

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

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
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, 2025
WITH INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF NATIONAL METAL MANUFACTURING AND CASTING COMPANY
(A SAUDI JOINT STOCK COMPANY)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(1/4)

OPINION

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the National Metal Manufacturing and Casting Company (the "Company") and its subsidiaries (the "Group") as at December 31, 2025, 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, 2025;
- 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, comprising material accounting policy information and other explanatory information.

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 International Code of Ethics for Professional Accountants as 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.

**TO THE SHAREHOLDERS OF NATIONAL METAL MANUFACTURING AND CASTING COMPANY
(A SAUDI JOINT STOCK COMPANY)**

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(2/4)

KEY AUDIT MATTER (Continued)

Key Audit Matter	How our audit addressed the key audit matter
Impairment of cash generating units (CGUs)	
<p>As at December 31, 2025, property, plant and equipment amounted to ₪ 173.09 million (2024: ₪ 159.11 million) which represents 48.22% (2024: 42.53%) of the total assets of the Group.</p> <p>Management has performed an impairment assessment of its property, plant and equipment (cash generating units) as at December 31, 2025 due to impairment indicators. 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>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> Assessed the impairment indicators related to the CGUs under property, plant and equipment. Evaluated whether the methodology used by management to calculate the value in use of respective CGUs is in compliance with the requirements of IAS 36. Validated the key assumptions used for estimating the future cash flows. 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 on assumptions used in the model. Checked the accuracy and completeness of the information by verifying the data inputs as used in the impairment assessment. Considered appropriateness of the related accounting policies and disclosures in the consolidated financial statements.

OTHER INFORMATION

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

Our opinion on the consolidated financial statements does not cover the other information and we will 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 when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF NATIONAL METAL MANUFACTURING AND CASTING COMPANY (3/4)
(A SAUDI JOINT STOCK COMPANY)
REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

INDEPENDENT AUDITOR'S REPORT

**TO THE SHAREHOLDERS OF NATIONAL METAL MANUFACTURING AND CASTING COMPANY
(A SAUDI JOINT STOCK COMPANY)
REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

(4/4)

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

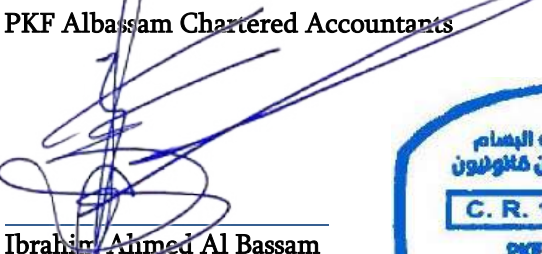
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group's to cease to continue as a going concern.
- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the 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, actions taken to eliminate threats or safeguards applied.

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.

PKF Al Bassam Chartered Accountants


Ibrahim Ahmed Al Bassam
Certified Public Accountant
License No. 337

Khobar, Kingdom of Saudi Arabia
Shawwal 12, 1447H

Corresponding to: March 31, 2026G



NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2025
Expressed in Saudi Riyal (ﷲ)

ASSETS	Note	2025	2024
Non-current assets			
Property, plant and equipment, net	5	173,092,356	159,111,832
Right-of-use assets, net	6	15,523,809	8,845,244
Intangible assets, net	7	21,657,415	20,076,776
Investment properties, net	8	1,028,376	1,229,750
Equity instruments designated at fair value through other comprehensive income (FVOCI)	9	3,750,000	3,750,000
Total non-current assets		215,051,956	193,013,602
Current assets			
Inventories, net	10	70,797,517	86,785,591
Trade receivables, net	11	54,136,130	61,623,344
Prepayments and other assets	12	4,510,257	5,073,966
Cash and cash equivalents	13	19,416,142	25,587,396
Current assets excluding assets classified as held for sale		148,860,046	179,070,297
Assets classified as held for sale	31	776,000	2,032,323
Total current assets		149,636,046	181,102,620
TOTAL ASSETS		364,688,002	374,116,222
EQUITY AND LIABILITIES			
Equity			
Share capital	14	354,000,000	354,000,000
Accumulated losses		(128,390,243)	(108,521,913)
Total equity		225,609,757	245,478,087
Non-current liabilities			
Employees' end of service benefits	16	26,410,765	28,752,142
Lease liabilities – noncurrent portion	6	14,975,899	7,887,451
Total non-current liabilities		41,386,664	36,639,593
Current liabilities			
Trade and other payables	17	35,343,176	50,117,187
Short term loans	18	44,750,830	14,873,144
Accrued expenses and other liabilities	19	15,391,624	18,929,584
Long term loans - current portion	15	-	4,522,369
Zakat payable	20	1,500,000	2,600,000
Lease liabilities – current portion	6	705,951	956,258
Total current liabilities		97,691,581	91,998,542
Total liabilities		139,078,245	128,638,135
TOTAL EQUITY AND LIABILITIES		364,688,002	374,116,222



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, 2025
Expressed in Saudi Riyal (ﷲ)

	Note	2025	2024
Revenue	21	239,998,016	244,497,759
Cost of revenue	22	<u>(223,172,132)</u>	<u>(234,027,204)</u>
Gross profit		16,825,884	10,470,555
Selling and distribution expenses	23	<u>(14,960,084)</u>	<u>(14,191,747)</u>
General and administrative expenses	24	<u>(23,595,358)</u>	<u>(20,774,643)</u>
Reversal / (allowance) for expected credit losses	11	2,527,560	(85,538)
Other income, net	25	<u>1,784,608</u>	<u>1,175,224</u>
Operating loss		(17,417,390)	(23,406,149)
Finance income	13	80,124	864,108
Finance cost	26	<u>(3,343,002)</u>	<u>(2,738,196)</u>
Loss before zakat		(20,680,268)	(25,280,237)
Zakat expense	20	<u>(1,203,876)</u>	<u>(2,071,580)</u>
Loss from continuing operations		(21,884,144)	(27,351,817)
Loss from discontinued operations	31	<u>(410,625)</u>	<u>(12,944,539)</u>
Loss for the year		(22,294,769)	(40,296,356)
Other comprehensive income			
<i>Item that will not be subsequently reclassified in profit or loss:</i>			
Re-measurement gain on employees' end of service benefits	16	<u>2,426,439</u>	<u>1,494,080</u>
Other comprehensive income		<u>2,426,439</u>	<u>1,494,080</u>
Total comprehensive loss for the year		(19,868,330)	(38,802,276)
Loss per share			
Basic and diluted losses per share	30		
- From continuing operations		(0.62)	(0.77)
- From continuing and discontinued operations		(0.63)	(1.14)


 Chairman
 Mutlaq Hamad Al Morished


 Chief Executive Officer and Board Member
 Shaker Nafil Al Otaibi


 Chief Financial Officer
 Fathalrahman Abdullah Othman

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NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2025
Expressed in Saudi Riyal (A)

