# Saudi Iron and Steel Company (Hadeed)

## (Owned by one person) (A Limited Liability Company)

## FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2020

EY
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# INDEPENDENT AUDITOR'S REPORT
# TO THE SHAREHOLDER OF SAUDI IRON AND STEEL COMPANY (HADEED) (OWNED BY ONE PERSON) (A LIMITED LIABILITY COMPANY)

## Opinion

We have audited the financial statements of Saudi Iron and Steel Company (Owned by one person) ("the Company"), which comprise the statement of financial position as at 31 December 2020, and the statement of income and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

## 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 Financial Statements section of our report. We are independent of the Company in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF SAUDI IRON AND STEEL COMPANY (HADEED)
(OWNED BY ONE PERSON) (A LIMITED LIABILITY COMPANY) (CONTINUED)

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF SAUDI IRON AND STEEL COMPANY (HADEED)
(OWNED BY ONE PERSON) (A LIMITED LIABILITY COMPANY) (CONTINUED)

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

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.

**Report on Other Legal and Regulatory Requirements**

The accumulated losses of the Company exceeded half of its capital as at 31 December 2020. As explained in note 2.1, the Company has taken certain legal steps in order to comply with the requirements of the Regulations for Companies. However, as at the date of this report, the resolution has not been published.

for Ernst & Young

Waleed G. Tawfiq
Certified Public Accountant
License No. 437

10 Ramadan 1442H
22 April 2021
Alkhobar

شركة ارنست ويونغ وشركاهم (محاسبون قانونيون)
EY
ترخيص مهني رقم ٤٥
PROFESSIONAL LICENSE No. 45
ERNST & YOUNG & Co. (CERTIFIED PUBLIC ACCOUNTANTS)

Saudi Iron and Steel Company (Hadeed)
(Owned by one person) (A Limited Liability Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

| | *Note* | ***2020*** | *2019* |
|---|---|---|---|
| | | ***SR '000*** | *SR '000* |
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 7 | **9,893,956** | 9,804,906 |
| Right-of-use assets | 8 | **633,159** | 743,093 |
| Intangible assets | 9 | **82,263** | 95,713 |
| Other non-current assets | 10 | **525,413** | 596,324 |
| **TOTAL NON-CURRENT ASSETS** | | **11,134,791** | 11,240,036 |
| **CURRENT ASSETS** | | | |
| Inventories | 12 | **3,189,657** | 3,948,218 |
| Trade receivables | 13 | **1,863,431** | 2,080,559 |
| Prepayments and other receivables | 14 | **826,254** | 998,782 |
| Cash and cash equivalents | 15 | **834,100** | 533,541 |
| **TOTAL CURRENT ASSETS** | | **6,713,442** | 7,561,100 |
| **TOTAL ASSETS** | | **17,848,233** | 18,801,136 |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| Share capital | 17 | **1,070,000** | 1,070,000 |
| Statutory reserve | 18 | **321,000** | 321,000 |
| General reserve | 18 | **9,952,194** | 11,452,194 |
| Actuarial (loss)/gain reserve | 18 | **(353,425)** | 154,393 |
| Accumulated losses | | **(1,293,500)** | (1,049,122) |
| **TOTAL EQUITY** | | **9,696,269** | 11,948,465 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest bearing loans and borrowings | 19 | **1,688,638** | 243,557 |
| Lease liabilities | 20 | **566,585** | 655,340 |
| Employees' benefits | 21 | **3,335,819** | 2,552,029 |
| **TOTAL NON-CURRENT LIABILITIES** | | **5,591,042** | 3,450,926 |
| **CURRENT LIABILITIES** | | | |
| Current portion of interest bearing loans and borrowings | 19 | **162,144** | 161,235 |
| Current portion of lease liabilities | 20 | **89,307** | 95,268 |
| Trade payables | 22 | **1,142,242** | 1,627,468 |
| Accrued and other current liabilities | 23 | **1,054,472** | 1,405,930 |
| Zakat provision | 30 | **112,757** | 111,844 |
| **TOTAL CURRENT LIABILITIES** | | **2,560,922** | 3,401,745 |
| **TOTAL LIABILITIES** | | **8,151,964** | 6,852,671 |
| **TOTAL EQUITY AND LIABILITIES** | | **17,848,233** | 18,801,136 |

The attached notes 1 to 35 form part of these financial statements.

