

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

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
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, 2023
WITH INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF NATIONAL METAL MANUFACTURING AND CASTING COMPANY
(MAADANIYAH)
A SAUDI JOINT STOCK COMPANY
JUBAIL, KINGDOM OF SAUDI ARABIA

(1/5)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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 subsidiaries (collectively referred to as the "Group") as at December 31, 2023, 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, 2023;
- 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 material 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 (CGUs)	
As of December 31, 2023, property, plant and equipment amounted to SR 161.79 million (2022: SR 154.62 million) which represents 40.63% (2022: 34.70%) of the total assets of the Group.	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> ■ Evaluated the impairment indicators as assessed by the management related to its CGUs under property, plant and equipment.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF NATIONAL METAL MANUFACTURING AND CASTING COMPANY
(MAADANIYAH)
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JUBAIL, KINGDOM OF SAUDI ARABIA

(2/5)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

KEY AUDIT MATTER (Continued)

Key Audit Matter	How our audit addressed the key audit matter
Impairment of cash generating units (CGUs)	
<p>Management has performed an impairment assessment of its property, plant and equipment (cash generating units) as at December 31, 2023 due to impairment indicators as of the balance sheet date. 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"> ❖ 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. ❖ 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 and business plans. 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; 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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF NATIONAL METAL MANUFACTURING AND CASTING COMPANY
(MAADANIYAH)
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JUBAIL, KINGDOM OF SAUDI ARABIA

(3/5)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OTHER INFORMATION (Continued)

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.

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:

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF NATIONAL METAL MANUFACTURING AND CASTING COMPANY
(MAADANIYAH)
A SAUDI JOINT STOCK COMPANY
JUBAIL, KINGDOM OF SAUDI ARABIA

(4/5)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

(Continued)

- 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 to cease to continue as a going concern.
- 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.

**PKF**Ibrahim Ahmed Al-Bassam
& Co. Certified Public Accountants**INDEPENDENT AUDITOR'S REPORT**

**TO THE SHAREHOLDERS OF NATIONAL METAL MANUFACTURING AND CASTING COMPANY
(MAADANIYAH)
A SAUDI JOINT STOCK COMPANY
JUBAIL, KINGDOM OF SAUDI ARABIA**

(5/5)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

(Continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 Ahmed Al Bassam
Certified Public Accountant
License No. 337

Khobar: Ramadan 17, 1445H

Corresponding to: March 27, 2024

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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, 2023
Expressed in Saudi Riyal

ASSETS

	Note	2023	2022
Non- current assets			
Property, plant and equipment	5	161,789,821	154,620,360
Right-of-use assets	6	9,686,206	3,422,787
Intangible assets	7	18,269,457	11,570,220
Investment properties	8	1,430,684	1,631,838
Equity instruments designated at fair value through other comprehensive income (FVOCI)	9	3,750,000	3,750,000
Total non-current assets		194,926,168	174,995,205
Current assets			
Inventories	10	84,210,697	103,277,455
Trade receivables	11	67,359,682	83,268,657
Prepayments and other assets	12	4,704,478	6,326,339
Cash and cash equivalents	13	47,017,690	47,459,439
Short term deposits	13.2	-	30,325,683
Total current assets		203,292,547	270,657,573
TOTAL ASSETS		398,218,715	445,652,778

EQUITY AND LIABILITIES

Equity

Share capital	14	354,000,000	354,000,000
Statutory reserve	15	27,173,232	27,173,232
Accumulated losses		(96,892,869)	(65,608,236)
Total equity		284,280,363	315,564,996

Non-current liabilities

Lease liabilities	6	8,326,462	2,250,129
Long term loans	16	4,522,170	11,618,721
Employees' end of service benefits	17	32,966,242	31,857,000
Total non-current liabilities		45,814,874	45,725,850

Current liabilities

Trade and other payables	18	30,870,478	34,262,394
Lease liabilities – current portion	6	767,293	1,072,965
Long term loans - current portion	16	7,027,568	5,644,612
Short term loans	19	8,160,269	13,050,680
Accrued expenses and other liabilities	20	16,297,870	25,031,281
Zakat provision	21	5,000,000	5,300,000
Total current liabilities		68,123,478	84,361,932
Total liabilities		113,938,352	130,087,782
TOTAL EQUITY AND LIABILITIES		398,218,715	445,652,778



Chairman
Mutlaq Hamad Al Morished



Chief Executive Officer and Board Member
Shaker Nafil Al Otaibi



Chief Financial Officer
Fathalrahman Abdullah Othman

The accompanying notes from 1 to 39 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, 2023
Expressed in Saudi Riyal