	Note	Share Capital	Statutory reserve	Accumulated losses	Total Equity
Balance at January 1, 2024		354,000,000	27,173,232	(96,892,869)	284,280,363
Loss for the year		-	-	(40,296,356)	(40,296,356)
Other comprehensive income	16	-	-	1,494,080	1,494,080
Transfer	1	-	(27,173,232)	27,173,232	-
Balance at December 31, 2024		354,000,000	-	(108,521,913)	245,478,087
Loss for the year		-	-	(22,294,769)	(22,294,769)
Other comprehensive income	16	-	-	2,426,439	2,426,439
Balance at December 31, 2025		354,000,000	-	(128,390,243)	225,609,757



Chairman
Mutlaq Hamad Al Morished



Chief Executive Officer and Board Member
Shaker Nafil Al Otaibi

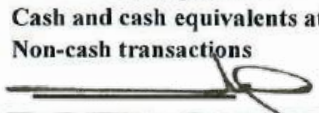



Chief Financial Officer
Fathalrahman Abdullah Othman

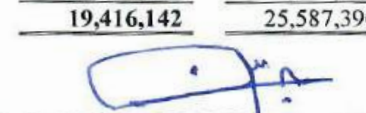
The accompanying notes from 1 to 39 form an integral part of these consolidated financial statements.

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025
Expressed in Saudi Riyal (ﷲ)

	Note	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before zakat from continuing operations		(20,680,268)	(25,280,237)
Loss before zakat from discontinued operations	31	(410,625)	(12,944,539)
Loss before zakat		(21,090,893)	(38,224,776)
Adjustments for non - cash items to reconcile loss before zakat to net cash flows			
Depreciation of property, plant and equipment	5	11,989,508	13,912,827
Depreciation of right-of-use assets	6.1	392,917	613,638
Depreciation of investment properties	8	201,374	200,934
Amortization of intangible assets	7	73,525	79,887
Finance cost	26,31	3,351,788	2,807,675
Finance income		(80,124)	(864,108)
Reversal of / write down inventories	22,31	(1,231,772)	1,770,332
(Reversal of) / charge for expected credit losses	11	(2,527,560)	85,538
Gain from disposal of property, plant and equipment	25,31	(23,676)	(9,999)
Impairment loss on property, plant and equipment	31	-	3,301,761
Provision for employees' end of service benefits	16	3,968,295	3,629,459
		(4,976,618)	(12,696,832)
Working capital changes			
Inventories		18,476,169	(5,601,549)
Trade receivables		10,014,774	5,650,800
Prepayments and other assets		373,599	(542,061)
Trade and other payables		(14,774,011)	19,271,777
Accrued expenses and other liabilities		(3,879,122)	1,061,908
Cash generated from operations		5,234,791	7,144,043
Zakat paid	20	(2,303,876)	(4,471,580)
Employees' end of service benefits paid	16	(3,509,889)	(4,754,605)
Finance cost paid		(2,842,903)	(3,079,880)
Finance income received		120,234	1,036,681
Net cash used in operating activities		(3,301,643)	(4,125,341)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	5	(25,221,402)	(14,880,162)
Proceeds from disposal of property, plant and equipment		79,876	30,860
Additions to intangible assets	7	(1,654,164)	(1,887,206)
Net cash used in investing activities		(26,795,690)	(16,736,508)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short term loans		127,070,202	86,161,949
Repayment of short term loans		(98,049,545)	(79,380,348)
Repayment of long term loans		(4,550,000)	(7,100,000)
Repayment of principal portion of lease liabilities	6.2	(544,578)	(250,046)
Net cash generated from / (used in) financing activities		23,926,079	(568,445)
Net change in cash and cash equivalents		(6,171,254)	(21,430,294)
Cash and cash equivalents at January 1,		25,587,396	47,017,690
Cash and cash equivalents at December 31,	13	19,416,142	25,587,396
Non-cash transactions	36		


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)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
Expressed in Saudi Riyal (ﷲ)

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 (7001349310) dated 16 Jumada ‘I, 1411-H corresponding to December 3, 1990-G. The registered office of the Company is situated in Al-Jubail, Kingdom of Saudi Arabia.

The Company and its subsidiaries as disclosed below are collectively referred as “the Group”.

As at December 31, 2025 and December 31, 2024, 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:

- Production of drawn steel wires, pre-stressed concrete strands, spring wires, steel structures for bed mattresses, aluminum conductor steel reinforce strand, galvanized reinforcement wires, concrete nails, common nails, bolts and nuts, welding wires.
- Production of castings and commercial, industrial, and military metal parts of various types.
- Manufacturing cars and trailers, assembling them, producing various types of axles, different suspension systems, truck parts, vehicles, and equipment manufacturing of axles, various qualities of suspensions and spare parts for trucks, vehicles and equipment.
- Manufacturing military ground and amphibious vehicles, military vehicle parts, armored vehicle plating, and manufacturing mobile military shelters.
- Manufacturing valves and accessories of all sizes.
- Repair and maintenance of company products
- Wholesale and retail trade in company products, construction materials, and industrial materials, including their import and export.
- Ownership of lands and real estate and construction of buildings on them, and disposal of them in any form.
- Ownership of patents and benefiting from them to achieve its industrial purposes inside and outside the Kingdom.
- Commercial agencies and representation of local or foreign companies inside and outside the Kingdom.
- Commercial tenders and contracts.
- Establishing industrial, service and commercial projects inside and outside the Kingdom of Saudi Arabia.

On June 10, 2024, the shareholders of the Group in extraordinary general assembly meeting resolved to transfer the statutory reserve of ﷲ 27.17 million to off-set a portion of the Group’s accumulated losses amounting to ﷲ 96.89 million which represents 27.37% of the share capital as reported in the consolidated financial statements for the year ended December 31, 2023.

Structure of the Group

The consolidated financial statements as at December 31, 2025 and 2024 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>2025</u>	<u>2024</u>
PC Strand Bahrain Co.WLL.	Manufacture of structural metal products – Factory	100%	100%
Vair National Casting Company	Non-ferrous metal casting including aluminum and zinc etc.	51%	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 160615-1 issued in Bahrain under the name PC Strand Bahrain Co.WLL. The issued capital of the said subsidiary is 20,000 Bahrain Dinar (ﷲ 200,000) which was paid in fourth quarter of the year 2022. The activities of this subsidiary will be to manufacture structural metal products. As at December 31, 2025, the subsidiary is yet to commence its operation. The Company will establish a plant specialized in PC Stranding with estimated cost of ﷲ 55.5 million.

- **Vair National Casting Company**

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 subsidiary is ﷲ 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. The activities of this subsidiary will be the casting of non-ferrous metals and the production of finished products, including aluminum, zinc, and related materials. As at December 31, 2025 the subsidiary is yet to commence its operations.