Saudi Iron and Steel Company (Hadeed)
(Owned by one person) (A Limited Liability Company)

STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

| | *Note* | ***2020*** | *2019* |
|---|---|---|---|
| | | ***SR '000*** | *SR '000* |
| Sales | 24 | **9,521,229** | 10,628,605 |
| Cost of sales | 25 | **(10,116,078)** | (10,708,307) |
| **GROSS LOSS** | | **(594,849)** | (79,702) |
| Selling and distribution expenses | 26 | **(430,092)** | (434,468) |
| General and administrative expenses | 27 | **(500,567)** | (530,887) |
| **OPERATING LOSS** | | **(1,525,508)** | (1,045,057) |
| Financial costs | 28 | **(160,966)** | (151,688) |
| Financial income | | **8,827** | 36,734 |
| Other income, net | 29 | **46,026** | 37,518 |
| **LOSS BEFORE ZAKAT** | | **(1,631,621)** | (1,122,493) |
| Zakat | 30 | **(112,757)** | (111,844) |
| **NET LOSS FOR THE YEAR** | | **(1,744,378)** | (1,234,337) |
| **OTHER COMPREHENSIVE INCOME** | | | |
| *Items that will not be reclassified to statement of income (net of zakat):* | | | |
| Remeasurement losses on employees' benefits | 21 | **(507,818)** | (276,818) |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | | **(2,252,196)** | (1,511,155) |

The attached notes 1 to 35 form part of these financial statements.

Saudi Iron and Steel Company (Hadeed)
(Owned by one person) (A Limited Liability Company)

## STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

| | *Share capital* *SR '000* | *Statutory reserve* *SR '000* | *General reserve* *SR '000* | *Actuarial gain/(loss) reserve* *SR '000* | *Accumulated losses* *SR '000* | *Total* *SR '000* |
|---|---|---|---|---|---|---|
| Balance as at 1 January 2019 | 1,070,000 | 321,000 | 11,452,194 | 431,211 | 185,215 | 13,459,620 |
| Net loss for the year | - | - | - | - | (1,234,337) | (1,234,337) |
| Other comprehensive loss | - | - | - | (276,818) | - | (276,818) |
| Total comprehensive loss | - | - | - | (276,818) | (1,234,337) | (1,511,155) |
| At 31 December 2019 | 1,070,000 | 321,000 | 11,452,194 | 154,393 | (1,049,122) | 11,948,465 |
| Net loss for the year | - | - | - | - | (1,744,378) | (1,744,378) |
| Other comprehensive loss | - | - | - | (507,818) | - | (507,818) |
| Total comprehensive loss | - | - | - | (507,818) | (1,744,378) | (2,252,196) |
| Transfers (note 18.2) | - | - | (1,500,000) | - | 1,500,000 | - |
| **At 31 December 2020** | **1,070,000** | **321,000** | **9,952,194** | **(353,425)** | **(1,293,500)** | **9,696,269** |

The attached notes 1 to 35 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

| | Note | 2020<br>SR '000 | 2019<br>SR '000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Loss before zakat | | **(1,631,621)** | (1,122,493) |
| Adjustments to reconcile profit before | | | |
| Depreciation of property, plant and equipment | 7 | **941,633** | 1,004,501 |
| Depreciation of right-of-use assets | 8 | **135,300** | 136,428 |
| Amortisation of intangible assets | 9 | **15,810** | 15,573 |
| Amortisation of other non-current assets | 10 | **46,806** | 46,806 |
| Provision for employees' benefits | 21 | **179,240** | 158,121 |
| Provision for employees' saving plan, net | 21 | **28,672** | 16,701 |
| Provision for obsolete items | 12 | **115,397** | 6,535 |
| Reversal of provision for expected credit losses | 13 | **(443)** | (4,391) |
| Loss on disposal/write-off of property, plant and equipment | 29 | **4,252** | 30,904 |
| Loss on derecognition due to termination of leases | 29 | **4,019** | - |
| Financial costs | 28 | **160,966** | 151,688 |
| Financial income | | **(8,827)** | (36,734) |
| | | **(8,796)** | 403,639 |
| Changes in operating assets and liabilities: | | | |
| Inventories | | **643,164** | 430,900 |
| Trade receivables | | **217,571** | 30,746 |
| Prepayments and other receivables | | **172,528** | (207,330) |
| Other non-current assets | | **24,105** | (428,991) |
| Trade payables | | **464,774** | 410,806 |
| Accrued and other current liabilities | | **(336,902)** | 158,652 |
| Cash flows from operations | | **1,176,444** | 798,422 |
| Financial income received | | **8,827** | 36,734 |
| Financial costs paid | | **(37,713)** | (27,818) |
| Employees' benefits paid | 21 | **(31,384)** | (43,607) |
| Zakat settled to SABIC | 30 | **(111,844)** | (120,201) |
| Net cash flows from operating activities | | **1,004,330** | 643,530 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | 7 | **(377,710)** | (848,673) |
| Purchase of intangible assets | 9 | **(2,360)** | (27,112) |
| Net cash flows used in investing activities | | **(380,070)** | (875,785) |
| **FINANCING ACTIVITIES** | | | |
| Repayment of lease liabilities | 20 | **(162,466)** | (141,390) |
| Repayment of interest bearing loans and borrowings | 19 | **(161,235)** | (160,343) |
| Net cash flows used in financing activities | | **(323,701)** | (301,733) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | **300,559** | (533,988) |
| Cash and cash equivalents at the beginning of the year | | **533,541** | 1,067,529 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | 15 | **834,100** | 533,541 |