	Note	2023	2022
Revenue	22	229,322,145	257,631,441
Cost of revenue	23	(223,402,901)	(258,506,840)
Gross profit / (loss)		5,919,244	(875,399)
Selling and distribution expenses	24	(12,486,209)	(13,614,271)
General and administrative expenses	25	(20,211,236)	(21,607,784)
(Allowance for) / reversal of expected credit losses	11	(397,975)	1,919,767
Other income, net	26	1,682,081	1,399,770
Operating loss		(25,494,095)	(32,777,917)
Finance income	13	1,723,692	1,128,223
Finance cost	27	(2,515,742)	(2,040,867)
Loss before zakat		(26,286,145)	(33,690,561)
Zakat expense	21	(5,184,249)	(5,306,743)
Loss for the year		(31,470,394)	(38,997,304)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss in subsequent years:</i>			
Re-measurement gain on employees' end of service benefits	17	185,761	2,764,204
Total comprehensive loss for the year		(31,284,633)	(36,233,100)
Loss per share			
- Basic and diluted	31	(0.89)	(1.10)



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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, 2023
Expressed in Saudi Riyal

	<u>Note</u>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Accumulated losses</u>	<u>Total equity</u>
Balance at January 1, 2022		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
Loss for the year		-	-	(31,470,394)	(31,470,394)
Other comprehensive income	17	-	-	185,761	185,761
Balance at December 31, 2023		354,000,000	27,173,232	(96,892,869)	284,280,363



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 CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

Expressed in Saudi Riyal

	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before zakat		(26,286,145)	(33,690,561)
Adjustments for non - cash items to reconcile loss before zakat to net cash flows			
Depreciation of property, plant and equipment	5	13,821,275	14,517,600
Depreciation of right-of-use assets	6.1	657,533	750,907
Depreciation of investment properties	8	201,154	201,166
Amortization of intangible assets	7	53,761	967,039
Rent concession	6.2	-	(410,063)
Finance cost	27	2,515,742	2,040,867
Finance income		(1,723,692)	(1,128,223)
Allowance for / (reversal of) slow moving inventories	10	1,035,674	(2,527,388)
Allowance for / (reversal of) expected credit losses	11	397,975	(1,919,767)
Loss from disposal / write-off of property, plant and equipment	26	104,750	223,170
Provision for employees' end of service benefits	17	3,983,334	3,578,204
		(5,238,639)	(17,397,049)
Working capital changes			
Inventories		18,031,084	(6,037,838)
Trade receivables		15,511,000	(2,795,482)
Prepayments and other assets		(33,903)	347,123
Trade and other payables		(3,801,602)	9,016,280
Accrued expenses and other liabilities		(8,721,828)	3,751,164
Cash generated from / (used in) operations		15,746,112	(13,115,802)
Zakat paid	21	(5,484,249)	(4,646,743)
Employees' end of service benefits paid	17	(2,688,331)	(3,095,009)
Finance cost paid		(2,071,000)	(1,754,500)
Finance income received		2,017,276	621,089
Net cash generated from / (used in) operating activities		7,519,808	(21,990,965)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	5	(18,980,290)	(3,899,677)
Proceeds from disposal of property, plant and equipment		10,666	62,733
Additions to intangible assets	7	(6,752,998)	(11,487,492)
Short term deposits		30,000,000	(30,000,000)
Additions to right-of use assets	6.1	-	(963,360)
Net cash generated from / (used in) investing activities		4,277,378	(46,287,796)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short term loans		49,354,151	42,054,288
Repayment of short term loans		(54,354,151)	(29,054,288)
Repayment of long term loans		(5,800,000)	(22,400,000)
Repayment of lease liabilities	6.2	(1,438,935)	-
Repayment against rump offering		-	(22,397,155)
Net cash used in financing activities		(12,238,935)	(31,797,155)
Net change in cash and cash equivalents		(441,749)	(100,075,916)
Cash and cash equivalents at January 1,		47,459,439	147,535,355
Cash and cash equivalents at December 31,	13	47,017,690	47,459,439
Non-cash transactions	36		



Chairman
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Shaker Nafil Al Otaibi



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Fathalrahman Abdullah Othman

The accompanying notes from 1 to 39 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, 2023
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, 2023, 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, 2023 and 2022 include the financial statements of the Company and its following subsidiaries (collectively referred to as "the Group"):

<u>Name of consolidated subsidiary</u>	<u>Principal activities</u>	<u>Effective ownership</u>	
		<u>2023</u>	<u>2022</u>
PC Strand Bahrain Co.WLL.	Manufacturing / trading of steel wire strand (PC strand) products	100%	100%
Vair National Casting Company	Non-ferrous metal casting including aluminum and zinc etc.	51%	-

1. ORGANIZATION AND ACTIVITIES (Continued)

Structure of the Group (Continued)

- PC Strand Bahrain Co.WLL.

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 was paid in fourth quarter of the year 2022. The activities of this Company will be to manufacture / trade steel wire strand (PC strand) products. As at December 31, 2023, 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 55.5 million.

- Vair National Casting Company

On February 28, 2021, the Group has signed a 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 till end of August 2023. On August 30, 2023, the Group has registered a new Subsidiary Company with CR number 2050174852 issued in the Kingdom of Saudi Arabia under the name of Vair National Casting Company – Limited Liability Company. The share capital of the said company is SR 7.5 million which is still to be paid by both Companies. The ownership of Maadaniyah is 51% of the share capital and IGL share is 49% of the share capital.