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.

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.

2. BASIS OF PREPARATION (Continued)

2.3 Basis of consolidation (Continued)

The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

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

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

Consolidated statement of profit or loss and 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 (ﷲ), which is the functional and presentation currency. Figures have been rounded off to nearest Riyal, unless otherwise stated.

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2025
Expressed in Saudi Riyal (ﷲ)

2. BASIS OF PREPARATION (Continued)

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 2025

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment	Management assessment
IAS 21	Lack of Exchangeability	1 January 2025	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. The amendments introduce new disclosures to help financial statement users assess the impact of using an estimated exchange rate.	Management has assessed the adoption of these amendments and concluded that they did not have a material impact on the Group's financial position, financial performance, or cash flows for the current reporting period

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	Management assessment
IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	1 January 2026	The amendments clarify the recognition and derecognition of financial assets and financial liabilities, including settlement date accounting for certain electronic payment systems. They also provide additional guidance on assessing contractual cash flow characteristics of financial assets, including contingent cash flows arising from environmental, social and governance (ESG)-linked features. The amendments also introduce new and updated disclosure requirements in IFRS 7	Management has performed a preliminary assessment and does not expect the adoption of these amendments to have a material impact on the Group's financial statements, as the Group's financial instruments and settlement arrangements are not expected to be significantly affected.
IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity	1 January 2026	These amendments modify the 'own use' requirements and hedge accounting provisions in IFRS 9 for contracts that expose entities to variability in electricity prices due to uncontrollable natural conditions such as weather. Targeted disclosure requirements are introduced in IFRS 7.	Based on the nature of the Groups's operations and contractual arrangements, management does not expect these amendments to have a material impact on the Group's financial statements upon initial application.

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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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 from accounting period beginning on or after	Summary of the amendment	Management assessment
IFRS 18	Presentation and Disclosure in Financial Statements	January 2027	IFRS 18 replaces IAS 1 and establishes a new framework for the presentation and disclosure of financial statements. The standard introduces new categories for income and expenses (operating, investing and financing) and requires presentation of new subtotals, including operating profit or loss and profit or loss before financing and income taxes. It also enhances guidance on aggregation and disaggregation, introduces disclosure requirements for management-defined performance measures, and removes classification options for interest and dividends in the statement of cash flows.	Management is currently assessing the impact of IFRS 18. While the standard is expected to result in changes to presentation and disclosures, it is not expected to have a material impact on the recognition or measurement of the Group's assets, liabilities, income or expenses.
IFRS 19	Subsidiaries without Public Accountability	January 2027	IFRS 19 permits eligible subsidiaries without public accountability to apply reduced disclosure requirements while continuing to apply full IFRS recognition and measurement principles. The standard affects disclosure requirements only and does not impact recognition or measurement.	Management will assess the applicability of IFRS 19 at the date of adoption. The standard is expected to affect disclosure requirements only and is not expected to have a material impact on the Group's financial position, financial performance or cash flows.

3. MATERIAL ACCOUNTING POLICY INFORMATION

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.

<u>Class of assets</u>	<u>No. of Years</u>
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

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

II. Derecognition of property, plant and equipment

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Intangible assets

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

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

3.3 Impairment of tangible and intangible assets

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

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.3 Impairment of tangible and intangible assets (Continued)

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.

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.

3.6.1 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. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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.

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).

3.7 Financial instruments (Continued)

Classification of financial assets (Continued)

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

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in consolidated 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.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.7 Financial instruments (Continued)

Financial liabilities (Continued)

Effective interest rate method (Continued)

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.

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.

3.9 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. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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.

3.12 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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.12 Employee benefits (Continued)

II. Employees' end of service benefits (EOSB) (Continued)

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 Discontinued operations and non current assets held for sale

The results of discontinued operations are presented separately in the consolidated statement of profit and loss and other comprehensive income. Non-current assets (or disposal groups) 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 principally 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.

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.14 Revenue from contract with customers

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

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

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

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

3.15 Other income

Other income includes scrap sales recoveries, gain on sales of property, plant and equipment, foreign exchange gains 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.

3.16 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.

3.17 Zakat and income tax

The Parent Company is subject to the regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the kingdom of Saudi Arabia. Zakat is calculated on accrual basis. Zakat is calculated on the higher of zakat base or adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

(a) Withholding tax

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.17 Zakat and income tax (Continued)

(b) Value added tax

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

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

3.18 Statutory reserve

In accordance with 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. In prior years, the amount was set off against accumulated losses of the Group.

3.19 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.

3.20 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.

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

(1) Critical accounting judgments

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

(a) Revenue

The Group recognizes revenue at a point in time for goods delivered, as the criteria for revenue recognition over time, as required by IFRS, are not met.

(b) Going Concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Group's consolidated financial statements continue to be prepared on the going concern basis.

(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.

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) Estimate of net realizable value

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.

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

(2) Key sources of estimation uncertainty (Continued)

(d) Provisions and contingencies (Continued)

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.

(g) Leases

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

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. These are disclosed in note 6 to these consolidated financial statements.

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)

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5. PROPERTY, PLANT AND EQUIPMENT, NET

2025

	Buildings and leasehold improvement	Plant, machinery and equipment	Furniture, fixtures and office equipment	Vehicles, forklifts and trolleys	Tools and equipment	Capital work- in-progress (CWIP)	Total
Cost							
January 1, 2025	115,405,309	303,175,510	6,194,179	7,784,607	16,728,340	35,719,284	485,007,229
Additions	55,830	617,992	77,938	75,570	139,661	25,059,241	26,026,232
Transfer from CWIP	-	325,849	-	-	-	(325,849)	-
Disposals/write offs	-	-	(14,450)	(1,126,850)	-	-	(1,141,300)
December 31, 2025	115,461,139	304,119,351	6,257,667	6,733,327	16,868,001	60,452,676	509,892,161
Accumulated depreciation							
January 1, 2025	87,780,260	209,648,482	5,361,189	7,387,725	15,717,741	-	325,895,397
Charge for the year	3,210,362	7,654,274	233,898	128,941	762,033	-	11,989,508
Disposals/write offs	-	-	(14,450)	(1,070,650)	-	-	(1,085,100)
December 31, 2025	90,990,622	217,302,756	5,580,637	6,446,016	16,479,774	-	336,799,805
Net book value - December 31, 2025	24,470,517	86,816,595	677,030	287,311	388,227	60,452,676	173,092,356

