Concession	(410,063)	-
At December 31,	3,323,094	3,552,409

Presentation in the consolidated statement of financial position

	2022	2021
Non-current portion	2,250,129	2,941,097
Current portion	1,072,965	611,312
	3,323,094	3,552,409

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022
Expressed in Saudi Riyal

6. RIGHT OF USE ASSETS AND LEASE LIABILITIES (Continued)

6.2 LEASE LIABILITIES (Continued)

The following table details the Group'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.

	2022	2021
Within one year	1,174,063	792,063
From two to five years	1,146,000	1,938,063
Over five years	1,528,000	1,516,488
	3,848,063	4,246,614

7. INTANGIBLE ASSETS

	Intangible assets	Capital work in progress	Total
Cost			
January 1, 2022	9,405,884	-	9,405,884
Additions	-	11,487,492	11,487,492
December 31, 2022	9,405,884	11,487,492	20,893,376
Accumulated amortization			
January 1, 2022	8,356,117	-	8,356,117
Charge for the year	967,039	-	967,039
December 31, 2022	9,323,156	-	9,323,156
Net book value	82,728	11,487,492	11,570,220
	Intangible assets	Capital work in progress	Total
Cost			
January 1, 2021	9,405,884	-	9,405,884
December 31, 2021	9,405,884	-	9,405,884
Accumulated amortization			
January 1, 2021	6,474,940	-	6,474,940
Charge for the year	1,881,177	-	1,881,177
December 31, 2021	8,356,117	-	8,356,117
Net book value	1,049,767	-	1,049,767

Amortization for the year has been allocated between the cost of sales (note 23) and general and administrative expenses (note 25).

8. INVESTMENT PROPERTIES

	Note	2022	2021
Cost			
At the beginning and end of the year		6,783,950	6,783,950
Accumulated depreciation			
At the beginning of the year		4,950,946	4,749,794
Charge for the year	25	201,166	201,152
At the end of the year		5,152,112	4,950,946
Net book values		1,631,838	1,833,004

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, 2022 and determined the fair value of investment properties as SR 9.6 million (December 31, 2021: SR 9.8 million) using level 2 valuation techniques. Investment properties includes lands and buildings having carrying value amounting to SR 95,580 (December 31, 2021: SR 95,580) and SR 1,536,258 (December 31, 2021: SR 1,737,424) respectively.

An independent valuation of the Group's investment properties was performed by an independent external valuer Dawal Professional Consulting Company having License No.1210001012 (Licensed by Saudi Authority for Accredited Valuers) to determine the fair value of the investment properties at December 31, 2022.

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022
Expressed in Saudi Riyal

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

In 2019, the Board of Directors of the Group, 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 3.75 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 Group 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 cost is the best estimate of its fair value as at December 31, 2022.

10. INVENTORIES

	2022	2021
Raw materials	29,744,345	19,054,821
Finished goods	44,330,208	40,808,637
Good in transit	11,939,140	17,053,363
Works-in-process	7,730,991	10,905,753
Spare parts	8,536,498	8,505,293
Consumables and other inventories	3,250,241	3,165,718
	105,531,423	99,493,585
Less: allowance for slow moving inventories	(2,253,968)	(4,781,356)
	103,277,455	94,712,229

The movement in allowance for slow moving inventories during the year ended is as follows:

	2022	2021
Balance as at January 1,	4,781,356	7,043,873
Reversal for the year	(2,527,388)	(2,262,517)
Balance as at December 31,	2,253,968	4,781,356

11. TRADE RECEIVABLES

	2022	2021
Trade receivables	101,851,091	99,104,328
Allowance for expected credit losses	(18,582,434)	(20,550,920)
	83,268,657	78,553,408

The movement in allowance for expected credit losses during the year ended is as follows:

	2022	2021
Balance as at January 1,	20,550,920	15,860,852
(Reversal) / charge for the year	(1,919,767)	4,949,824
Write offs	(48,719)	(259,756)
Balance as at December 31,	18,582,434	20,550,920

The ageing analysis of trade receivable is as follows:

