United Gulf Investment Corporation B.S.C.

Consolidated financial statements for the year ended 31 December 2022

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Commercial registration no.	24377-1 obtained on 18 February 1991	
Board of Directors	Rashed Abdulllah Alhajri	- Chairman
	Abdulla Fahad Alsubaie	- Vice - Chairman
	Qusay Khalil Yusuf Al-Khalili	
	Abdulla Mubarak Al-Suwaiket	
	Waleed Fahad Al-Tharman	
Authorised persons	Rashed Abdullla Alhajri	
	Qusay Khalil Yusuf Al-Khalili	
Chief Executive Officer and Secretary to the Board	Qusay Khalil Yusuf Al-Khalili	
Audit Committee	Waleed Fahad Al-Tharman	- Chairman
	Rashed Abdullla Alhajri	
Registered office	Office 3202, Building 2504 Road 2832, Block 428 PO Box 10177 Al-Seef District Kingdom of Bahrain	
Principal Bankers	Ahli United Bank Arab National Bank - Dammam Alinma Bank Ithmar Bank Khaleeji Commercial Bank National Commercial Bank	
Auditors	BDO 17th Floor Diplomat Commercial Office Tower PO Box 787 Manama Kingdom of Bahrain	
Registrars	Kfin Technologies (Bahrain) W.L.L. PO Box 514 Manama Kingdom of Bahrain	
	Bahrain Clear B.S.C. (c) Bahrain Financial Harbour Harbour Gate - Level 4 PO Box 3203 Manama Kingdom of Bahrain	

On behalf of the Board of Directors and employees of United Gulf Investment Corporation (UGIC) I would like to review the annual report and financial results of the company for the year ended on 31 December 2022.

First, the company's net profit amounted to BD3,508,370 after zakat provision in 2022, compared to a profit of BD3,684,046 after zakat provision for the year 2021.

The positive impact of the COVID 19 pandemic continued on the mining and minerals sector, as commodity prices maintained their prices during the first nine months of the year. The biggest losers were small companies and factories that import in small quantities, ship and export in small quantities, while the effect was reversed on large companies to some extent, but with Repercussions of the war in Ukraine There was a decline in demand from the iron sector scientifically due to the disruption of European factories as a result of the high cost of energy on the industrial sector, which caused a sharp decline in the prices of finished goods and products during the fourth quarter, in addition to the continuation of the Indian currency historical decline supported by the rise in US interest rates, which increased the pressure over Commodity prices . There was also a historical rise in coal prices as a result of the cessation of Russian gas supplies to Europe and sanctions over Russia, which caused a temporary increase in production costs in factories as a result of these fluctuations and variable factors.

Luckily, Companies and factories continue to rely on local supply chains as most global companies and industries resorted to the local supplier for reliability in supply and the appropriate price, as those who relied on external supply chains were unable to receive the goods as a result of "forced majeure circumstances" at the beginning of the year 2022, and this affected chains Supply and raise product prices globally.

In the Kingdom of Saudi Arabia, the industrial sector showed an improvement in demand as a result of the abundance of local projects, where, praise be to God, the largest customer of our company " Sabic Hadeed", was able to win a major contract to supply steel to the" Red Sea project".

The rise in global interest rates has led to a large increase in inflation and the cost of living for citizens and residents, this has caused huge increases in the cost of living in the Kingdom of Saudi Arabia and an increase in the prices of long term Assets, machinery and equipment.

Praising Allah, the Kingdom of Saudi Arabia, the tremendous efforts in the Ministry of Industry and Mineral Resources, and the Ministry of Commerce in the Kingdom of Saudi Arabia in increasing the custom duties in the year 2020 on imports of our products from 5% to 15% in the case of ferromanganese, and from 5% to 12% for silicon and manganese, and from 5% to 15% for ferrosilicon, which was implemented in July 2020. The impact has helped the company in selling prices and quantities sold in the Saudi market, as a result of that positive signs began to appear on the company's financial statements accompanied by the recovery of local demand. Unfortunately, we found that there are some companies enjoy exemptions over customs duties that were granted to them without the permission or notice from us, and we are still working to stop these exemptions in coordination with the Ministry of Industry and Mineral Resources. The company's sales amounted to 529 million Saudi riyals for the year 2022, compared to 557 million Saudi riyals in 2021.