Projects

The Board of Directors of the Group, in its meeting held on October 3, 2021, has approved the cancellation of Memorandum of Understanding (“MoU”) signed with Valco Group to establish a factory / plant specialized in manufacturing valves used in Oil, Gas and 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 2024. Further, on April 20, 2023, the Group has signed an agreement with Gulf Triple Contracting Company amounting to SR 34 million for the construction of the project of Valves Factory in King Salman Energy Park (SPARK). The construction duration is expected to be 12 months from the beginning of the July 2023.

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 during the year 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 material accounting policies note.

The Ministry of Commerce and Investment commenced the implementation of the new Companies Law effective from 19 January 2023 (effective date). This Law shall supersede the Companies Law promulgated by Royal Decree No. (M/3), dated 28 Muharram 1437H and the Law of Professional Companies promulgated by Royal Decree No. (M/17), dated 26 Muharram 1441H, and shall repeal any provisions conflicting therewith. Companies existing as at the effective date of the regulations shall make all necessary amendments to their By-laws to comply with the requirements of the provisions of the new companies' regulations within a period of two years of the effective date of the Companies' Law.

The Company is in process of making necessary amendments to the Company's By-Laws and expected to complete within stipulated time as required by the new regulations.

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 material to the consolidated financial statements are disclosed in note 4.

2.3 Basis of consolidation

The consolidated financial statements comprise those of National Metal Manufacturing and Casting Company and of its subsidiaries (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.

2. BASIS OF PREPARATION (Continued)

2.3 Basis of consolidation (Continued)

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 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 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 to 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.

2.4 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 2023

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 9 (Amendments to IFRS 4)	Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	January 1, 2023	The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

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2. BASIS OF PREPARATION (Continued)

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

New amendments to standards issued and applied effective in the year 2023 (Continued)

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 17	Insurance Contracts and its amendments	January 1, 2023	This is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements.
IAS 8	Amendment to the definition of accounting estimate	January 1, 2023	These amendments regarding the definition of accounting estimates help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023	These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
IAS 12	International tax reform (pillar two model rules)	January 1, 2023	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

2.6 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
IAS 1	Classification of liabilities as current or non-current	January 1, 2024	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right, and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of liability would not impact its classification.
IFRS 16	Leases on sale and leaseback	January 1, 2024	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

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2. BASIS OF PREPARATION (Continued)

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

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024	These amendments require to add disclosure requirements to enhance transparency of supplier finance arrangements, and ‘signposts’ within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.
IAS 21	Lack of Exchangeability	January 1, 2025	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

Management anticipates that these new standards interpretations and amendments will be adopted in the 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. MATERIAL ACCOUNTING POLICIES

The following is a summary of material 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 and other comprehensive income, 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 improvement	33
- Plant, machinery and equipment	25 – 33
- Furniture, fixtures and office equipment	05 – 10
- Vehicles, forklift and trollies	04 – 08
- Tools and other equipment	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 and other comprehensive income.

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.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.1 Property, plant and equipment (Continued)

I. Capitalization of costs under property, plant and equipment (Continued)

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.

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.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.3 Impairment of tangible and intangible assets (Continued)

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.

3.4 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 statement of profit or loss and other comprehensive income 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.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.6 Cash and cash equivalents (Continued)

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.

Financial Asset at amortized cost

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.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.7 Financial instruments (Continued)

Classification of financial assets (Continued)

Financial Asset at amortized cost (Continued)

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 statement of profit or loss and other comprehensive income.

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).

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 statement of profit or loss and other comprehensive income and presented net within other income 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.

Financial liabilities

The Group derecognizes a financial liability (or a part of a financial liability) from its consolidated statement of financial position when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

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.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.7 Financial instruments (Continued)

Impairment (Continued)

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 or 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.

3.8 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 or 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 and other comprehensive income. 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 and other comprehensive income. 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. MATERIAL ACCOUNTING POLICIES (Continued)

3.9 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 un-certainties 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.

3.10 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.

3.11 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 consolidated statement of profit or loss and other comprehensive income 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. MATERIAL ACCOUNTING POLICIES (Continued)

3.12 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.

II. Employees' end of service benefits (EOSB)

The employees' end of service benefits 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 employees' end of service benefits obligation at the end of reporting period.

The present value of the employees' end of service benefits 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 and other comprehensive income.

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 and other comprehensive income.

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.

3.13 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.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.13 Revenue from contract with customers (Continued)

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.

3.14 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 consolidated statement of profit or loss and other comprehensive income 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 statement of profit or loss and other comprehensive income on the date on which the Group's right to receive the payment is established. Other recoveries are recognised as income when virtually certain.

3.15 Borrowing costs

Borrowing costs are recognised in consolidated statement of profit or loss and other comprehensive income 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.

3.16 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.

3.17 Statutory reserve

In accordance with previously applicable Saudi Arabian Regulations for Companies and the Company By-Laws, the Company had established a statutory reserve by the appropriation of 10% its annual net profit, until such reserve equals 30% of the share capital. The reserve was not available for dividend distribution. The current regulation for Companies does not require the Company to maintain separate reserve.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.18 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.