	Total Outstanding	Current	1-90 days	91-180 days	181-360 days	Over 361 days
2022						
Gross carrying amount	101,851,091	43,294,958	26,091,984	8,648,625	6,260,008	17,555,516
Loss allowance	18,582,434	330,576	181,187	156,307	358,848	17,555,516
Weighted average loss rate	18.24%	0.76%	0.69%	1.81%	5.73%	100%
2021						
Gross carrying amount	99,104,328	38,990,110	28,292,813	6,176,753	6,000,060	19,644,592
Loss allowance	20,550,920	57,195	33,084	7,517	808,530	19,644,594
Weighted average loss rate	20.74%	0.15%	0.12%	0.12%	13.48%	100%

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022
Expressed in Saudi Riyal

12. PREPAYMENTS AND OTHER ASSETS

	2022	2021
Prepayments	1,931,763	2,521,830
Advances to suppliers	1,857,908	2,188,927
Margin on bank guarantee	-	676,579
Other receivables	2,536,668	1,104,675
	6,326,339	6,492,011

13. CASH AND CASH EQUIVALENTS AND SHORT TERM DEPOSITS

	2022	2021
Cash in hand	15,000	17,000
Cash at banks	21,364,852	98,085,705
Term/call deposits (note 13.1)	26,079,587	49,432,650
	47,459,439	147,535,355

13.1 Demand and deposits for 90 days or less with the local banks carry profit rate ranging from 0.8% to 5.05% per annum having original maturities of less than three months.

13.2 Time deposits amounting to SR 30 million with local banks carry profit rate ranging from 1.00% to 2.73% per annum having original maturities of more than 3 months but less than 1 year.

14. SHARE CAPITAL

The issued and paid up share capital of the Group is SR 354,000,000 (December 31, 2021: SR 354,000,000), which is divided into 35,400,000 shares (December 31, 2021: 35,400,000 shares) of SR 10 each.

Reconciliation of shares at the start and end of the year:

	2022	2021
Number of shares in issue as at January 1,	35,400,000	28,112,089
Adjustment of shares against accumulated losses	-	(4,712,089)
Total number of shares before the right issue	35,400,000	23,400,000
Issue of right shares	-	12,000,000
Number of ordinary shares in issue as at December 31,	35,400,000	35,400,000
Ordinary share capital issued and fully paid –SR	354,000,000	354,000,000

15. STATUTORY RESERVE

In accordance with regulations for companies in Saudi Arabia and the By-laws of the Parent Company, the Group has established a statutory reserve by the appropriation of 10% of net income, if available after absorption of accumulated losses, until the reserve equals 30% of the share capital. This reserve is not available for dividend distribution.

16. LONG TERM LOANS

	2022	2021
Saudi Industrial Development Fund (SIDF)	17,450,000	21,850,000
Less : deferred financial charges	(186,667)	(634,666)
Less: current portion	(5,644,612)	(4,400,000)
	11,618,721	16,815,334
Other loans from local banks	-	18,000,000
Less: current portion	-	(18,000,000)
	11,618,721	16,815,334
Total long term loans –non current portion	11,618,721	16,815,334
Total long term loans –current portion	5,644,612	22,400,000

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022
Expressed in Saudi Riyal

16. LONG TERM LOANS (Continued)

a) Loan from SIDF

In 2018, the Group obtained a loan from SIDF to finance a portion of the expansion project of the Group. 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 Group. The loan is repayable in full by April 2025. It contains certain covenants which requires, among other things, certain financial ratios to be maintained. The Group is compliant with all covenants as at December 31, 2022. The loans do not bear financial charges. However, an upfront fee and annual follow up is charged on these loan. Total interest amortization and annual followup fee amounted to this SR 0.8 million (2021: SR 0.86 million) has been charged to the consolidated statement of profit or loss and other comprehensive income.

b) Loans from local banks

In 2018, The Group obtained a new loan facility from Saudi British Bank (SABB) under murabaha terms with limit of SR 50 million. This loan was repayable in semi-annual installments over five years starting from 2018. It was subject to mark-up at SIBOR plus margin and is secured by promissory notes. This loan was repaid in full during the current year.