The company also signed a new land lease contract to expand SABAYEK factory by 50% with the Royal Commission for the purposes of building new projects, namely, building a manganese metal production plant, adding a fifth furnace to the production lines, building a Noble Alloys plant, and expanding current projects of extracting metal from slag and a pelleting plant. These projects will give SABAYEK the long-awaited quantum leap, God willing.

SABAYEK took many strong provisions presenting a conservative approach of the BOD & Management to avoid strong future shocks that may affect the value of the company to deliver the right image to its stakeholders and affiliates and preserving the rights of small shareholders. The company has also added lines to raise efficiency in it, as it is expected to improve production efficiency starting from the year 2023, which will improve the profit margin of the company by no less than 10% which is a solid achievement for UGIC management and its BODs in development and improvement of its business.

We have also added a SUB-CR of SABAYEK "Adding Mining Activities" in order to apply for local mining in the Kingdom of Saudi Arabia. The company has also established A company called "Rukam Industrial Co." with a 40% ownership, which specializes in the recycling of iron slag, as this will enable us to consolidate the relationship with the largest steel factories in the Kingdom, add profits to the company, and give a diversification of sources of income. Where "RUKAM" has now started operations, relying on one of the largest steel factories in the Kingdom, and seeks to develop its operations in the year 2023 with the arrival of new equipment from Finland.

SABAYEK is also working on restoring products that were previously discontinued before 2001 and is working on adding specialized low-carbon products in cooperation with SABIC under the umbrella of the strategic alliance agreement signed with SABIC.

Despite the difficulties it is facing, this industry is still working on utilizing local GCC raw material to add to the integration of the economy of the Gulf cooperation Council (GCC) and increasing local content to higher levels according to vision 2030, that is inspired by the insights and wisdom of the leaders of the Gulf states (May Allah bless them) towards the development of the Mining industries in the GCC, which will hopefully will give a strong impetus parallel to the petroleum era in the future and to potentially become the future wealth, God willing, that creates promising well-paying jobs for the citizens of the Gulf cooperation Council (GCC). We are looking forward to their necessary support.

Secondly, in 2022 , UGIC's share in "Dhahran Chemical Industries and Marketing Company" during the year amounted to BD134,502 in 2022 compared to BD194,732 in 2021. Dhahran Chemical Industries and Marketing Company distributed profits amounting to BD158,172. The company's main building has been renovated, restructured and renovated. Safety systems have been updated. Further Work is expected on upgrading the cooling systems to raise production capacity for the plant in the Kingdom of Saudi Arabia for the years 2023 and 2024. While the UAE branch was affected by the high costs of renting machinery and equipment, which reduced the company's total profitability, but in general it is promising results for the company.

Third: There is still a serious delay in commencing the activities of "United Gulf Trading Company" due to the delay from local suppliers of raw materials in the Kingdom of Saudi Arabia. However, the company will continue its activities in integrated areas in light of the overall strategy of the United Gulf Investment Group, which is metals, mining, raw materials and marketing in 2022. We will need to issue a Saudi commercial register number as well as register the company in the tax system in Saudi Arabia as a Saudi company in addition to registering in the tax system of the Kingdom of Bahrain. UGIC will also be registered in the Kingdom of Saudi Arabia in order to comply with the regulations of Saudi Arabia, in preparation for any future exits.

Outlook:

God willing, the United Gulf Investment Company expects that the year 2023 will be a year similar to 2022 in terms of economic activity, and accordingly, we expect it to witness a good year for SABAYEK. We also expect to settle previous zakat disputes, God willing, and we will also work to prepare SABAYEK Company for future listing in the growth market in Saudi Arabia, which requires tremendous efforts by the Board of Directors and the management of the company. Moreover, if the Ministry of Industry and Mineral Resources in the Kingdom of Saudi Arabia begins this year its program of supporting the steel industries and its subsidiaries, the market is expected to recover significantly in 2023.