3.19 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 and other comprehensive income. 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 28 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.

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5. PROPERTY, PLANT AND EQUIPMENT

<u>2023</u>	Buildings and leasehold improvement	Plant, machinery and equipment	Furniture, fixtures and office equipment	Vehicles, forklifts and trollies	Tools and equipment	Capital work-in- progress	Total
Cost							
January 1, 2023	114,209,462	335,985,648	6,115,850	8,116,458	16,708,310	14,413,405	495,549,133
Additions	94,850	639,807	147,624	191,200	72,000	18,272,808	19,418,289
Transfers	1,048,996	11,721,425	108,000	-	781,400	(13,659,821)	-
Transfer from prepayments and other assets	-	-	-	-	-	1,687,863	1,687,863
Disposals/write offs	-	(1,255,564)	(159,269)	(460,551)	-	-	(1,875,384)
December 31, 2023	115,353,308	347,091,316	6,212,205	7,847,107	17,561,710	20,714,255	514,779,901
Accumulated depreciation							
January 1, 2023	81,471,604	230,850,099	5,088,560	7,274,673	16,243,837	-	340,928,773
Charge for the year	3,151,576	9,864,630	297,684	378,236	129,149	-	13,821,275
Disposals/write offs	-	(1,140,557)	(158,864)	(460,547)	-	-	(1,759,968)
December 31, 2023	84,623,180	239,574,172	5,227,380	7,192,362	16,372,986	-	352,990,080
Net book value							
December 31, 2023	30,730,128	107,517,144	984,825	654,745	1,188,724	20,714,255	161,789,821
<u>2022</u>	Buildings and leasehold improvements	Plant, machinery and equipment	Furniture, fixtures and office equipment	Vehicles, forklifts and trollies	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

5.1 Capital work-in-progress represents advance payments made by the Group towards the import of machineries and construction of the building for projects.

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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, Yanbu and Saudi Organization for Industrial Estate and Technology Zones and Spark City for periods of 10, 23 and 25 Hijri years, starting from 1 Dhu Al Hijjah 1444 (June 19, 2023), 23 Sha'aban 1429 (August 24, 2008), 9 Rajab 1444 (January 31, 2023) 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 2.5% 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 after taking into consideration past trend for achieving the budgeted volume. The cash flows have been discounted by 10% to 11.9 % per annum (2022: 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, 2023 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, 2023 (December 31, 2022: 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	2023	2022
Cost of revenue	23	12,803,942	13,480,564
Selling and distribution expenses	24	264,795	274,729
General and administrative expenses	25	752,538	762,307
		13,821,275	14,517,600

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group leases lands only. The lease terms on the various leases are between 10-25 years (Refer note 5).

6.1 RIGHT-OF-USE ASSETS

	Note	2023	2022
Cost			
January 1,		6,426,418	5,463,058
Additions		7,148,275	963,360
December 31,		13,574,693	6,426,418
Accumulated depreciation			
January 1,		3,003,631	2,252,724
Depreciation	6.1.1	884,856	750,907
December 31,		3,888,487	3,003,631
Net book value as at December 31,		9,686,206	3,422,787

6.1.1 Allocation of the depreciation charge for the year

	Note	2023	2022
Cost of revenue	23	657,533	750,907
Transferred to capital work in progress	5	227,323	-
		884,856	750,907

6.2 LEASE LIABILITIES

	Note	2023	2022
January 1,		3,323,094	3,552,409
Additions		7,148,275	-
Finance cost	6.2.1	471,007	180,748
Payments / transferred to payables		(1,848,621)	-
Concession		-	(410,063)
December 31,		9,093,755	3,323,094

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

6.2 LEASE LIABILITIES (Continued)

Presentation in the consolidated statement of financial position	2023	2022
Non-current portion	8,326,462	2,250,129
Current portion	767,293	1,072,965
	9,093,755	3,323,094

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.

	2023	2022
Within one year	822,792	1,174,063
From two to five years	3,623,017	1,146,000
Over five years	7,293,972	1,528,000
	11,739,781	3,848,063
Less: deferred finance cost	(2,646,026)	(524,969)
	9,093,755	3,323,094

6.2.1 Allocation of the financial cost for the year

	Note	2023	2022
Finance cost	27	260,331	180,748
Capital work in progress	5	210,676	-
		471,007	180,748

7. INTANGIBLE ASSETS

Cost	Note	Intangible assets	Capital work in progress	Total
January 1, 2023		9,405,884	11,487,492	20,893,376
Additions		67,626	6,685,372	6,752,998
December 31, 2023		9,473,510	18,172,864	27,646,374
Accumulated amortization				
January 1, 2023		9,323,156	-	9,323,156
Charge for the year	7.1	53,761	-	53,761
December 31, 2023		9,376,917	-	9,376,917
Net book value		96,593	18,172,864	18,269,457

Cost	Note	Intangible assets	Capital work in progress	Total
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	7.1	967,039	-	967,039
December 31, 2022		9,323,156	-	9,323,156
Net book value		82,728	11,487,492	11,570,220

7.1 Allocation of amortization charge for the year

	Note	2023	2022
Cost of revenue	23	41,363	658,339
General and administrative expenses	25	12,398	308,700
		53,761	967,039

7.2 The capital work in progress encompasses the payments made for the ongoing project concerning the transfer of technology and license to use non-exclusive brand names.