2024

	Buildings and leasehold improvements	Plant, machinery and equipment	Furniture, fixtures and office equipment	Vehicles, forklifts and trolleys	Tools and equipment	Capital work- in-progress	Total
Cost							
January 1, 2024	115,353,308	347,091,316	6,212,205	7,847,107	17,561,710	20,714,255	514,779,901
Additions	52,001	117,436	151,993	-	7,001	15,005,029	15,333,460
Disposals/write offs	-	(401,032)	(170,019)	(62,500)	-	-	(633,551)
Assets classified as held for sale (note 31)	-	(43,632,210)	-	-	(840,371)	-	(44,472,581)
December 31, 2024	115,405,309	303,175,510	6,194,179	7,784,607	16,728,340	35,719,284	485,007,229
Accumulated depreciation							
January 1, 2024	84,623,180	239,574,172	5,227,380	7,192,362	16,372,986	-	352,990,080
Charge for the year	3,157,080	10,083,860	240,864	257,862	173,161	-	13,912,827
Disposals/write offs	-	(443,136)	(107,055)	(62,499)	-	-	(612,690)
Impairment loss (note 31)	-	3,289,796	-	-	11,965	-	3,301,761
Assets classified as held for sale (note 31)	-	(42,856,210)	-	-	(840,371)	-	(43,696,581)
December 31, 2024	87,780,260	209,648,482	5,361,189	7,387,725	15,717,741	-	325,895,397
Net book value - December 31, 2024	27,625,049	93,527,028	832,990	396,882	1,010,599	35,719,284	159,111,832

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5. PROPERTY, PLANT AND EQUIPMENT, NET (Continued)

5.1 Capital work-in-progress represents:

- the advance payments made by the Group towards the import of machineries and construction of the building and other direct expenditure incurred in respect of the Baas project. 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. Further, on April 20, 2023, the Group has signed an agreement with Gulf Triple Contracting Company amounting to ﷲ 34 million for the construction of the project of Valves Factory in King Salman Energy Park (SPARK). Initially, the construction duration was 12 months from the beginning of the July 2023 which is now expected to be completed by the third quarter of 2026.
- The advance payments made for the import of the machineries and expenditures incurred in respect of the other projects.
- During the year, borrowing costs amounting to SAR 1.8 million have been capitalized in capital work-in-progress in respect of the Bass project. These costs relate to project-specific financing arrangements obtained from Bank Aljazira and are directly attributable to expenditures incurred on the qualifying asset. The borrowing costs were incurred at rates ranging from 6.8% to 7.0% during the period. Capitalization of borrowing costs will continue until the asset is substantially ready for its intended use.

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 Board of Directors of the Group, with reductions applied following a conservative approach and 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 is 2 % per annum. The cash flows have been discounted by 10.6% to 13.6% per annum (2024: 12.1% to 13.5% 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 at December 31, 2025 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, 2025 (December 31, 2024: 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

<u>2025</u>	<u>Note</u>	Continuing operation	Discontinued operation	Total
Cost of revenue	22	10,865,248	-	10,865,248
Selling and distribution expenses	23	203,703	-	203,703
General and administrative expenses	24	920,557	-	920,557
		11,989,508		11,989,508
		Continuing operation	Discontinued operation	Total
<u>2024</u>	<u>Note</u>			
Cost of revenue	22,31	10,629,914	2,072,705	12,702,619
Selling and distribution expenses	23	225,749	-	225,749
General and administrative expenses	24,31	946,903	37,556	984,459
		11,802,566	2,110,261	13,912,827

5.4 As at December 31, 2025, the Group have fully depreciated assets having cost amounting to ﷲ 146.37 million (December 31, 2024 ﷲ 144.42 million) and still in use.

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6. RIGHT-OF-USE ASSETS, NET 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, NET

	<u>Note</u>	<u>2025</u>	<u>2024</u>
Cost			
January 1,		13,574,693	13,574,693
Additions		7,532,719	-
December 31,		21,107,412	13,574,693
Accumulated depreciation			
January 1,		4,729,449	3,888,487
Depreciation	6.1.1	854,154	840,962
December 31,		5,583,603	4,729,449
Net book value - December 31,		15,523,809	8,845,244

6.1.1 Allocation of the depreciation charge for the year

<u>2025</u>	<u>Note</u>	<u>Continuing operation</u>	<u>Discontinued operation</u>	<u>Total</u>
Cost of revenue	22	392,917	-	392,917
Transferred to capital work in progress	5	461,237	-	461,237
		854,154	-	854,154
<u>2024</u>	<u>Note</u>	<u>Continuing operation</u>	<u>Discontinued operation</u>	<u>Total</u>
Cost of revenue	22,31	534,512	79,126	613,638
Transferred to capital work in progress	5	227,324	-	227,324
		761,836	79,126	840,962

6.2 LEASE LIABILITIES

	<u>Note</u>	<u>2025</u>	<u>2024</u>
January 1,		8,843,709	9,093,755
Additions		7,382,719	-
Finance cost	6.2.1	997,425	542,017
Payments / transferred to accrued expenses and other liabilities		(1,542,003)	(792,063)
December 31,		15,681,850	8,843,709
Presentation in the consolidated statement of financial position		2025	2024
Non-current portion		14,975,899	7,887,451
Current portion		705,951	956,258
		15,681,850	8,843,709

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:

	<u>2025</u>	<u>2024</u>
Within one year	1,253,183	1,630,432
From two to five years	5,301,220	4,452,732
Over five years	24,149,222	6,417,477
	30,703,625	12,500,641
Less: deferred finance cost	(15,021,775)	(3,656,932)
	15,681,850	8,843,709

6.2.1 Allocation of the financial cost for the year

	<u>Note</u>	<u>2025</u>	<u>2024</u>
Finance cost charged to profit or loss	26	653,832	316,043
Capital work in progress	5	343,593	225,974
		997,425	542,017

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7. INTANGIBLE ASSETS, NET

Cost	Note	Intangible assets	Capital work in progress	Total
January 1, 2025		9,773,510	19,760,070	29,533,580
Additions		-	1,654,164	1,654,164
December 31, 2025		9,773,510	21,414,234	31,187,744
Accumulated amortization				
January 1, 2025		9,456,804	-	9,456,804
Charge for the year	7.1	73,525	-	73,525
December 31, 2025		9,530,329	-	9,530,329
Net book value – December 31, 2025		243,181	21,414,234	21,657,415

Cost	Note	Intangible Assets	Capital work in progress	Total
January 1, 2024		9,473,510	18,172,864	27,646,374
Additions		300,000	1,587,206	1,887,206
December 31, 2024		9,773,510	19,760,070	29,533,580
Accumulated amortization				
January 1, 2024		9,376,917	-	9,376,917
Charge for the year	7.1	79,887	-	79,887
December 31, 2024		9,456,804	-	9,456,804
Net book value – December 31, 2024		316,706	19,760,070	20,076,776

7.1 Allocation of amortization charge for the year

	Note	2025	2024
Cost of revenue	22	-	41,362
General and administrative expenses	24	73,525	38,525
		73,525	79,887

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 (note 5.1).