Appropriation/Recommendations

Based on the financial results, the Board of Directors does not recommend any cash dividends or taking provisions on ongoing investments. It also recommends continuing to operate development projects to diversify activities and reduce the cost of products in subsidiaries in light of changes and transformations occurring in the GCC market, increases in cost and taxes, significant increases in fees, and structural changes in the labor market. And does recommend further study for distributions of shares dividends.

Name	Fixed remunerations					Variable remunerations							
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries (BD)	Others*	Total (BD)	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others**	Total	End-of-service award	Aggregate amount (Does not include expense)	Expenses Allowance
First: Non Independent - Non Executive Directors:													
Rashed Abdulla Alsuwaiket	2,600	-	-	-	2,600	-	-	-	-	-	-	2,600	-
Second: Independent - Non-Executive Directors:													
Abdulla Fahad Alhazza Subaie	2,600	-	-	-	2,600	-	-	-	-	-	-	2,600	-
Waleed Fahad Althurman	2,600	-	-	-	2,600	-	-	-	-	-	-	2,600	-
Abdulla Mubarak Alsuwaiket	2,600	-	-	-	2,600	-	-	-	-	-	-	2,600	-
Third: Executive Directors:													
Qusay Khalil Alkhalili	2,600	-	-	-	2,600	-	-	-	-	-	-	2,600	-
Total	13,000	-			13,000	-	-	-	-	-	-	13,000	-

Note: All amounts in Bahraini Dinars.
Other remunerations:
*** It includes in-kind benefits - specific amount - remuneration for technical, administrative and advisory works (if any). ** It includes the board member's share of the profits - Granted shares (insert the value) (if any).**

In addition, the executive management and senior employees of the group have received a total of BD305,300 Bahraini dinars for the current financial year towards Salaries and allowances, 303,000* (Only Provision) towards Bonus remunerations and BD25,662 towards Cash in Kind for the year ended 2021.

Executive Management Remuneration :-

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2022	Aggregate Amount
Top 6 remunerations for executives, including CEO, CFO	299,254	303,000	25,662	627,916

Note: All amounts must be stated in Bahraini Dinars.
(*Includes a provisional amount of BD303,000 towards Bonus remuneration subject to Board Approval)

Finally, the Chairman and members of the Board of Directors, on his behalf and on behalf of the shareholders, take this opportunity to express his sincere appreciation and thanks to His Majesty King Hamad bin Isa Al Khalifa of Bahrain, and to His Royal Highness and His Royal crown Prince Salman bin Hamad Al Khalifa , and Prime Minister and Deputy Supreme Commander of Defense Force, as well to the Custodian of the Two Holy Mosques King Salman bin Abdulaziz and his Royal Highness Crown Prince Mohammad bin Salman of Kingdom of Saudi Arabia, and to their Majesties and Highnesses the leaders of the Gulf Cooperation (GCC) for their continuous support to us.

We would like to express our gratitude to all government authorities specially to, the Ministry of Industry Commerce and Tourism, the Bahrain Bourse, the Central Bank, Capital Markets Supervisory Directorate (CMSD) and the General Secretariat of the Cooperation Council for the Arab Gulf States, wishing all the prosperity and prosperity of the GCC countries in light of this glorious era for its leaders.

Rashed Abdullah Al-Hajri
Chairman

26 February 2023

UGC
الشركة الخليجية المتحدة للاستثمار ش.م.ب
UNITED GULF INVESTMENT CORPORATION B.S.C
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Independent auditor's report to the shareholders of United Gulf Investment Corporation B.S.C.