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8. INVESTMENT PROPERTIES

	Note	2023	2022
Cost			
January 1 and December 31,		6,783,950	6,783,950
Accumulated depreciation			
January 1,		5,152,112	4,950,946
Charge for the year	25	201,154	201,166
December 31,		5,353,266	5,152,112
Net book value		1,430,684	1,631,838

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, 2023 and determined the fair value of investment properties as SR 7.18 million (December 31, 2022: SR 9.63 million) using level 2 valuation techniques. Investment properties includes lands and buildings having carrying value amounting to SR 0.10 million (2022: SR 0.10 million) and SR 1.34 million (2022: SR 1.54 million) respectively.

An independent valuation of the Group's investment properties was performed by an independent external valuer Fair Value Company For Professional Consultation having License No.1210000841 (Licensed by Saudi Authority for Accredited Valuers) to determine the fair value of the investment properties at December 31, 2023.

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), 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, 2023 and 2022.

10. INVENTORIES

	2023	2022
Raw materials	32,619,193	29,744,345
Finished goods	26,363,317	44,330,208
Good in transit	8,435,484	11,939,140
Works-in-process	8,375,061	7,730,991
Spare parts	8,928,721	8,536,498
Consumables and other inventories	2,778,563	3,250,241
	87,500,339	105,531,423
Less: allowance for slow moving inventories	(3,289,642)	(2,253,968)
	84,210,697	103,277,455

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

	Note	2023	2022
January 1,		2,253,968	4,781,356
Allowance / (reversal) during the year	23	1,035,674	(2,527,388)
December 31,		3,289,642	2,253,968

11. TRADE RECEIVABLES

	2023	2022
Trade receivables	86,337,638	101,851,091
Less: allowance for expected credit losses	(18,977,956)	(18,582,434)
	67,359,682	83,268,657

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11. TRADE RECEIVABLES (Continued)

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

	2023	2022
January 1,	18,582,434	20,550,920
Allowance / (reversal) during the year	397,975	(1,919,767)
Write offs	(2,453)	(48,719)
December 31,	18,977,956	18,582,434

The ageing analysis of trade receivables is as follows:

	Total		1-90	91-180	181-360	Over 361
2023	Outstanding	Current	days	days	days	days
Gross carrying amount	86,337,638	32,825,008	26,306,488	5,471,014	3,860,390	17,874,738
Loss allowance	18,977,956	267,390	267,121	141,965	426,742	17,874,738
Weighted average loss rate	21.98%	0.81%	1.02%	2.59%	11.05%	100%
	Total	Current	1-90	91-180	181-360	Over 361
2022	Outstanding		days	days	days	days
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%

12. PREPAYMENTS AND OTHER ASSETS

	2023	2022
Prepayments	1,861,572	1,931,763
Margin on letter of credits	1,341,927	-
Advances to suppliers	1,141,563	1,857,908
Other receivables	359,416	2,536,668
	4,704,478	6,326,339

13. CASH AND CASH EQUIVALENTS AND SHORT TERM DEPOSITS

	Note	2023	2022
Cash at banks		26,386,383	21,364,852
Demand and time deposits	13.1	20,610,307	26,079,587
Cash in hand		21,000	15,000
		47,017,690	47,459,439

13.1 Demand and time deposits for 90 days or less with the local banks carry profit rate ranging from 4.95% to 6.12% per annum (2022: 0.80% to 5.05% per annum) having original maturities of less than three months.

13.2 In prior year, 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 (2022: SR 354,000,000), which is divided into 35,400,000 shares (2022: 35,400,000 shares) of SR 10 each.

15. STATUTORY RESERVE

In accordance with previously applicable Saudi Arabian Regulations for Companies and the Company By-Laws, the Company had established a statutory reserve by the appropriation of 10% its annual net profit, until such reserve equals 30% of the share capital. The reserve was not available for dividend distribution. The current regulation for Companies does not require the Group to maintain separate reserve. During the current year, the Company has continued to allocate 10% of profit as per previous regulations as by-laws of the Company are not updated yet. The Company is currently in the process of updating its By-Laws.

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16. LONG TERM LOANS

	2023	2022
Saudi Industrial Development Fund (SIDF)	11,650,000	17,450,000
Less : deferred financial charges	(100,262)	(186,667)
Less: current portion	(7,027,568)	(5,644,612)
Total long term loans –non current portion	4,522,170	11,618,721
Total long term loans –current portion	7,027,568	5,644,612

a) Loans from SIDF

In 2018, the Group obtained a loans from SIDF to finance a portion of the expansion project of the Group. The loans are 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 loans are 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, 2023. The loans do not bear financial charges. However, an upfront fee and annual follow up is charged on these loan (Note 27).