Saudi Iron and Steel Company (Hadeed)
(Owned by one person) (A Limited Liability Company)

STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2020

| | *Note* | ***2020*** ***SR '000*** | *2019* *SR '000* |
|---|---|---|---|
| **SIGNIFICANT NON-CASH TRANSACTIONS:** | | | |
| Transfer of general reserve to the accumulated losses | 18 | **(1,500,000)** | - |
| Transfer of trade payables to interest bearing loans and borrowings | 19 | **950,000** | - |
| Purchase of property, plant and equipment acquired by interest bearing loans and borrowings | 19 | **657,225** | - |
| Remeasurement losses on employees' benefits | 21 | **(507,818)** | (276,818) |
| Interest cost on employees' benefits | 21 | **79,749** | 84,655 |
| Interest cost on lease liabilities | 20 | **38,365** | 41,033 |
| Additions to right-of-use assets | 8 | **47,730** | 641,424 |
| Additions to lease liabilities | 20 | **(47,730)** | (564,441) |
| Right-of-use assets derecognised due to termination | 8 | **(22,364)** | - |
| Lease liabilities derecognised due to termination | 20 | **(18,345)** | - |
| Employees' benefits transferred adjusted against accrued and other current liabilities | 21 | **19,695** | (25,465) |

The attached notes 1 to 35 form part of these financial statements.

# Saudi Iron and Steel Company (Hadeed)

## (Owned by one person) (A Limited Liability Company)

## FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2021

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**Ernst & Young Professional Services (Professional LLC)**
**Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)**
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# INDEPENDENT AUDITOR'S REPORT
# TO THE SHAREHOLDER OF SAUDI IRON AND STEEL COMPANY (HADEED) (OWNED BY ONE PERSON) (A LIMITED LIABILITY COMPANY)

## Opinion

We have audited the financial statements of Saudi Iron and Steel Company (Owned by one person) ("the Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of income and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

## 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 Financial Statements section of our report. We are independent of the Company in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF SAUDI IRON AND STEEL COMPANY (HADEED)
(OWNED BY ONE PERSON) (A LIMITED LIABILITY COMPANY) (CONTINUED)

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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**INDEPENDENT AUDITOR'S REPORT**
**TO THE SHAREHOLDER OF SAUDI IRON AND STEEL COMPANY (HADEED)**
**(OWNED BY ONE PERSON) (A LIMITED LIABILITY COMPANY) (CONTINUED)**

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

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.