17. EMPLOYEES BENEFITS OBLIGATIONS

	2022	2021
January 1,	34,138,009	28,015,614
Charge for the year – profit or loss	3,578,204	4,196,309
Remeasurement (gain) / loss on defined benefit obligations – other comprehensive income	(2,764,204)	2,675,954
Payments made during the year		(749,868)
December 31,	31,857,000	34,138,009

	2022	2021
Charged to profit or loss		
Current service cost	2,779,737	3,574,394
Interest cost	798,467	621,915
	3,578,204	4,196,309

Significant assumptions

	2022	2021
Discount rate per annum	4.00 %	2.45%
Salary increase rate per annum	4.30 %	2.95%
Duration	5.12 years	6.5 years

The sensitivity analysis of significant assumptions is as follows:

	2022	2021
Discount rate:		
+1 % discount rate	29,948,624	31,631,054
-1 % discount rate	34,000,218	37,008,208
Salary rate:		
+1% salary rate	33,978,114	37,176,085
-1% salary rate	29,931,021	31,432,326

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the employees benefits obligations recognised within the consolidated statement of financial position.

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022
Expressed in Saudi Riyal

18. TRADE AND OTHER PAYABLES

	2022	2021
Trade payables	12,425,071	10,616,788
Notes payables	21,837,323	14,629,326
	34,262,394	25,246,114

19. SHORT TERM LOANS

The Group has arranged funded and un-funded bank facilities ("the facilities") amounting to SR 78 million (2021: SR140.53 million) from local banks for working capital requirements. 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. The Group is not compliant with one of the financial covenants, however, there is no impact on classification as the loan is already classified as current. The interest expense recorded during the year on short term loans amounts to SR 0.43 million (2021: SR 0.46 million).

20. ACCRUED EXPENSES AND OTHER LIABILITIES

	2022	2021
Payable to shareholders on account of rump offering and fraction shares (note 20.1)	3,903,168	26,300,323
Employees accruals	6,373,151	5,979,675
Goods received but not invoiced	5,439,140	3,603,269
Accrued expenses	4,485,842	3,054,505
Value added tax	2,314,491	1,561,730
Advances from customers	848,025	1,706,050
Dividend payable	760,243	760,243
Other liabilities	907,221	1,104,537
	25,031,281	44,070,332

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 Group'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:

	2022	2021
Non-current assets	174,995,205	175,367,291
Non-current liabilities	45,725,850	53,894,440
Opening shareholders' equity	351,798,096	268,137,130
Net loss before zakat	(33,690,561)	(24,807,215)

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

	2022	2021
January 1	4,640,000	5,180,000
Charge for the year	5,306,743	4,322,865
Paid during the year	(4,646,743)	(4,862,865)
December 31	5,300,000	4,640,000

c) Status of assessment

The Parent Company has submitted its zakat returns up to year ended December 31, 2021 and obtained the required certificates and official receipts. The Parent Company has finalized its zakat assessments with Zakat, Tax, and Customs Authority ("ZATCA") up to 2020.

During the year 2021, the Parent Company has received assessments for the years 2019 and 2020 with a total difference amounted to SR 0.5 million which was settled during the year.

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022
Expressed in Saudi Riyal

22. REVENUE

	2022	2021
Revenue	257,631,441	227,017,605

22.1 Disaggregation of revenue

A. By product

	2022	2021
Wire drawing and related products	157,940,773	160,515,288
Axles, foundries and spare parts	99,690,668	66,502,317
	257,631,441	227,017,605

B. By geography

	2022	2021
Local	193,714,642	133,649,321
Export	63,916,799	93,368,284
	257,631,441	227,017,605

23. COST OF REVENUE

	Note	2022	2021
Raw materials consumed		203,353,363	158,760,775
Employees related costs		33,178,538	31,554,580
Depreciation of property, plant and equipment	5.3	13,480,564	14,006,399
Utilities		5,776,127	4,553,814
Repairs and maintenance		1,736,412	2,084,454
Insurance		892,800	931,329
Depreciation of right of use assets	6	750,907	750,908
Amortization	7	658,339	1,275,316
Reversal for slow moving inventories, net	10	(2,527,388)	(2,262,517)
Others		1,207,178	2,130,829
		258,506,840	213,785,887

24. SELLING AND DISTRIBUTION EXPENSES

	Note	2022	2021
Employees related costs		5,599,269	5,677,873
Transportation and distribution		4,820,742	4,494,223
Consultancy fees		1,131,258	1,577,323
Advertising		614,892	27,387
Insurance		287,132	208,276
Depreciation	5.3	274,729	268,639
Travelling		192,144	145,293
Short term lease		58,727	115,572
Utilities		42,567	59,977
Others		592,811	558,209
		13,614,271	13,132,772