17. EMPLOYEES' END OF SERVICE BENEFITS

	2023	2022
January 1,	31,857,000	34,138,009
Charge for the year – profit or loss	3,983,334	3,578,204
Remeasurement gain on employees' end of service benefits – other comprehensive income	(185,761)	(2,764,204)
Payments made during the year	(2,688,331)	(3,095,009)
December 31,	32,966,242	31,857,000

Charged to consolidated profit or loss

	2023	2022
Current service cost	2,762,821	2,779,737
Interest cost	1,220,513	798,467
	3,983,334	3,578,204

Significant assumptions

	2023	2022
Discount rate per annum	4.45%	4.00%
Salary increase rate per annum	4.50%	4.30%

The weightage average working duration of the employees is 5.30 years (2022: 5.12 years)

The sensitivity analysis of significant assumptions is as follows:

	2023	2022
Discount rate:		
+1 % discount rate	31,080,722	29,948,624
-1 % discount rate	35,076,765	34,000,218
Salary rate:		
+1% salary rate	35,054,527	33,978,114
-1% salary rate	31,064,352	29,931,021

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 employees' end of service benefits obligations to significant actuarial assumptions the same method (present value of the employees' end of service benefits obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the employees' end of service benefits obligation recognised within the consolidated statement of financial position.

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18. TRADE AND OTHER PAYABLES

	2023	2022
Trade payables	7,815,384	8,874,173
Notes payables	23,055,094	25,388,221
	30,870,478	34,262,394

19. SHORT TERM LOANS

The Group has arranged funded and un-funded bank facilities ("the facilities") amounting to SR 78 million (2022: SR 78 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.

20. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2023	2022
Payable to shareholders on account of rump offering and fraction shares	20.1	3,903,129	3,903,168
Employees accruals		5,052,143	6,373,151
Accrued expenses		3,259,182	4,485,842
Value added tax		1,488,672	2,314,491
Advances from customers		1,108,321	848,025
Dividend payable		760,243	760,243
Goods received but not invoiced		726,180	574,424
Other liabilities		-	5,771,937
		16,297,870	25,031,281

20.1 It represents net cash compensation for right issues and proceeds from sale of 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 Tadawul dated December 20, 2021.

21. ZAKAT

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

	2023	2022
Non-current assets	194,926,168	174,995,205
Non-current liabilities	45,814,874	45,725,850
Opening shareholders' equity	315,564,996	351,798,096
Net loss before zakat	(26,286,145)	(33,690,561)

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

	2023	2022
January 1,	5,300,000	4,640,000
Charge for the year	5,184,249	5,306,743
Paid during the year	(5,484,249)	(4,646,743)
December 31,	5,000,000	5,300,000

c) Charge for the year is as follows:

	2023	2022
Current year	5,000,000	5,300,000
Prior year	184,249	6,743
	5,184,249	5,306,743

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21. ZAKAT (Continued)

(d) Status of assessment

The Company has submitted its zakat returns up to year ended December 31, 2022 and obtained the required certificates and official receipts. The Company has finalized its zakat assessments with Zakat, Tax, and Customs Authority ("ZATCA") up to 2020. Subsequent to the year end, the company has received initial assessment from ZATCA for the years 2021 and 2022 claiming additional liability of SR 150,627 and SR 23,504 respectively. The Company is currently reviewing the initial assessment.

22. REVENUE

	2023	2022
Revenue	229,322,145	257,631,441

22.1 Disaggregation of revenue

A. By product	2023	2022
Wire drawing and related products	123,281,990	157,940,773
Axles, foundries and spare parts	106,040,155	99,690,668
	229,322,145	257,631,441
B. By geography		
Local	188,092,994	193,714,642
Export	41,229,151	63,916,799
	229,322,145	257,631,441

23. COST OF REVENUE

	Note	2023	2022
Raw materials consumed		166,532,716	203,353,363
Employees related costs		30,878,769	33,178,538
Depreciation of property, plant and equipment	5.3	12,803,942	13,480,564
Utilities		8,435,880	5,776,127
Repairs and maintenance		1,431,758	1,736,412
Allowance for / (reversal of) slow moving inventories, net	10	1,035,674	(2,527,388)
Insurance		827,582	892,800
Depreciation of right of use assets	6.1.1	657,533	750,907
Amortization	7.1	41,363	658,339
Others		757,684	1,207,178
		223,402,901	258,506,840

24. SELLING AND DISTRIBUTION EXPENSES

	Note	2023	2022
Employees related costs		6,014,289	5,599,269
Transportation and distribution		4,398,677	4,820,742
Advertising		528,268	614,892
Consultancy fees		315,115	1,131,258
Depreciation	5.3	264,795	274,729
Insurance		255,537	287,132
Travelling		177,609	192,144
Rent		68,095	58,727
Utilities		46,635	42,567
Others		417,189	592,811
		12,486,209	13,614,271