for Ernst & Young Professional Services

Waleed G. Tawfiq
Certified Public Accountant
License No. 437

Al Khobar: 25 Ramadhan 1443H
26 April 2022

K20
EY
سجل تجاري ٢٠٥١٠٥٨٧٩٢
CR.2051058792
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Saudi Iron and Steel Company (Hadeed)
(Owned by one person) (A Limited Liability Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

| | *Notes* | ***2021*** ***SR '000*** | *2020* *SR '000* |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 7 | **8,612,241** | 9,893,956 |
| Right-of-use assets | 8 | **469,430** | 633,159 |
| Intangible assets | 9 | **63,644** | 82,263 |
| Investments in a joint venture | 10 | **176,846** | - |
| Other non-current assets | 11 | **1,240,237** | 493,673 |
| **TOTAL NON-CURRENT ASSETS** | | **10,562,398** | 11,103,051 |
| **CURRENT ASSETS** | | | |
| Inventories | 13 | **4,812,929** | 3,189,657 |
| Trade receivables | 14 | **2,077,142** | 1,863,431 |
| Prepayments and other current assets | 15 | **1,222,863** | 857,994 |
| Cash and cash equivalents | 16 | **665,179** | 834,100 |
| **TOTAL CURRENT ASSETS** | | **8,778,113** | 6,745,182 |
| **TOTAL ASSETS** | | **19,340,511** | 17,848,233 |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| Share capital | 18 | **1,070,000** | 1,070,000 |
| Statutory reserve | 19 | **321,000** | 321,000 |
| General reserve | 19 | **8,208,194** | 9,952,194 |
| Actuarial loss reserve | 19 | **(137,679)** | (353,425) |
| Retained earnings / (accumulated losses) | | **689,924** | (1,293,500) |
| **TOTAL EQUITY** | | **10,151,439** | 9,696,269 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest bearing loans and borrowings | 20 | **1,606,694** | 1,688,638 |
| Lease liabilities | 21 | **421,988** | 566,585 |
| Employees' benefits | 22 | **3,359,832** | 3,335,819 |
| **TOTAL NON-CURRENT LIABILITIES** | | **5,388,514** | 5,591,042 |
| **CURRENT LIABILITIES** | | | |
| Current portion of interest bearing loans and borrowings | 20 | **81,563** | 162,144 |
| Current portion of lease liabilities | 21 | **83,657** | 89,307 |
| Trade payables | 23 | **1,657,635** | 1,142,242 |
| Accrued and other current liabilities | 24 | **1,865,696** | 1,054,472 |
| Zakat provision | 31 | **112,007** | 112,757 |
| **TOTAL CURRENT LIABILITIES** | | **3,800,558** | 2,560,922 |
| **TOTAL LIABILITIES** | | **9,189,072** | 8,151,964 |
| **TOTAL EQUITY AND LIABILITIES** | | **19,340,511** | 17,848,233 |

The attached notes 1 to 35 form part of these financial statements.

Saudi Iron and Steel Company (Hadeed)
(Owned by one person) (A Limited Liability Company)

STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2021

| | *Notes* | ***2021*** | *2020* |
|---|---|---|---|
| | | ***SR '000*** | *SR '000* |
| Sales | 25 | **12,791,456** | 9,521,229 |
| Cost of sales | 26 | **(11,423,477)** | (10,116,078) |
| **GROSS PROFIT / (LOSS)** | | **1,367,979** | (594,849) |
| Selling and distribution expenses | 27 | **(417,666)** | (430,092) |
| General and administrative expenses | 28 | **(540,733)** | (500,567) |
| **OPERATING INCOME / (LOSS)** | | **409,580** | (1,525,508) |
| Financial costs | 29 | **(138,860)** | (160,966) |
| Financial income | | **2,964** | 8,827 |
| Other income, net | 30 | **80,950** | 46,026 |
| Share of results of a joint venture | 10 | **(3,203)** | - |
| **INCOME / (LOSS) BEFORE ZAKAT** | | **351,431** | (1,631,621) |
| Zakat | 31 | **(112,007)** | (112,757) |
| **NET INCOME / (LOSS) FOR THE YEAR** | | **239,424** | (1,744,378) |
| **OTHER COMPREHENSIVE INCOME** | | | |
| *Items that will not be reclassified to statement of income:* | | | |
| Remeasurement gains / (losses) on employees' benefits | 22 | **215,746** | (507,818) |
| **TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR** | | **455,170** | (2,252,196) |

The attached notes 1 to 35 form part of these financial statements.