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022
Expressed in Saudi Riyal

25. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2022	2021
Employees related costs		11,417,504	10,125,880
Board of directors' expenses	28.1	2,761,700	1,470,000
Professional fees		1,785,705	1,377,641
Telephone and utilities		1,403,463	337,654
IT expenses		1,166,802	1,449,674
Depreciation	5.3 & 8	963,473	922,149
Security		414,000	417,113
Amortization	7	308,700	605,861
Travelling		177,000	88,496
Repairs and maintenance		163,225	492,588
Insurance		139,780	143,265
Others		906,432	514,779
		21,607,784	17,945,100

26. OTHER INCOME , NET

	2022	2021
Interest income	1,128,223	-
Scrap sales	908,456	933,122
Rental income	374,500	337,083
Foreign exchange loss	(70,136)	(44,117)
Loss on disposal / write off of property, plant and equipment	(223,170)	(229,363)
Others	410,120	209,161
	2,527,993	1,205,886

27. CONTINGENCIES AND COMMITMENTS

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

	2022	2021
Letter of credits	10,433,650	40,606,079
Letter of guarantees	376,870	376,870

(b) As at December 31, 2022, the Group has outstanding capital commitments amounting to SR 16.11 million (December 31, 2021: SR 1.5 million) related to property, plant and equipment.

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 Group. The transactions are dealt with on mutually agreed terms and the terms and conditions on these transactions are approved by the Group's management.

During the year, there were no significant transactions with related parties.

28.1 Transactions with key management personnel

	2022	2021
Key management executives (note a & b)	5,011,452	5,247,934
Board of directors and sub-committees allowances and expenses	2,761,700	1,470,000
	7,773,152	6,717,934

Expense for the year includes the allowances for directors and sub-committee members related to the year 2021 approved during the year and accrual for the year 2022 which is yet to be approved by the shareholders.

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022
Expressed in Saudi Riyal

28. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

28.1 Transactions with key management personnel (Continued)

	2022	2021
(a) Short term benefits:		
Salaries and wages	4,071,281	3,744,474
Bonus	95,715	412,370
Others	505,183	413,990
	4,672,179	4,570,834
(b) Long term benefits:		
End of service benefits	339,273	677,100
	5,011,452	5,247,934

29. SEGMENT INFORMATION

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

	Transformation industries	Engineering and metal forming industries	Total
2022			
For the year ended December 31, 2022			
Revenue	157,940,773	99,690,668	257,631,441
Gross (loss) / profit	(4,169,049)	3,293,650	(875,399)
As of December 31, 2022			
Total assets	320,663,413	124,989,365	445,652,778
Total liabilities	87,421,826	42,665,956	130,087,782
2021	Transformation industries	Engineering and metal forming industries	Total
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

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

30. LOSS PER SHARE

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

	2022	2021
Loss for the year	(38,997,304)	(29,130,080)
Outstanding during the year	35,400,000	29,649,681
Basic loss per share	(1.10)	(0.98)

The reconciliation of shares is given in note 14.

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022
Expressed in Saudi Riyal

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 Group 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 Group 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 (un-observable inputs).

As of December 31, 2022 and 2021, all of the Group's financial instruments have been carried at amortised cost except for financial assets at fair value through OCI which have been carried at fair value under level 3 fair value hierarchy i.e. based on unobservable inputs. The carrying values of all other financial assets and financial liabilities in the consolidated financial statements approximates to their fair values.

32. FINANCIAL INSTRUMENTS BY CATEGORY

As of December 31, 2022 and December 31, 2021, all of the Group's financial instruments have been carried at amortized cost and the Group 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 consolidated statement of financial position approximates to their fair values.