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25. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2023	2022
Employees related costs		12,278,699	11,417,504
Professional fees		1,531,340	1,785,705
Board of directors' expenses	29.1	1,506,938	2,761,700
IT expenses		1,121,289	1,166,802
Depreciation of property, plant and equipment & investment properties	5.3 & 8	953,692	963,473
Telephone and utilities		848,155	1,403,463
Security		414,000	414,000
Repairs and maintenance		194,539	163,225
Travelling		189,907	177,000
Insurance		123,191	139,780
Amortization	7.1	12,398	308,700
Others		1,037,088	906,432
		20,211,236	21,607,784

26. OTHER INCOME, NET

	Note	2023	2022
Scrap sales		1,314,300	908,456
Rental income		376,500	374,500
Foreign exchange loss		(340,722)	(70,136)
Loss on disposal / write off of property, plant and equipment	5	(104,750)	(223,170)
Others		436,753	410,120
		1,682,081	1,399,770

27. FINANCE COST

	Note	2023	2022
Finance cost on short term loans	19	1,228,058	436,221
Bank charges		668,531	622,566
SIDF fee	16	272,417	353,333
Finance cost unwinded in respect of lease liabilities	6.2.1	260,331	180,748
Amortization of deferred financial charges – long term loans	16	86,405	447,999
		2,515,742	2,040,867

28. CONTINGENCIES AND COMMITMENTS

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

	2023	2022
Letter of credits	16,394,617	10,433,650
Letter of guarantees	376,870	376,870

(b) As at December 31, 2023, the Group has outstanding capital commitments amounting to SR 52.67 million (2022: SR 16.11 million) related to property, plant and equipment and intangible assets.

29. 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.

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29. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

29.1 Transactions with key management personnel

	2023	2022
Key management executives (note a & b)	5,870,013	5,011,452
Board of directors and committees allowances and expenses (note 25)	1,506,938	2,761,700
	7,376,951	7,773,152

Expense for the year includes accruals in respect of the allowances for directors and sub-committee members.

(a) Short term benefits:	2023	2022
Salaries and wages	4,277,823	4,071,281
Bonus	416,591	95,715
Others	508,189	505,183
	5,202,603	4,672,179
(b) Long term benefits:		
End of service benefits	667,410	339,273
	5,870,013	5,011,452

30. 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
2023			
For the year ended December 31, 2023			
Revenue	123,281,990	106,040,155	229,322,145
Gross (loss) / profit	(9,310,081)	15,229,325	5,919,244
As of December 31, 2023			
Total assets	276,488,754	121,729,961	398,218,715
Total liabilities	81,677,896	32,260,456	113,938,352
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

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

31. 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.

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31. LOSS PER SHARE (Continued)

	2023	2022
Loss for the year	(31,470,394)	(38,997,304)
Outstanding during the year	35,400,000	35,400,000
Basic and diluted loss per share	(0.89)	(1.10)

32. 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, 2023 and 2022, 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 2 fair value hierarchy i.e. based on observable inputs. The carrying values of all other financial assets and financial liabilities in the consolidated financial statements approximates to their fair values.

33. FINANCIAL INSTRUMENTS BY CATEGORY

As of December 31, 2023 and 2022, 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 2 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 other comprehensive income	Total
December 31, 2023			
Equity instruments designated at fair value through other comprehensive income (FVOCI)	-	3,750,000	3,750,000
Trade receivables	67,359,682	-	67,359,682
Cash and cash equivalents	47,017,690	-	47,017,690
Margin on letter of credits	1,341,927	-	1,341,927
	115,719,299	3,750,000	119,469,299
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

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33. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities

	At amortized cost
December 31, 2023	
Loans (short term and long term)	19,710,007
Trade and other payables	30,870,478
Accrued expenses and other liabilities	13,700,877
	64,281,362
December 31, 2022	
Loans (short term and long term)	30,314,013
Trade and other payables	34,262,394
Accrued expenses and other liabilities	21,868,765
	86,445,172

34. 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:

	2023	2022
Trade receivables	67,359,682	83,268,657
Cash and cash equivalents	47,017,690	47,459,439
Equity instruments designated at fair value through other comprehensive income (FVOCI)	3,750,000	3,750,000
Margin on letter of credits	1,341,927	-
Short term deposits	-	30,325,683
	119,469,299	164,803,779

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34. 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:

	2023	2022
Middle East	63,143,417	72,574,385
Gulf Countries	22,864,141	27,847,087
Europe	329,199	1,279,337
South Asia	881	880
North America	-	149,402
	86,337,638	101,851,091
Less: Allowance for expected credit losses	(18,977,956)	(18,582,434)
	67,359,682	83,268,657

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

	2023	2022
Business to business	79,980,132	87,769,284
Wholesale customers	2,871,112	10,266,688
Retail customers	3,486,394	3,815,119
	86,337,638	101,851,091
Less: Allowance for expected credit losses	(18,977,956)	(18,582,434)
	67,359,682	83,268,657

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.