8. INVESTMENT PROPERTIES, NET

Cost	Note	2025	2024
January 1 and December 31,		6,783,950	6,783,950
Accumulated depreciation			
January 1,		5,554,200	5,353,266
Charge for the year	22	201,374	200,934
December 31,		5,755,574	5,554,200
Net book value – December 31,		1,028,376	1,229,750

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, 2025 and determined the fair value of investment properties as ﷲ 9.39 million (December 31, 2024: ﷲ 9.39 million) using level 2 valuation techniques. Investment properties includes lands and buildings having carrying value amounting to ﷲ 0.10 million (2024: ﷲ 0.10 million) and ﷲ 0.93 million (2024: ﷲ 1.13 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, 2025.

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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 ﷲ 3.75 million. The initial share capital of SNAM was ﷲ 0.1 million which was subsequently increased to ﷲ 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, 2025 and 2024.

10. INVENTORIES, NET

	<u>2025</u>	<u>2024</u>
Raw materials	23,100,672	42,397,279
Finished goods	22,402,057	21,789,690
Good in transit	10,725,969	7,308,890
Works-in-process	4,409,069	5,335,886
Spare parts	7,816,471	7,805,469
Consumables and other inventories	2,343,279	2,148,377
	<u>70,797,517</u>	<u>86,785,591</u>

11. TRADE RECEIVABLES, NET

	<u>2025</u>	<u>2024</u>
Trade receivables	59,330,133	80,185,060
Less: allowance for expected credit losses	(5,194,003)	(18,561,716)
	<u>54,136,130</u>	<u>61,623,344</u>

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

	<u>2025</u>	<u>2024</u>
January 1,	18,561,716	18,977,956
(Reversal) / charge during the year	(2,527,560)	85,538
Write offs	(10,840,153)	(501,778)
December 31,	<u>5,194,003</u>	<u>18,561,716</u>

The ageing analysis of trade receivables is as follows:

	Total		1-90	91-180	181-360	Over 361
2025	Outstanding	Not due	days	days	days	days
Gross carrying amount	59,330,133	31,165,045	18,127,660	4,057,037	937,146	5,043,245
Loss allowance	5,194,003	33,545	18,439	62,838	35,936	5,043,245
Weighted average loss rate	8.75%	0.11%	0.10%	1.55%	3.83%	100%
			1-90	91-180	181-360	Over 361
2024	Outstanding	Not due	days	days	days	days
Gross carrying amount	80,185,060	35,631,796	20,561,834	4,834,265	1,363,425	17,793,740
Loss allowance	18,561,716	250,595	146,215	158,623	212,543	17,793,740
Weighted average loss rate	23.15%	0.70%	0.71%	3.28%	15.59%	100%

12. PREPAYMENTS AND OTHER ASSETS

	<u>2025</u>	<u>2024</u>
Prepayments	2,013,710	2,136,136
Advances to suppliers	2,019,648	1,481,910
Insurance claim receivable	193,375	772,707
Other receivables	283,524	683,213
	<u>4,510,257</u>	<u>5,073,966</u>

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13. CASH AND CASH EQUIVALENTS

	Note	2025	2024
Cash at banks		15,809,791	14,023,237
Demand and time deposits	13.1	3,596,880	11,542,824
Cash in hand		9,471	21,335
		19,416,142	25,587,396

13.1 Demand and time deposits are placed with the local banks carry profit rate ranging from 4.47% to 5.29% per annum (2024: 5.21% to 6.12% per annum) having original maturities of less than three months.

14. SHARE CAPITAL

The issued and paid up share capital is ﷲ 354,000,000 (2024: ﷲ 354,000,000), which is divided into 35,400,000 shares (2024: 35,400,000 shares) of ﷲ 10 each.

15. LONG TERM LOANS

	2025	2024
Saudi Industrial Development Fund (SIDF)	-	4,550,000
Less : deferred financial charges	-	(27,631)
Less: current portion	-	(4,522,369)
Total long term loans –non current portion	-	-
Total long term loans –current portion	-	4,522,369

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 was repayable in unequal half yearly installments from December 2019 and is secured by promissory notes and a mortgaged on certain property, plant and equipment of the Group. The loan was fully paid off during the year upon it's maturity. It contains certain covenants which requires, among other things, certain financial ratios to be maintained.

16. EMPLOYEES' END OF SERVICE BENEFITS

	2025	2024
January 1,	28,752,142	32,966,242
Charge for the year – profit or loss	3,968,295	3,629,459
Remeasurement gain – other comprehensive income	(2,426,439)	(1,494,080)
Payments made during the year	(3,509,889)	(4,754,605)
Transfer to accrued expenses and other liabilities	(373,344)	(1,594,874)
December 31,	26,410,765	28,752,142

Charged to consolidated profit or loss

	2025	2024
Current service cost	2,534,478	2,844,690
Interest cost	1,433,817	1,326,185
Curtailement	-	(159,352)
Past service cost	-	(382,064)
	3,968,295	3,629,459

Significant assumptions

	2025	2024
Discount rate per annum	4.75%	5.35%
Salary increase rate per annum	4.00%	4.75%

The weightage average working duration of the employees is 4.38 years (2024: 6.32 years)

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16. EMPLOYEES' END OF SERVICE BENEFITS (Continued)

Significant assumptions (Continued)

The sensitivity analysis of significant assumptions is as follows:

	<u>2025</u>	<u>2024</u>
Discount rate:		
+1 % discount rate	(26,149,484)	(26,756,963)
-1 % discount rate	28,459,782	31,019,228
Salary rate:		
+1% salary rate	28,536,770	31,015,320
-1% salary rate	(26,054,443)	(26,723,438)

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.

17. TRADE AND OTHER PAYABLES

	<u>2025</u>	<u>2024</u>
Trade payables	7,951,377	12,220,719
Notes payables – under supplier finance arrangement (17.1)	25,328,822	29,344,638
Bills payable	2,062,977	8,551,830
	<u>35,343,176</u>	<u>50,117,187</u>

17.1 The Group has entered into supplier finance arrangements with local banks to facilitate settlement of amounts payable to suppliers. Under these programs, suppliers may receive payment from the bank on due date, while the Group continues to settle the liability at a later date in accordance with the agreed terms. The arrangements are supported by promissory notes issued in favor of the banks. The banks may terminate the arrangements in case of breach of covenants or non-compliance with facility limits.

As at December 31, 2025:

- ﷲ 25.3 million (2024: ﷲ 29.3 million) of notes payable subject to supplier finance arrangements are presented within trade and other payables (note 17).
- ﷲ 18.1 million (2024: ﷲ 14.9 million) has already been settled by finance providers with suppliers and is presented within short term loans (note 18).