Saudi Iron and Steel Company (Hadeed)
(Owned by one person) (A Limited Liability Company)

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

| | *Share capital* *SR '000* | *Statutory reserve* *SR '000* | *General reserve* *SR '000* | *Actuarial loss reserve* *SR '000* | *Retained earnings / (accumulated losses)* *SR '000* | *Total* *SR '000* |
|---|---|---|---|---|---|---|
| Balance as at 1 January 2020 | 1,070,000 | 321,000 | 11,452,194 | 154,393 | (1,049,122) | 11,948,465 |
| Net loss for the year | - | - | - | - | (1,744,378) | (1,744,378) |
| Other comprehensive loss | - | - | - | (507,818) | - | (507,818) |
| Total comprehensive loss | - | - | - | (507,818) | (1,744,378) | (2,252,196) |
| Transfers (note 19.2) | - | - | (1,500,000) | - | 1,500,000 | - |
| At 31 December 2020 | 1,070,000 | 321,000 | 9,952,194 | (353,425) | (1,293,500) | 9,696,269 |
| Net income for the year | - | - | - | - | 239,424 | 239,424 |
| Other comprehensive income | - | - | - | 215,746 | - | 215,746 |
| Total comprehensive income | - | - | - | 215,746 | 239,424 | 455,170 |
| Transfers (note 19.2) | - | - | (1,744,000) | - | 1,744,000 | - |
| **At 31 December 2021** | **1,070,000** | **321,000** | **8,208,194** | **(137,679)** | **689,924** | **10,151,439** |

The attached notes 1 to 35 form part of these financial statements.

Saudi Iron and Steel Company (Hadeed)
(Owned by one person) (A Limited Liability Company)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

| | *Notes* | ***2021*** | *2020* |
|---|---|---|---|
| | | ***SR '000*** | *SR '000* |
| **OPERATING ACTIVITIES** | | | |
| Income / (loss) before zakat | | **351,431** | (1,631,621) |
| Adjustments to reconcile income / (loss) before zakat to net cashflows: | | | |
| Depreciation of property, plant and equipment | 7 | **937,774** | 941,633 |
| Depreciation of right-of-use assets | 8 | **132,909** | 135,300 |
| Amortisation of intangible assets | 9 | **18,627** | 15,810 |
| Amortisation of other non-current assets | 11 | **46,806** | 46,806 |
| Share of results of a joint venture | 10 | **3,203** | - |
| Provision for employees' benefits, net | 22 | **172,096** | 179,240 |
| Provision for employees' saving plan, net | 22 | **43,726** | 28,672 |
| (Reversal of ) / allowance for obsolete items | 13 | **(9,926)** | 115,397 |
| Allowance for / (reversal of) expected credit losses | 14 | **357** | (443) |
| Loss on disposal/write-off of property, plant and equipment | 30 | **22,557** | 4,252 |
| (Gain) / loss on derecognition due to termination of leases | 30 | **(4,039)** | 4,019 |
| Financial costs | 29 | **138,860** | 160,966 |
| Financial income | | **(2,964)** | (8,827) |
| | | **1,851,417** | (8,796) |
| Changes in operating assets and liabilities: | | | |
| Inventories | | **(1,613,346)** | 643,164 |
| Trade receivables | | **(214,068)** | 217,571 |
| Prepayments and other current assets | | **(364,869)** | 140,788 |
| Other non-current assets | | **106,376** | 55,845 |
| Trade payables | | **515,393** | 464,774 |
| Accrued and other current liabilities | | **811,794** | (336,902) |
| Cash flows from operations | | **1,092,697** | 1,176,444 |
| Financial income received | | **2,964** | 8,827 |
| Financial costs paid | | **(44,463)** | (37,713) |
| Employees' benefits paid | 22 | **(51,473)** | (31,384) |
| Zakat settled to SABIC | 31 | **(112,757)** | (111,844) |
| Net cash flows from operating activities | | **886,968** | 1,004,330 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | 7 | **(578,362)** | (377,710) |
| Addition to investment in a joint venture | 10 | **(180,049)** | - |
| Purchase of intangible assets | 9 | **(8)** | (2,360) |
| Net cash flows used in investing activities | | **(758,419)** | (380,070) |
| **FINANCING ACTIVITIES** | | | |
| Payment of lease liabilities | 21 | **(134,945)** | (162,466) |
| Repayment of interest bearing loans and borrowings | 20 | **(162,525)** | (161,235) |
| Net cash flows used in financing activities | | **(297,470)** | (323,701) |
| **NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS** | | **(168,921)** | 300,559 |
| Cash and cash equivalents at the beginning of the year | | **834,100** | 533,541 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | 16 | **665,179** | 834,100 |

The attached notes 1 to 35 form part of these financial statements.

STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2021

| | *Notes* | ***2021*** | *2020* |
|---|---|---|---|
| | | ***SR '000*** | *SR '000* |
| **SIGNIFICANT NON-CASH TRANSACTIONS:** | | | |
| Transfer of general reserve to the accumulated losses | 19 | **(1,744,000)** | (1,500,000) |
| Transfer of trade payables to interest bearing loans and borrowings | 20 | **-** | 950,000 |
| Purchase of property, plant and equipment acquired by interest bearing loans and borrowings | 20 | **-** | 657,225 |
| Remeasurement gain / (losses) on employees' benefits | 22 | **215,746** | (507,818) |
| Interest cost on employees' benefits | 22 | **74,840** | 79,749 |
| Interest cost on lease liabilities | 21 | **19,557** | 38,365 |
| Additions to right-of-use assets | 8 | **63,256** | 47,730 |
| Additions to lease liabilities | 21 | **(63,256)** | (47,730) |
| Right-of-use assets derecognised due to termination, net | 8 | **(86,734)** | (22,364) |
| Lease liabilities derecognised due to termination | 21 | **(90,773)** | (18,345) |
| Transfer form property, plant and equipment to other non-current assets | 7 | **899,746** | - |

# Saudi Iron and Steel Company (Hadeed)

(OWNED BY ONE PERSON) (A LIMITED LIABILITY COMPANY)

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

pwc

# *Independent auditor's report*
# *To the owner of the Saudi Iron and Steel Company*
# *(A Limited Liability Company Owned by One Person)*

## *Report on the audit of the financial statements*

### *Our opinion*

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

**What we have audited**

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of income and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies 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 Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

pwc

# Independent auditor's report (continued)
# To the owner of Saudi Iron and Steel Company
# (A Limited Liability Company Owned by One Person)

## Responsibilities of management and those charged with governance for the financial statements

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

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

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

## Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

*Independent auditor's report (continued)*
*To the owner of Saudi Iron and Steel Company*
*(A Limited Liability Company Owned by One Person)*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**PricewaterhouseCoopers**

Bader L Benmohareb
License No. 471
June 14, 2023

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص رقم ٢٥
س.ت ١٠١٠٣٧١٦٢٢
PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTS
LICENSE NO.25
C.R.1010371522

## Statement of financial position

(All amounts in Saudi Riyals '000 unless otherwise stated)

| | Notes | As at 31 December 2022 | As at 31 December 2021* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 7 | **7,853,469** | 8,612,241 |
| Right-of-use assets | 8 | **579,000** | 469,430 |
| Intangible assets | 9 | **48,420** | 63,644 |
| Investments in a joint venture | 10 | **175,205** | 176,846 |
| Other non current assets | 11 | **1,381,741** | 1,240,237 |
| **Total non-current assets** | | **10,037,835** | 10,562,398 |
| **Current assets** | | | |
| Inventories | 13 | **5,036,526** | 4,812,929 |
| Trade receivables | 14 | **2,875,907** | 2,077,142 |
| Other current assets | 15 | **1,368,227** | 1,222,863 |
| Cash and cash equivalents | 16 | **1,343,049** | 806,347 |
| **Total current assets** | | **10,623,709** | 8,919,281 |
| **TOTAL ASSETS** | | **20,661,544** | 19,481,679 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 18 | **1,070,000** | 1,070,000 |
| Statutory reserve | 19 | **321,000** | 321,000 |
| General reserve | 19 | **8,208,194** | 8,208,194 |
| Other reserve | 19 | **648,707** | (137,679) |
| Retained earnings | | **1,049,006** | 689,924 |
| **TOTAL EQUITY** | | **11,296,907** | 10,151,439 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Interest bearing loans and borrowings | 20 | **1,419,725** | 1,606,694 |
| Lease liabilities | 21 | **545,428** | 421,988 |
| Employees' benefits | 22 | **2,618,365** | 3,185,688 |
| **Total non-current liabilities** | | **4,583,518** | 5,214,370 |
| **Current liabilities** | | | |
| Current portion of interest bearing loans and borrowings | 20 | **187,500** | 81,563 |
| Current portion of lease liabilities | 21 | **48,930** | 83,657 |
| Current portion of employees' benefits | 22 | **339,089** | 315,312 |
| Trade payables | 23 | **2,118,968** | 1,657,635 |
| Accruals and other current liabilities | 24 | **1,954,695** | 1,865,696 |
| Zakat provision | 32 | **131,937** | 112,007 |
| **Total current liabilities** | | **4,781,119** | 4,115,870 |
| **TOTAL LIABILITIES** | | **9,364,637** | 9,330,240 |
| **TOTAL EQUITY AND LIABILITIES** | | **20,661,544** | 19,481,679 |