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34. FINANCIAL RISK MANAGEMENT (Continued)

Cash at bank and term deposits

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

	Rating		Rating agency	2023
	Short-term	Long-term		
Bank Alinma	F2	A-	Fitch	29,411,242
Bank Aljazeera	F2	A-	Fitch	10,150,294
Saudi National Bank	F2	A-	Fitch	4,467,110
Saudi Awwal Bank	F2	A-	Fitch	2,054,986
Al Rajhi bank	F2	A-	Fitch	363,687
Riyadh Bank	F2	A-	Fitch	333,634
Arab National Bank	F2	A-	Fitch	12,747
Bank of Bahrain and Kuwait	B	B+	Fitch	202,990
				46,996,690

	Rating		Rating agency	2022
	Short-term	Long-term		
Bank Alinma	F2	BBB+	Fitch	56,274,186
Saudi National Bank	F2	A-	Fitch	11,842,251
Bank Aljazeera	F2	BBB+	Fitch	4,582,331
Saudi Awwal Bank	F2	BBB+	Fitch	4,328,810
Arab National Bank	F2	BBB+	Fitch	238,921
Riyadh Bank	F2	BBB+	Fitch	202,797
Al Rajhi bank	F2	A-	Fitch	92,610
Banque Saudi Fransi	F2	BBB+	Fitch	7,216
Bank of Bahrain and Kuwait	B	B+	Fitch	201,000
				77,770,122

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, 2023					
Borrowings	19,710,007	19,825,905	15,275,905	4,550,000	-
Trade and other payables	30,870,478	30,870,478	30,870,478	-	-
Accrued expenses and other liabilities	13,700,877	13,700,877	13,700,877	-	-
	64,281,362	64,397,260	59,847,260	4,550,000	-

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34. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

	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	-

The maturity profile of the Group's lease liabilities as at December 31, 2023 and 2022 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 114.38 million (2022: SR 161.05 million) and un-availed borrowing facilities of SR 32.95 million (2022: SR 32.35 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	BHD	Total
December 31, 2023							
Cash and cash equivalents	2,179,436	13,102	-	-	-	202,990	2,395,528
Trade receivables	22,695,948	-	-	-	-	-	22,695,948
Trade payables	2,910,433	1,109,096	20,927	3,133	915	-	4,044,504
Total monetary exposure	27,785,817	1,122,198	20,927	3,133	915	202,990	29,135,980
	USD	EUR	GBP	CHF	AED	BHD	Total
December 31, 2022							
Cash and cash equivalents	5,797,021	12,364	-	-	-	201,000	6,010,385
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	201,000	41,530,017

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, 2023 and 2022. Term deposits are fixed rate and therefore not subject to interest rate risk. However, as at December 31, 2023 and 2022, the Group's liabilities are subject to commission / interest rate risk which is not material as at December 31, 2023 and 2022.

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.

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34. FINANCIAL RISK MANAGEMENT (Continued)

Capital management (Continued)

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).

The salient information relating to capital risk management of the Group as of December 31, 2023 and 2022 were as follows:

	2023	2022
Total debt	28,803,762	33,637,107
Less: Cash and bank balances	(47,017,690)	(47,459,439)
Net debt	(18,213,928)	(13,822,332)
Total equity	284,280,363	315,564,996
Total capital employed	266,066,435	301,742,664
Gearing ratio	(6.85%)	(4.58%)

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES:

	December 31, 2022	Non-cash transaction	Receipts/ (Repayments), net	Interest accrued, net	Amortization of financial charges	December 31, 2023
SIDF loans	17,263,333	-	(5,800,000)	-	86,405	11,549,738
Short term borrowing	13,050,680	-	(5,000,000)	109,589	-	8,160,269
Lease liabilities	3,323,094	6,738,589	(1,438,935)	-	471,007	9,093,755
Rump offering	3,903,168	-	-	-	-	3,903,168
	37,540,275	6,738,589	(12,238,935)	109,589	557,412	32,706,930

	December 31, 2021	Non-cash transaction	Receipts/ (Repayments), 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	50,680	-	13,050,680
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)	231,428	37,936	37,540,275

36. NON-CASH TRANSACTIONS:

Following are the non-cash transactions:

	2023	2022
Addition to right-of-use assets against lease liabilities	7,148,275	-
Transfer from prepayments and other assets to capital work in progress	1,687,863	-
Lease liability transferred to other payables	409,686	-
Finance cost related to lease liability transferred to capital work in progress	210,676	-
Depreciation expense related to right of use assets transferred to capital work in progress	227,323	-
Accrued income on demand and time deposits adjusted against the prepayments and other assets	181,452	-

37. SUBSEQUENT EVENTS

Subsequent to the year end, a fire broke out in one of its factories located in Jubail Industrial City on January 25, 2024 in the Pickling section. The fire was under control without any injuries or fatalities. The loss related to the pickling section is estimated to be SR 2.17 million which is secured by the insurance. However, the financial impact of the loss due to the event is not yet finalized. Other than that, there have been no other significant events since the year ended December 31, 2023 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.

38. COMPARATIVE FIGURES

Certain reclassifications were made to the 2022 figures to conform to the current year's presentation.

39. APPROVAL OF FINANCIAL CONSOLIDATED STATEMENTS

These consolidated financial statements have been approved and authorized for issue by the Board of Directors on March 26, 2024G corresponding to Ramadan 16, 1445H.