Accordingly, the total liabilities under supplier finance arrangements amounted to ﷲ 43.4 million (2024: ﷲ 44.2 million).

The contractual payment due dates of notes payable under these arrangements range within 90 days, compared with ordinary trade payables which generally fall due within 30 to 90 days. Payments under supplier finance arrangements continue to be classified within operating cash flows in the statement of cash flows, unless and until refinanced as bank borrowings (in which case subsequent repayments are presented within financing cash flows).

Liquidity risk disclosures (note 34) incorporate the amounts payable under these arrangements. The Group has diversified its supplier finance programs across more than one finance provider. Termination of these facilities or a change in bank credit limits could require the Group to settle related obligations earlier than currently contracted.

18. SHORT TERM LOANS

The Group has arranged funded and un-funded bank facilities ("the facilities") amounting to ﷲ 78 million (2024: ﷲ 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.

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19. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2025	2024
Payable to shareholders on account of rump offering and fraction shares	19.1	3,903,129	3,903,129
Employee related accruals		3,654,607	6,602,605
Accrued expenses		3,564,315	3,976,208
Value added tax		1,705,724	2,027,089
Advances from customers		1,255,921	883,710
Goods received but not invoiced		547,685	776,600
Dividend payable		760,243	760,243
		15,391,624	18,929,584

19.1 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.

20. ZAKAT

a) The movement in zakat payable during the year is as follows:

	2025	2024
January 1,	2,600,000	5,000,000
Charge for the year	1,203,876	2,071,580
Paid during the year	(2,303,876)	(4,471,580)
December 31,	1,500,000	2,600,000

b) Charge for the year is as follows:

	2025	2024
Current year	1500,000	2,600,000
Prior year	(296,124)	(528,420)
	1,203,876	2,071,580

(c) Status of assessment

During the year 2025, the Group has submitted its Zakat returns up to year ended December 31, 2024 and obtained the required certificates and official receipts. Further during the year, the Group received the final assessment from Zakat, Tax, and Customs Authority (ZATCA) for 2024 claiming additional liability of ﷲ 0.10 million that was paid during the year. Accordingly, the Group finalized assessments with ZATCA up to 2024.

21. REVENUE

	2025	2024
Revenue	239,998,016	244,497,759

21.1 Disaggregation of revenue

A. By product

	2025	2024
Wire drawing and related products	171,783,855	153,548,754
Axles, foundries and spare parts	68,214,161	90,949,005
	239,998,016	244,497,759

B. By geography

Local	178,236,142	182,865,631
Export	61,761,874	61,632,128
	239,998,016	244,497,759

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22. COST OF REVENUE

	Note	2025	2024
Raw materials consumed		176,041,315	186,039,924
Employees related costs		26,026,260	26,041,643
Depreciation of property, plant and equipment	5.3	10,865,248	10,629,914
Utilities		7,370,510	6,850,464
Repairs and maintenance		935,884	1,553,874
Insurance		734,916	702,242
Depreciation of right of use assets	6.1.1	392,917	534,512
(Reversal of) /write down of inventories		(1,231,772)	356,099
Depreciation of investment properties	8	201,374	200,934
Amortization	7.1	-	41,362
Others		1,835,480	1,076,236
		223,172,132	234,027,204

23. SELLING AND DISTRIBUTION EXPENSES

	Note	2025	2024
Transportation and distribution		7,243,877	6,285,924
Employees related costs		5,543,269	5,726,967
Consultancy fees		738,036	28,444
Travelling		268,581	231,175
Depreciation of property, plant and equipment	5.3	203,703	225,749
Rent		165,000	11,939
Insurance		105,999	186,554
Advertising		74,199	1,006,599
Utilities		43,151	54,864
Others		574,269	433,532
		14,960,084	14,191,747

24. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2025	2024
Employees related costs		14,502,302	12,281,690
Professional fees	24.1	3,555,546	1,895,343
Board of directors' expenses	28.1	1,479,000	1,479,000
IT expenses		1,127,622	1,196,884
Depreciation of property, plant and equipment	5.3	920,557	946,903
Telephone and utilities		453,894	506,311
Security		381,447	365,040
Repair and maintenance		214,204	851,663
Travelling		120,867	223,971
Insurance		102,138	110,486
Social contribution		-	100,000
Amortization	7.1	73,525	38,525
Others		664,256	778,827
		23,595,358	20,774,643

24.1 Auditors' fee for 2025 audit and review services amounts to ﷲ 0.35 million (2024: ﷲ 0.36 million) and their fee for Non Assurance Services (NAS) amounts to ﷲ 0.03 million (2024: ﷲ 0.05 million).

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25. OTHER INCOME, NET

	Note	2025	2024
Scrap sales		1,888,043	743,170
Rental income		360,000	398,826
Foreign exchange loss		(507,488)	(106,223)
Gain on disposal of property, plant and equipment	5	23,676	9,999
Others		20,377	129,452
		1,784,608	1,175,224

26. FINANCE COST

	Note	2025	2024
Finance cost on short term loans	18	1,981,338	1,630,485
Bank charges		632,885	585,605
Finance cost on lease liabilities	6.2.1	653,832	316,043
Commission and other fee on long term loan	15	74,947	206,063
		3,343,002	2,738,196

27. CONTINGENCIES AND COMMITMENTS

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

	2025	2024
Letter of credits	20,717,343	24,156,364
Letter of guarantees	404,567	389,042

(b) As at December 31, 2025, the Group has outstanding capital commitments amounting to ﷲ 20.31 million (2024: ﷲ 43.04 million) related to property, plant and equipment and intangible assets.

28. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

28.1 Transactions with key management personnel

	2025	2024
Key management executives (note a & b)	5,322,813	5,638,832
Board of directors and committees allowances and expenses (note 24)	1,479,000	1,479,000
	6,801,813	7,117,832

Expense for the year includes accruals in respect of the allowances for directors and sub-committee members amounting to ﷲ 1.48 million (2024: ﷲ 1.48 million)

(a) Short term benefits:

	2025	2024
Salaries and wages	4,372,500	4,424,850
Bonus	136,250	241,500
Others	446,188	519,146
	4,954,938	5,185,496

(b) Long term benefits:

End of service benefits	367,875	453,336
	5,322,813	5,638,832

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29. SEGMENT INFORMATION

As at December 31, 2025, the Group has the following three strategic divisions disclosed as reportable segments. These reportable segments provide distinct products and services and are managed independently due to the need for unique marketing strategies.

The Group's Chief Financial Officer (CFO) reviews internal management reports on at least a quarterly basis.

The following table describes the operations of each reportable segments.

Reportable segments	Activities
Transformation industries	Manufacture and sells PC Strand wires, single wires and spring wires.
Engineering and metal forming industries	Assembly of axles for trailers, spare parts and metal casting.
Industrial valves	Manufactures high pressure industrial valves.