**In respect of 2021 comparative year, refer to Note 36 for certain reclassifications made.*

Faisal Al Harbi
Director - Finance

Salah AL-Ansari
President

The accompanying notes from 9 to 50 form an integral part of these financial statements.

## Statement of income and other comprehensive income

(All amounts in Saudi Riyals '000 unless otherwise stated)

| | Notes | For the year ended 31 December 2022 | For the year ended 31 December 2021* |
|---|---|---|---|
| Sales | 25 | **15,390,191** | 12,791,456 |
| Cost of sales | 26 | **(14,074,077)** | (11,661,922) |
| **Gross profit** | | **1,316,114** | 1,129,534 |
| Selling and distribution expenses | 27 | **(200,636)** | (179,159) |
| General and administrative expenses | 28 | **(591,964)** | (518,801) |
| Research and development expenses | 29 | **(19,872)** | (21,994) |
| Other operating income | 31 | **191,338** | 113,346 |
| Other operating expenses | 31 | **(52,743)** | (32,396) |
| **Operating income** | | **642,237** | 490,530 |
| Finance cost | 30 | **(160,875)** | (138,860) |
| Finance income | | **10,208** | 2,964 |
| Share of results of a joint venture | 10 | **(551)** | (3,203) |
| **Income before zakat** | | **491,019** | 351,431 |
| Zakat | 32 | **(131,937)** | (112,007) |
| **Net income for the year** | | **359,082** | 239,424 |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified to the statement of income:* | | | |
| - Remeasurement gains on employees' benefits | 22 | **787,612** | 215,746 |
| - Exchange difference on translation of the JV Investment | | **(1,226)** | - |
| | | **786,386** | 215,746 |
| **Total comprehensive income for the year** | | **1,145,468** | 455,170 |

**In respect of 2021 comparative year, refer to Note 36 for certain reclassifications made.*

Faisal Al Harbi
Director - Finance

Salah Al-Ansari
President

The accompanying notes from 9 to 50 form an integral part of these financial statements.

## Statement of changes in equity

(All amounts in Saudi Riyals '000 unless otherwise stated)

| | Share capital | Statutory reserve | General reserve | Other reserve | Retained earnings (losses) | Total |
|---|---|---|---|---|---|---|
| Balance as at 1 January 2021 | 1,070,000 | 321,000 | 9,952,194 | (353,425) | (1,293,500) | 9,696,269 |
| Net income for the year | - | - | - | - | 239,424 | 239,424 |
| Other comprehensive income for the year | - | - | - | 215,746 | - | 215,746 |
| Total comprehensive income for the year | - | - | - | 215,746 | 239,424 | 455,170 |
| Transfers (note 19.2) | - | - | (1,744,000) | - | 1,744,000 | - |
| **Balance as at 31 December 2021** | **1,070,000** | **321,000** | **8,208,194** | **(137,679)** | **689,924** | **10,151,439** |
| Balance as at 1 January 2022 | **1,070,000** | **321,000** | **8,208,194** | **(137,679)** | **689,924** | **10,151,439** |
| Net income for the year | - | - | - | - | **359,082** | **359,082** |
| Other comprehensive income | - | - | - | **786,386** | - | **786,386** |
| Total comprehensive income for the year | - | - | - | **786,386** | **359,082** | **1,145,468** |
| Balance as at 31 December 2022 | **1,070,000** | **321,000** | **8,208,194** | **648,707** | **1,049,006** | **11,296,907** |

Faisal Al Harbi
Director - Finance

Salah AL-Ansari
President

The accompanying notes from 9 to 50 form an integral part of these financial statements.