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of United Gulf Investment Corporation B.S.C. ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in accordance with the Code of Ethics for Professional Accountants ("IESBA Code") issued by International Ethics Standards Board for Accountants and we have fulfilled our other ethical responsibilities in accordance with its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2022. 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. The key audit matters include:

Revenue recognition

Revenue primarily consists of sales as disclosed in Note 22 and other income as disclosed in Note 24 of the consolidated financial statements. Revenue is considered to be a key performance measure and by default, this area has a fraud risk element and is therefore always considered as a significant risk.

Our audit procedures included, considering the appropriateness of the Group's revenue recognition policies and assessing compliance with the policies in light of the applicable accounting standards. We have tested the effectiveness of internal controls implemented by the Group over the revenue cycle and have also performed analytical procedures over the revenue streams and tested the relevant supporting documents on a sample basis to confirm their reasonableness and accuracy.

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Independent auditor's report to the shareholders of United Gulf Investment Corporation B.S.C. (continued)

Report on the consolidated financial statements (continued)

Other information
Management is responsible for the other information. The other information comprises the information included in the Directors' report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and Those Charged With Governance ("TCWG") 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, 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 management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

TCWG 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 ISAs 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment 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.

Independent auditor's report to the shareholders of United Gulf Investment Corporation B.S.C. (continued)

Report on the consolidated financial statements (continued)

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

- 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the management and TCWG 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 TCWG with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with TCWG, 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.

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Independent auditor's report to the shareholders of United Gulf Investment Corporation B.S.C. (continued)

Report on other legal and regulatory requirements

a) As required by the Bahrain Commercial Companies Law, in case of the Company, we report that:

1. we have obtained all the information we considered necessary for the purpose of our audit;
2. the Company has carried out stock-taking in accordance with recognised procedures, has maintained proper books of account and the financial statements are in agreement therewith; and
3. the financial information included in the Directors' report is consistent with the books of account of the Company.

b) As required by the Ministry of Industry and Commerce in its letter dated 30 January 2020 in respect of the requirements of Article 8 of Section 2 of Chapter 1 of the Bahrain Corporate Governance Code, we report that the Company:

1. has appointed a corporate governance officer; and
2. has a Board approved written guidance and procedures for corporate governance.

In addition, we report that, nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the Bahrain Commercial Companies Law, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or of its Memorandum and Articles of Association, which would materially affect its activities, or its financial position as at 31 December 2022.

BDO

Manama, Kingdom of Bahrain
26 February 2023

BDO Public Accountants
Reg. No. 151
Nath Venkitachalam Viswanath

See Auditor's Report dated 26/2/23
Signed by BDO, CR No. 10201-04
Partner: Nath Venkitachalam Viswanath
Reg. No. 151
Signature:

United Gulf Investment Corporation B.S.C.
Consolidated statement of financial position as at 31 December 2022
(Expressed in Bahrain Dinars)

	Notes	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	6	29,732,644	31,978,155
Investment in associates	7	2,286,100	1,964,000
Right-of-use assets	8	252,079	308,854
		32,270,823	34,251,009
Current assets			
Financial assets at fair value through profit or loss	9	256,000	256,000
Inventories	10	13,685,442	11,752,218
Trade and other receivables	11	7,848,110	12,072,434
Mudaraba deposits	12	1,909,577	1,666,399
Cash and bank balances	13	7,702,113	7,145,725
		31,401,242	32,892,776
Total assets		63,672,065	67,143,785
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	20,000,000	20,000,000
Statutory reserve	15	3,400,568	3,134,426
Share premium	16	116,328	116,328
Other reserves	16	6,235,195	3,839,919
Equity attributable to the shareholders of the Parent		29,752,091	27,090,673
Non-controlling interest	17	7,346,835	6,499,883
		37,098,926	33,590,556
Non-current liabilities			
Non-current portion of term loans	18	17,028,950	18,939,575
Non-current portion of lease liabilities	19	436,118	320,523
Employees' terminal benefits	20	758,669	709,455
		18,223,737	19,969,553