Financial assets

	At amortized cost	At fair value through the profit or loss	At fair value through other comprehensive income	Total
December 31, 2022				
Equity instruments designated at fair value through other comprehensive income (FVOCI)	-	-	3,750,000	3,750,000
Trade receivables	83,268,657	-	-	83,268,657
Cash and cash equivalents	47,459,439	-	-	47,459,439
Short term deposits	30,325,683	-	-	30,325,683
	161,053,779	-	3,750,000	164,803,779
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
Margin on bank guarantee	676,579	-	-	676,579
Cash and cash equivalents	147,535,355	-	-	147,535,355
	226,765,342	-	3,750,000	230,515,342

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022
Expressed in Saudi Riyal

32. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities

	At amortized cost	At fair value through profit or loss	Total
December 31, 2022			
Borrowings	30,314,013	-	30,314,013
Trade and other payables	34,262,394	-	34,262,394
Accrued expenses and other liabilities	21,868,765	-	21,868,765
	86,445,172	-	86,445,172
December 31, 2021			
Borrowings	39,215,334	-	39,215,334
Trade and other payables	25,246,114	-	25,246,114
Accrued expenses and other liabilities	40,802,552	-	40,802,552
	105,264,000	-	105,264,000

33. FINANCIAL RISK MANAGEMENT

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk management framework

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

The Group's risk management practices are established to identify and analyze the risks faced by the Group, 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 Group's activities. The Group, through its training and standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2022	2021
Equity instruments designated at fair value through other comprehensive income (FVOCI)	3,750,000	3,750,000
Trade receivables	83,268,657	78,553,408
Cash and cash equivalents	47,459,439	147,535,355
Short term deposits	30,325,683	-
Margin on bank guarantee	-	676,579
	164,803,779	230,515,342

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022
Expressed in Saudi Riyal

33. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The Group management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes, based on information available, external ratings, financial statements, credit agency information, industry information, and in some cases bank references. Sale limits are established for each customer and reviewed periodically. Any sales exceeding those limits require specific approval. Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 365 days from the due date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery and considered as credit impaired. No significant changes to estimation techniques were made during the reporting year.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one to three months for individual and corporate customers respectively.

The Group measures the loss allowance for trade receivables at an amount equal to the lifetime expected credit loss ("ECL"). The collective basis ECL on trade receivables are estimated using a provision matrix by reference to historical loss rates and adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date based on the management best estimate. Accordingly, the ECL is primarily based on the historical past due information and related loss rates and no significant assumptions were incorporated in the ECL model used to calculate the collective provision. Further, based on the management assessment, the forward-looking information i.e. economic factor also does not significantly impact the ECL loss and therefore the related sensitivities are not disclosed.

At December 31, the maximum exposure to credit risk for trade receivables by geographic region was as follows:

	2022	2021
Kingdom of Saudi Arabia	70,098,541	62,628,778
United Arab Emirates	21,303,893	25,214,090
Kuwait	3,343,202	6,975,447
Qatar	1,735,019	203,967
Bahrain	1,056,297	696,471
Jordan	1,000,384	2,254,442
Egypt	886,103	167,513
Netherlands	880,030	304,157
Oman	408,676	-
Spain	374,265	-
Tunisia	238,494	248,856
Morocco	173,715	-
United States of America	149,402	202,849
Others	203,070	207,758
	101,851,091	99,104,328

At December 31, the maximum exposure to credit risk for trade receivables by type of counterparty was as follows:

	2022	2021
Business to business	87,769,284	83,996,365
Wholesale customers	10,266,688	12,038,718
Retail customers	3,815,119	3,069,245
	101,851,091	99,104,328

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022
Expressed in Saudi Riyal

33. FINANCIAL RISK MANAGEMENT (Continued)

Short term deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

Cash at bank and short term deposits

The bank balances and short term deposits are held with bank and financial institution counterparties, which are rated as follows:

	Short-term	Long-term	Rating agency	2022	2021
Bank Alinma	F2	BBB+	Fitch	56,274,186	70,000,796
Saudi National Bank	F2	A-	Fitch	11,842,251	20,157,844
Bank Aljazeera	F2	BBB+	Fitch	4,582,331	6,251,194
Saudi British Bank	F2	BBB+	Fitch	4,529,810	50,604,347
Arab National Bank	F2	BBB+	Fitch	238,921	6,551
Riyadh Bank	F2	BBB+	Fitch	202,797	95,458
Al Rajhi bank	F2	A-	Fitch	92,610	394,949
Banque Saudi Fransi	F2	BBB+	Fitch	7,216	7,216
				77,770,122	147,518,355

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 30 days.