## Statement of cash flows

(All amounts in Saudi Riyals '000 unless otherwise stated)

| | *Notes* | For the year ended 31 December 2022 | For the year ended 31 December 2021* |
|---|---|---|---|
| **Operating activities:** | | | |
| Income before zakat | | **491,019** | 351,431 |
| ***Adjustments to reconcile income before zakat to net cashflows:*** | | | |
| - Depreciation of property, plant and equipment | *7* | **1,006,297** | 937,774 |
| - Depreciation of right-of-use assets | *8* | **123,452** | 132,909 |
| - Amortisation of intangible assets | *9* | **21,977** | 18,627 |
| - Amortisation of other non-current assets | *11* | **46,806** | 46,806 |
| - Share of results of a joint venture | *10* | **551** | 3,203 |
| - Investment in joint venture carrying value adjustment | | **(136)** | - |
| - Provision for employees' benefits, net | *22* | **224,259** | 154,358 |
| - Provision for employees' saving plan, net | *22* | **23,777** | 43,726 |
| - Reversal of allowance for obsolete items | *13* | **(83,985)** | (9,926) |
| - (Reversal of) / Allowance for expected credit losses | *14* | **(420)** | 357 |
| - Loss on disposal/write-off of property, plant and equipment | *31* | **33,430** | 22,557 |
| - Gain on derecognition due to termination of leases | *31* | **(14,480)** | (4,039) |
| - Financial cost | *30* | **160,875** | 138,860 |
| - Financial income | | **(10,208)** | (2,964) |
| | | **2,023,214** | 1,833,679 |
| *Changes in operating assets and liabilities:* | | | |
| Inventories | | **(139,612)** | (1,613,346) |
| Trade receivables | | **(798,345)** | (214,068) |
| Other current assets | | **(145,364)** | (364,869) |
| Other non current assets | | **87,545** | 106,376 |
| Trade payables | | **461,333** | 515,393 |
| Accruals and other current liabilities | | **86,939** | 811,794 |
| **Cash flows from operations** | | **1,575,710** | 1,074,959 |
| Finance income received | | **10,208** | 2,964 |
| Finance cost paid | | **(69,438)** | (44,463) |
| Employees' benefits paid | *22* | **(66,054)** | (51,473) |
| Zakat settled to SABIC | *32* | **(112,007)** | (112,757) |
| **Net cash flows from operating activities** | | **1,338,419** | 869,230 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | *7* | **(577,556)** | (578,362) |
| Addition to investment in a joint venture | *10* | **-** | (180,049) |
| Purchase of intangible assets | *9* | **(6,753)** | (8) |
| **Net cash flows used in investing activities** | | **(584,309)** | (758,419) |
| **FINANCING ACTIVITIES** | | | |
| Payment of lease liabilities | *21* | **(136,376)** | (134,945) |
| Repayment of interest bearing loans and borrowings | *20* | **(81,032)** | (162,525) |
| **Net cash flows used in financing activities** | | **(217,408)** | (297,470) |
| **NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **536,702** | (186,659) |
| Cash and cash equivalents at the beginning of the year | *16* | **806,347** | 993,006 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | | **1,343,049** | 806,347 |

**In respect of 2021 comparative year, refer to Note 36 for certain reclassifications made.*

## Statement of cash flows (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

| | Notes | For the year ended 31 December 2022 | For the year ended 31 December 2021 |
|---|---|---|---|
| **SIGNIFICANT NON-CASH TRANSACTIONS:** | | | |
| Transfer of general reserve to the accumulated losses | 19 | - | (1,744,000) |
| Remeasurement gain on employees' benefits | 22 | **787,613** | 215,746 |
| Remeasurement losses on FX Translation related to JV Investment | | **(1,227)** | - |
| Interest cost on employees' benefits | 22 | **84,890** | 74,840 |
| Interest cost on lease liabilities | 21 | **6,547** | 19,557 |
| Additions to right-of-use assets | 8 | **127,158** | 63,256 |
| Additions to lease liabilities | 21 | **127,158** | 63,256 |
| Re-measurement of right of use assets | 8 | **196,265** | - |
| Re-measurement of lease liabilities | 21 | **196,265** | - |
| Right-of-use assets derecognised due to termination, net | 8 | **(88,420)** | (86,734) |
| Lease liabilities derecognised due to termination | 21 | **(102,900)** | (90,773) |
| Transfer from property, plant and equipment to other | 7 | **296,601** | 899,746 |

Faisal Al Harbi
Director - Finance

Salah AL-Ansari
President