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

2025	Transformation industries	Engineering and metal forming industries	Industrial valves	Corporate	Total
Revenue	171,783,855	68,214,161	-	-	239,998,016
Cost of revenue	(153,164,627)	(70,007,505)	-	-	(223,172,132)
Gross profit/ (Loss)	18,619,228	(1,793,344)	-	-	16,825,884
Selling and distribution expenses	(9,288,376)	(5,671,708)	-	-	(14,960,084)
General and administrative expenses	(6,699,804)	(10,761,496)	(2,521,382)	(3,612,676)	(23,595,358)
Allowance for / (reversal) of expected credit losses	2,074,884	452,676	-	-	2,527,560
Other income, net	1,138,591	648,686	(2,669)	-	1,784,608
Operating profit / (loss)	5,844,523	(17,125,186)	(2,524,051)	(3,612,676)	(17,417,390)
Finance income	80,124	-	-	-	80,124
Finance cost	(2,773,591)	(561,239)	(7,840)	(332)	(3,343,002)
Profit / (loss) before zakat	3,151,056	(17,686,425)	(2,531,891)	(3,613,008)	(20,680,268)
Zakat expense	(600,000)	(603,876)	-	-	(1,203,876)
Profit / (loss) from continuing operations	2,551,056	(18,290,301)	(2,531,891)	(3,613,008)	(21,884,144)

December 31, 2025	Transformation industries	Engineering and metal forming industries	Industrial valves	Corporate	Total
Total assets	175,791,580	98,411,708	80,322,331	10,162,383	364,688,002
Total liabilities	71,027,006	26,790,964	31,001,324	10,258,951	139,078,245

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29. SEGMENT INFORMATION (Continued)

2024	Transformation industries	Engineering and metal forming industries	Industrial valves	Corporate	Total
Revenue	153,548,754	90,949,005	-	-	244,497,759
Cost of revenue	(149,820,041)	(84,207,163)	-	-	(234,027,204)
Gross profit	3,728,713	6,741,842	-	-	10,470,555
Selling and distribution expenses	(8,260,897)	(5,930,850)	-	-	(14,191,747)
General and administrative expenses	(6,204,419)	(9,388,232)	(1,458,111)	(3,723,881)	(20,774,643)
Allowance for / (reversal) of expected credit losses	(750,000)	664,462	-	-	(85,538)
Other income, net	1,166,428	8,796	-	-	1,175,224
Operating loss	(10,320,175)	(7,903,982)	(1,458,111)	(3,723,881)	(23,406,149)
Finance income	864,108	-	-	-	864,108
Finance cost	(2,285,340)	(452,856)	-	-	(2,738,196)
Loss before zakat	(11,741,407)	(8,356,838)	(1,458,111)	(3,723,881)	(25,280,237)
Zakat expense	(871,580)	(1,200,000)	-	-	(2,071,580)
Loss from continuing operations	(12,612,987)	(9,556,838)	(1,458,111)	(3,723,881)	(27,351,817)

December 31, 2024	Transformation industries	Engineering and metal forming industries	Industrial valves	Corporate	Total
Total assets	195,616,093	116,493,036	53,951,277	8,055,816	374,116,222
Total liabilities	78,499,822	37,971,075	4,788,122	7,379,116	128,638,135

30. LOSS PER SHARE

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

	2025	2024
Loss for the year from continuing operations	(21,884,144)	(27,351,817)
Outstanding during the year	35,400,000	35,400,000
Basic and diluted loss per share	(0.62)	(0.77)
	2025	2024
Loss for the year from continuing and discontinued operations	(22,294,769)	(40,296,356)
Outstanding during the year	35,400,000	35,400,000
Basic and diluted loss per share	(0.63)	(1.14)

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31. DISCONTNUED OPERATIONS

As at December 31, 2024, the Group classified one of its production line of engineering and metal forming division as a discontinued operation in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. This decision was based on the formal approval of the Board and the satisfaction of the classification criteria under IFRS 5. The results of the production line has been shown as discontinued operations, which have been included in the consolidated statement of profit or loss and other comprehensive income are as follows:

	<u>2025</u>	<u>2024</u>
Revenue	892,613	4,777,901
Cost of revenue	(1,073,112)	(12,253,226)
Gross loss	(180,499)	(7,475,325)
Selling and distribution expenses	(95,069)	(572,982)
General and administrative expenses	(126,271)	(1,611,241)
Impairment loss on property, plant and equipment classified as held for sale	-	(3,301,761)
Other income / (expense), net	-	86,249
Operating loss	(401,839)	(12,875,060)
Finance cost	(8,786)	(69,479)
Loss before zakat	(410,625)	(12,944,539)
Zakat expense	-	-
Loss from discontinued operation	(410,625)	(12,944,539)

Loss per share

– basic and diluted

(0.01) (0.37)

Cash flows from discontinued operation

	<u>2025</u>	<u>2024</u>
Net cash from operating activities	(410,625)	(6,039,158)

Prior to reclassification, an impairment assessment was performed by comparing the net book value with the net realizable value. The resulting impairment loss / write down was classified under the loss from discontinued operations and the adjusted net book value was reclassified from property, plant and equipment and inventories to assets held for sale. As at December 31, 2025 and 2024 the details of assets classified as held for sale are as follows:

Assets classified as held for sales comprises of the below mentioned assets

	<u>2025</u>	<u>2024</u>
Machinery tools & equipments	776,000	776,000
Inventories	-	1,256,323
Total	776,000	2,032,323

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 at December 31, 2025 and 2024, 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.

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33. FINANCIAL INSTRUMENTS BY CATEGORY

As at December 31, 2025 and 2024, 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 fair value At through other amortized comprehensive cost income	Total
December 31, 2025		
Trade receivables	54,136,130	- 54,136,130
Cash and cash equivalents	19,416,142	- 19,416,142
Equity instruments designated at fair value through other comprehensive	-	3,750,000 3,750,000
	<u>73,552,272</u>	<u>3,750,000 77,302,272</u>
December 31, 2024		
Trade receivables	61,623,344	- 61,623,344
Cash and cash equivalents	25,587,396	- 25,587,396
Insurance claim receivable	772,707	- 772,707
Equity instruments designated at fair value through other comprehensive	-	3,750,000 3,750,000
	<u>87,983,447</u>	<u>3,750,000 91,733,447</u>

Financial liabilities

	At amortized cost
December 31, 2025	
Loans (short term and long term)	44,750,830
Trade and other payables	35,343,176
Accrued expenses and other liabilities	12,429,979
	<u>92,523,985</u>
December 31, 2024	
Loans (short term and long term)	19,395,513
Trade and other payables	50,117,187
Accrued expenses and other liabilities	16,018,785
	<u>85,531,485</u>

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.