The Group's financial current liabilities consist of the current portion of long term and short term loans; trade and other payables, lease liabilities and accrued expenses and other liabilities. These liabilities are expected to be settled within 12 months of the consolidated statement of financial position date and the Group expects to have adequate funds available to do so.

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

	Carrying amount	Contractual cashflows	Within 1 year	Between 2-5 years	More than 5 years
December 31, 2022					
Borrowings	30,314,013	30,718,304	19,068,304	11,650,000	-
Trade and other payables	34,262,394	34,262,394	34,262,394	-	-
Accrued expenses and other liabilities	21,868,765	21,868,765	21,868,765	-	-
	86,445,172	86,849,463	75,199,463	11,650,000	-
December 31, 2021					
Borrowings	39,215,334	39,850,000	22,400,000	17,450,000	-
Trade and other payables	25,246,114	25,246,114	25,246,114	-	-
Accrued expenses and other liabilities	40,802,552	40,802,552	40,802,552	-	-
	105,264,000	105,898,666	88,448,666	17,450,000	-

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022
Expressed in Saudi Riyal

33. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

The maturity profile of the Group's lease liabilities as at December 31, 2022 and 2021 are disclosed in note 6.

The Group is managing its future cash flow requirements through cash inflows from operations and un-availed credit facilities. As at the year end, the Group has liquid assets of SR 161.05 million (December 31, 2021: SR 226.09 million) and un-availed borrowing facilities of SR 32.35 million (2021: SR 52.39 million).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group'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.

Currency risk

The Group 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 Group 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, 2022						
Cash and cash equivalents	5,797,021	12,364	-	-	-	5,809,385
Trade receivables	30,956,863	-	-	-	-	30,956,863
Trade payables	3,110,099	1,354,517	47,427	-	50,726	4,562,769
Total monetary exposure	39,863,983	1,366,881	47,427	-	50,726	41,329,017
	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

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 Group has no significant commission-bearing assets as at December 31, 2022 and 2021. Term deposits are fixed rate and therefore not subject to interest rate risk. However, as at December 31, 2022 and 2021, the Group's liabilities are subject to commission / interest rate risk and the Group is continuously monitoring its exposure to that risk.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or obtain / repay financing from / to financial institutions.

Consistent with others in the industry, the Group manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt is calculated as total of long term finance and short term borrowings. Total capital employed comprises shareholders' equity as shown in the consolidated statement of financial position under 'share capital and reserves' and net debt (net of cash and cash equivalent).

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022
Expressed in Saudi Riyal

33. FINANCIAL RISK MANAGEMENT (Continued)

The salient information relating to capital risk management of the Group as of December 31, 2022 and 2021 were as follows:

	December 31, 2022	December 31, 2021
Total debt	33,637,107	42,767,743
Less: Cash and bank balances	(47,459,439)	(147,535,355)
Net debt	(13,822,332)	(104,767,612)
Total equity	315,564,996	351,798,096
Total capital employed	301,742,664	247,030,484
Gearing ratio	(4.58%)	(42.41%)

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES:

	December 31, 2021	(Repayments) / Received, net	Interest accrued, net	Amortization of financial charges	December 31, 2022
SIDF loans	21,215,334	(4,400,000)	-	447,999	17,263,333
Long term borrowing	18,000,000	(18,000,000)	-	-	-
Short term borrowing	-	13,000,000	50,860	-	13,050,860
Lease liabilities	3,552,409	-	180,748	(410,063)	3,323,094
Rump offering	26,300,323	(22,397,155)	-	-	3,903,168
	69,068,066	(31,797,155)	231,608	37,936	37,540,455

35. SUBSEQUENT EVENTS

There have been no significant events since the year ended December 31, 2022 till the date of authorization of these consolidated financial statements by the Board of directors that require either an adjustment or disclosure in these consolidated financial statements.

36. COMPARATIVE FIGURES

Certain reclassifications were made to the 2021 figures to conform to the current year's presentation.

37. APPROVAL OF FINANCIAL CONSOLIDATED STATEMENTS

These consolidated financial statements have been approved and authorized for issue by the Board of Directors on March 15, 2023G corresponding to Sha'ban 23, 1444H.