See Auditor's Report dated 26/2/23
Signed by BDO, CR No. 10201-04
Partner: Nath Venkitachalam Viswanath
Reg. No. 151
Signature:

	Notes	31 December 2022	31 December 2021
Current liabilities			
Current portion of term loans	18	1,910,625	5,584,073
Current portion of lease liabilities	19	85,418	285,991
Trade and other payables	21	6,353,359	7,713,612
		8,349,402	13,583,676
Total equity and liabilities		63,672,065	67,143,785

The consolidated financial statements were approved, authorised for issue by the Board of Directors and signed on their behalf by:

Rashed Abdullla Al Suwaiket Al Hajri
Chairman

Abdulla Fahad Al-Subaie
Vice - Chairman

See Auditor's Report dated 26/2/23
Signed by BDO, CR No. 10201-04
Partner: Nath Venkitachalam Viswanath
Reg. No. 151
Signature:

United Gulf Investment Corporation B.S.C.
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022
(Expressed in Bahrain Dinars)

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Sales	22	52,918,084	55,743,001
Cost of sales	23	(47,455,054)	(49,240,597)
Gross profit		5,463,030	6,502,404
Other income	24	710,076	311,107
		6,173,106	6,813,511
Expenses			
General and administrative expenses	25	(1,755,258)	(1,640,973)
Finance costs	26	(282,801)	(318,961)
		(2,038,059)	(1,959,934)
Net profit for the year before tax and share of profit from investment in an associate		4,135,047	4,853,577
Net share of (loss)/profit from investment in Associates	7	(20,677)	115,759
Net profit for the year before tax		4,114,370	4,969,336
Provision for Zakat	27	(606,000)	(1,285,290)
Net profit and total comprehensive income for the year		3,508,370	3,684,046
Net profit and total comprehensive income for the year attributable to:			
Shareholders of the Parent		2,661,418	2,808,230
Non-controlling interest	17	846,952	875,816
		3,508,370	3,684,046
Basic and diluted earnings per share attributable to shareholders of the Company	28	13.31 fils	14.04 fils

The consolidated financial statements were approved, authorised for issue by the Board of Directors and signed on their behalf by:

Rashed Abdullla Al Suwaiket Al Hajri
Chairman

Abdulla Fahad Al-Subaie
Vice - Chairman

United Gulf Investment Corporation B.S.C.
Consolidated statement of changes in shareholders' equity for the year ended 31 December 2022
(Expressed in Bahrain Dinars)

	Attributable to the shareholders of the Parent							
					Other reserves			
	Share capital	Statutory reserve	Share premium	Revaluation reserve	(Accumulated losses)/retained earnings	Total	Non-controlling interest	Total
At 31 December 2020	20,000,000	2,853,603	116,328	4,329,043	(3,016,531)	24,282,443	5,624,067	29,906,510
Total comprehensive income for the year	-	-	-	-	2,808,230	2,808,230	875,816	3,684,046
Transferred to statutory reserve (Note 15)	-	280,823	-	-	(280,823)	-	-	-
At 31 December 2021	20,000,000	3,134,426	116,328	4,329,043	(489,124)	27,090,673	6,499,883	33,590,556
Total comprehensive income for the year	-	-	-	-	2,661,418	2,661,418	846,952	3,508,370
Transferred to statutory reserve (Note 15)	-	266,142	-	-	(266,142)	-	-	-
At 31 December 2022	20,000,000	3,400,568	116,328	4,329,043	1,906,152	29,752,091	7,346,835	37,098,926

United Gulf Investment Corporation B.S.C.
Consolidated statement of cash flows for the year ended 31 December 2022
(Expressed in Bahrain Dinars)