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34. FINANCIAL RISK MANAGEMENT (Continued)

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:

	<u>2025</u>	<u>2024</u>
Trade receivables	54,136,130	61,623,344
Cash and cash equivalents	19,416,142	25,587,396
Equity instruments designated at fair value through other comprehensive income	3,750,000	3,750,000
Insurance claim receivable	193,375	772,707
	<u>77,495,647</u>	<u>91,733,447</u>

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:

	<u>2025</u>	<u>2024</u>
Middle East	58,943,629	78,980,323
Africa	313,500	875,538
Europe	73,004	329,199
	59,330,133	80,185,060
Less: Allowance for expected credit losses	(5,194,003)	(18,561,716)
	<u>54,136,130</u>	<u>61,623,344</u>

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34. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

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

	2025	2024
Business to business	56,951,924	72,778,365
Wholesale customers	1,614,938	7,029,322
Retail customers	763,271	377,373
	59,330,133	80,185,060
Less: Allowance for expected credit losses	(5,194,003)	(18,561,716)
	54,136,130	61,623,344

Short term deposits

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

Cash at bank and 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	2025
	Short-term	Long-term		
Bank Alinma	F2	A-	Fitch	4,768,892
Saudi National Bank	F2	A-	Fitch	5,024,288
Bank Aljazeera	F2	A-	Fitch	5,626,797
Saudi Awwal Bank	F2	A-	Fitch	3,462,339
Bank of Bahrain and Kuwait	B	B+	Fitch	174,310
Riyadh Bank	F2	A-	Fitch	836
Al Rajhi bank	F2	A-	Fitch	341,136
Arab National Bank	F2	A-	Fitch	8,073
				19,406,671

	Rating		Rating agency	2024
	Short-term	Long-term		
Bank Alinma	F2	A-	Fitch	14,011,758
Saudi National Bank	F2	A-	Fitch	5,042,055
Bank Aljazeera	F2	A-	Fitch	3,298,971
Saudi Awwal Bank	F2	A-	Fitch	2,815,428
Bank of Bahrain and Kuwait	B	B+	Fitch	174,435
Riyadh Bank	F2	A-	Fitch	110,667
Al Rajhi bank	F2	A-	Fitch	108,571
Arab National Bank	F2	A-	Fitch	4,176
				25,566,061

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.

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34. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

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, 2025					
Loans (short term and long term)	44,750,830	44,750,830	44,750,830	-	-
Trade and other payables	35,343,176	35,343,176	35,343,176	-	-
Accrued expenses and other liabilities	12,429,979	12,429,979	12,429,979	-	-
	92,523,985	92,523,985	92,523,985	-	-

	Carrying amount	Contractual cashflows	Within 1 year	Between 2-5 years	More than 5 years
December 31, 2024					
Loans (short term and long term)	19,395,513	19,624,444	19,624,444	-	-
Trade and other payables	50,117,187	50,117,187	50,117,187	-	-
Accrued expenses and other liabilities	16,018,785	16,018,785	16,018,785	-	-
	85,531,485	85,760,416	85,760,416	-	-

The maturity profile of the Group's lease liabilities as at December 31, 2025 and 2024 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 ﷲ 73.55 million (2024: ﷲ 87.21 million) and un-availed borrowing facilities of ﷲ 13.46 million (2024: ﷲ 9.58 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.

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34. FINANCIAL RISK MANAGEMENT (Continued)

Currency risk (Continued)

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

	USD	EUR	GBP	CHF	AED	BHD	Total
December 31, 2025							
Cash and cash equivalents	3,250,230	13,414	-	-	-	174,310	3,437,954
Trade receivables	6,630,543	-	-	-	-	-	6,630,543
Trade and other payables	2,664,950	1,458,907	20,927	3,133	6,356	-	4,154,273
Total monetary exposure	12,545,723	1,472,321	20,927	3,133	6,356	174,310	14,222,770
	USD	EUR	GBP	CHF	AED	BHD	Total
December 31, 2024							
Cash and cash equivalents	1,673,708	71,414	-	-	-	174,435	1,919,557
Trade receivables	20,902,155	-	-	-	-	-	20,902,155
Trade and other payables	9,703,643	2,089,145	20,927	3,133	-	4,181	11,821,029
Total monetary exposure	32,279,506	2,160,559	20,927	3,133	-	178,616	34,642,741

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, 2025 and 2024. Term deposits are fixed rate and therefore not subject to interest rate risk. However, as at December 31, 2025 and 2024, the Group's liabilities are subject to commission / interest rate risk which is not material as at December 31, 2025 and 2024.

Capital management

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

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

The salient information relating to capital risk management of the Group as at December 31, 2025 and 2024 were as follows:

	2025	2024
Total debt	54,580,195	28,239,222
Less: Cash and bank balances	(19,416,142)	(25,587,396)
Net debt	35,164,053	2,651,826
Total equity	225,609,757	245,478,087
Total capital employed	260,773,810	248,129,913
Gearing ratio	13.48%	1.07%

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35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES:

	December 31, 2024	Non-cash transaction	(Repayments) /receipts, net	Interest accrued, net	Amortization of financial charges	December 31, 2025
SIDF loans	4,522,369	-	(4,500,000)	(22,369)	-	-
Short term loans	14,873,144	-	29,020,657	(1,124,309)	1,981,338	44,750,830
Lease liabilities	8,843,709	7,382,719	(544,578)	(997,425)	997,425	15,681,850
	28,239,222	7,382,719	23,976,079	(2,144,103)	2,978,763	60,432,680

	December 31, 2023	Non-cash transaction	Repayments, net	Interest accrued, net	Amortization of financial charges	December 31, 2024
SIDF loans	11,549,738	-	(7,100,000)	-	72,631	4,522,369
Short term loans	8,160,269	-	6,781,601	(68,726)	-	14,873,144
Lease liabilities	9,093,755	-	(792,063)	-	542,017	8,843,709
	28,803,762	-	(1,110,462)	(68,726)	614,648	28,239,222

36. NON-CASH TRANSACTIONS:

Following are the non-cash transactions:

	2025	2024
Transfer end of services liabilities to accrued and other liabilities	373,344	1,594,874
Remeasurement gain on end of service benefits	2,426,439	1,494,080
Finance cost related to lease liability transferred to capital work-in-progress	343,593	225,974
Depreciation expense related to right of use assets transferred to capital work-in-progress	461,237	227,324
Prepaid rent adjustd against the right of use asset	150,000	-
Transfer from capital work in progress to fixed assets	325,849	-
Addition in right of use assets and lease liabilities	7,382,719	-

37. SUBSEQUENT EVENTS

There have been no significant events since the year ended December 31, 2025 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 made to the 2024 figures to conform to the current year's presentation

39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved and authorized for issue by the Board of Directors on March 31, 2026 corresponding to Shawwal 12, 1447H.