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Operating activities			
Net profit for the year		3,508,370	3,684,046
Adjustments for:			
Depreciation	6	2,703,189	2,788,012
Amortisation of right-of-use assets	8	56,775	56,776
Net share of loss/(profit) from investment in associates	7	20,677	(115,759)
Gain on disposal of property, plant and equipment	24	(1,265)	-
Reversal of excess provision for impaired trade receivables	24	-	(249,748)
Reversal of excess provision for slow-moving inventories	10	(1,361,841)	-
Interest income	24	(76,874)	(49,539)
Provision for impaired trade receivables	11	140,119	-
Provision for slow-moving inventories	10	1,258,374	2,429,393
Finance costs	26	282,801	318,961
Changes in operating assets and liabilities:			
Inventories		(1,829,757)	3,763,820
Trade and other receivables		4,084,205	(1,361,675)
Trade and other payables		(1,360,253)	1,998,241
Employees' terminal benefits, net		49,214	46,182
Net cash provided by operating activities		7,473,734	13,308,710
Investing activities			
Purchase of property, plant and equipment	6	(457,678)	(750,286)
Proceeds from disposal of property, plant and equipment		1,265	-
Additions to investment in associates during the year	7	(500,949)	(909,000)
Dividends received from associates during the year	7	158,172	117,421
Net movement in Mudaraba deposits		(243,178)	247,729
Interest income received	24	76,874	49,539
Net cash used in investing activities		(965,494)	(1,244,597)
Financing activities			
Finance costs	26	(282,801)	(318,961)
Proceeds from term loans	33	-	6,631,645
Repayment of term loans	33	(5,584,073)	(12,882,563)
Repayment of principal element of lease liabilities		(84,978)	(42,080)
Net cash used in financing activities		(5,951,852)	(6,611,959)
Net increase in cash and cash equivalents		556,388	5,452,154
Cash and cash equivalents, beginning of the year		7,145,725	1,693,571
Cash and cash equivalents, end of the year	13	7,702,113	7,145,725

1 Organisation and activities

United Gulf Investment Corporation B.S.C. ("the Company" or "the Parent Company") and its subsidiaries comprise "the Group". The Company is a public shareholding company registered with the Ministry of Industry and Commerce in the Kingdom of Bahrain and operates under commercial registration number 24377 obtained on 18 February 1991.

According to the terms of its Memorandum and Articles of Association, the duration of the Company is for 50 years, renewable for further similar periods unless terminated earlier by the operation of law or as provided for in the Articles of Association.

The Company is engaged in property leasing, buying and selling of properties for the Company only, third grade industrial maintenance works, buying and selling of shares and securities for the Company only and investment in local industrial projects.

The Company's registered office is in the Kingdom of Bahrain.

The consolidated financial statements, set out on pages 11 to 51, were approved and authorised for issue by the Board of Directors on 26 February 2023.

2 Structure of the Group

The structure of the Group is as follows:

Subsidiaries:

Name of the subsidiary	Country of incorporation	Proportion of ownership interest 31 December 2022	Non-controlling interest ownership/ voting interest 31 December 2022
Gulf Ferro Alloys Company ("SABAYEK") W.L.L.	Kingdom of Saudi Arabia	75.68% (2021: 75.68%)	24.32% (2021:24.32%)
United Gulf Trading W.L.L. ("UGT")	Kingdom of Bahrain	100% (2021:100%)	- (2021: Nil)

The Company owns 75.68% (2021: 75.68%) shareholding interest in Gulf Ferro Alloys Company (SABAYEK) W.L.L. and 100% in United Gulf Trading W.L.L ("the subsidiaries").

The principal activities of SABAYEK include the production and marketing of ferro silicon, ferro manganese, silicon manganese silicon and micro silicate.

The principal activities of UGT are other professional, scientific and technical activities, real estate activities on fee or contract and sale/trading in other industrial products/raw materials.

SABAYEK's total assets, liabilities and net profit for the year of have been extracted from financial statements prepared as at, and for the year ended, 31 December 2022 while UGT's total assets, liabilities and net profit for the year have been extracted from audited financial statements prepared as at, and for the year ended, 31 December 2022.

2 Structure of the Group (continued)

The details of the Group's investment in associates, as follows:

Name of the associate	Country of incorporation	Description of shares held	Proportionate ownership interest held 2022	2021
Dhahran Chemical Industries Marketing ("DCIM")	Kingdom of Saudi Arabia	Ordinary shares of SAR100 per share	20%	20%
Rukam Industrial Company *	Kingdom of Saudi Arabia	Ordinary shares of SAR1000 per share	40%	-

* Investment in associate is held through the Subsidiary Company.

3 Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and the requirements of the Bahrain Commercial Companies Law, and associated resolutions, rules and procedures of the Bahrain Bourse.

Basis of presentation and functional currency

The consolidated financial statements have been prepared using the going concern assumption and under the historical cost convention except for the financial asset at fair value through profit or loss which are stated at their fair values and investment in associates which is equity accounted.

The consolidated financial statements have been presented in Bahrain Dinars in which the share capital of the Company and its transactions are primarily denominated while the functional currency of SABAYEK is Saudi Riyals. In the opinion of the management, there is no significant currency exchange impact due to the difference between the functional currency and presentation currency as both are pegged to the United States Dollars.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5 to these consolidated financial statements.

Improvements/amendments to IFRS/IAS

Improvements/amendments to IFRS/IAS contained numerous amendments to IFRS/IAS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for the Group's future accounting period with earlier adoption.

3 Basis of preparation (continued)

Standards, amendments and interpretations issued and effective in 2022 but not relevant

The following new amendments to existing standard and interpretation to published standard is mandatory for accounting period beginning on or after 1 January 2022 or subsequent periods, but is not relevant to the Group's operations:

Standard or interpretation	Title	Effective for annual periods beginning on or after
IFRS 1	Subsidiary as a first-time adopter	1 January 2022
IFRS 9	Derecognition of financial liabilities	1 January 2022
IFRS 16	Removes the example 13 for the reimbursement of leasehold improvements by the lessor	1 January 2022
IAS 41	Removes the requirement in IAS 41.22 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique	1 January 2022
IFRS 3	Reference to the conceptual framework	1 January 2022
IAS 16	Property, plant and equipment - proceeds before intended use	1 January 2022
IAS 37	Onerous contracts - cost of fulfilling a contract	1 January 2022

Standards, amendments and interpretations issued but not yet effective in 2022

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 31 December 2022. They have not been adopted in preparing the consolidated financial statements for the period ended 31 December 2022 and will or may have an effect on the entity's future consolidated financial statements. In all cases, the entity intends to apply these standards from application date as indicated in the table below:

Standard or interpretation	Title	Effective for annual periods beginning on or after
IAS 1	Presentation of financial statements	1 January 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
IAS 12	Income Taxes	1 January 2023
IFRS 17	Insurance contracts	1 January 2023
IAS 1	Classification of liabilities as current or non-current	1 January 2024
IAS 1	Non-current liabilities with covenants	1 January 2024
IFRS 16	Lease liability in a sale and leaseback	1 January 2024

Early adoption of amendments or standards in 2022

The Group did not early-adopt any new or amended standards in 2022. There would have been no change in the operational results of the Group for the year ended 31 December 2022 had the Group early adopted any of the above standards applicable to the Group.

4 Significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements is set out below. These policies have been constantly applied to all the years presented as stated below, unless stated otherwise.

Basis of consolidation

Where the Group has control over an investee, it is classified as a subsidiary. The Group controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a changes in any of these elements of control.

De-facto control exists in situations where the Group has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Group considers all relevant facts and circumstances, including:

- The size of the Group's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Group and by other parties;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the consolidated statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of profit or loss and other comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Subsidiaries

Subsidiaries are those entities in which, the Group has an interest of more than one-half of the voting rights, or otherwise has power to exercise control over the entity's operations, and are hence consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Wherever necessary, accounting policies for the subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

4 Significant accounting policies (continued)

Leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

(a) There is an identified asset;
(b) The Group obtains substantially all the economic benefits from use of the asset; and
(c) The Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease. In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

4 Significant accounting policies (continued)

Leases (continued)

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;

- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is re-measured using the discount rate applicable on the modification date, with the right-of use asset being adjusted by the same amount;

- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Based on the exemptions available in IFRS 16, low value and short-term leases are not capitalised in the statement of financial position. All payments made towards such leases are charged to the statement of profit or loss and other comprehensive income on a straight line basis over the period of the lease.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Cost includes all costs directly attributable to bringing the asset to working condition for its intended use.

Except for machinery and equipment of the subsidiary, where the depreciation is calculated on the basis of units of production method, depreciation on other property, plant and equipment items are calculated on the straight-line method to write-off the cost of property, plant and equipment to their estimated residual values over their expected economic useful lives as follows:

Building and leasehold land	-	25 years
Machinery and equipment	-	Unit of production method
Furniture and fittings	-	Between 4 and 5 years
Office equipment	-	Between 4 and 5 years
Motor vehicles	-	Between 4 and 5 years
Tools and lab equipment	-	4-5 years

4 Significant accounting policies (continued)

Property, plant and equipment (continued)

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining net profit.

Repairs and renewals are charged to the consolidated statement of profit or loss and other comprehensive income when the expenditure is incurred.

The carrying values of the property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amounts, the property, plant and equipment are written-down to their recoverable amounts.

Investment in associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group 's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group 's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group 's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which is determined on the first-in first-out basis, comprises expenditure incurred in the normal course of business in bringing inventories to their present location and condition. Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses. Where necessary, an allowance is made for obsolete and slow-moving inventories.

Finished goods

Finished goods are measured at the lower of cost of production or net realisable value. The cost of production of finished goods is determined by dividing the total production cost by the saleable output of the finished goods.

Production costs include cost of raw materials, smelting costs, treatment and refining costs, other cash costs and depreciation of operating assets.

Work-in-process

Work-in-process is valued at net cost of production based on the percentage of completion method.

4 Significant accounting policies (continued)

Inventories (continued)

Stores and materials

Stores and materials, which consist of consumable spares, are valued at weighted average cost less provision for obsolete and slow-moving items.

Financial assets

The Group classifies its financial assets either at fair value through profit or loss or at amortised costs.

a) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Financial assets at fair value through profit or loss are initially recognised at cost and subsequently re-measured at fair value. Realised and unrealised gains and losses arising from changes in the fair value are included in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise.

All purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Fair value of investments listed on active markets is determined by reference to the quoted market prices. The fair value of the unquoted securities, where available, is the Group's proportionate share of the net assets of the investee. In the absence of active markets or other appropriate methods from which to derive reliable fair values, the unquoted securities are stated at amortised cost.

b) Financial assets at amortised cost

These assets arise principally from the provision of goods and services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. The Group's financial assets measured at amortised cost comprise the trade and other receivables (excluding prepayments), Mudaraba deposits and cash and bank balances in the consolidated statement of financial position.

b-1) Trade and other receivables (excluding prepayments)

Impairment provisions for current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

4 Significant accounting policies (continued)

Financial assets (continued)

b-1) Trade and other receivables (excluding prepayments) (continued)

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income (operating profit).

b-2) Mudaraba deposits

Mudaraba deposits have original maturity period of more than 90 days but less than 365 days and are stated at amortised cost. Interest on these deposits are recognised using the effective interest method.

b-3) Cash and cash equivalents

For the purpose of consolidated statement of cash flows, cash and cash equivalent comprise cash on hand, Mudaraba deposits with maturity period of up to 90 days from inception date and balances with banks.

Financial liabilities

The financial liabilities of the Group consist of bank borrowings and trade and other payables (excluding employee benefits). These financial liabilities are initially recognised at fair value and are subsequently re-measured at amortised cost using the effective interest method.

a) Borrowings and borrowing costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. In subsequent periods, these are stated at amortised cost using the effective yield method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

b) Trade and other payables (excluding employee benefits)

Trade and other payables (excluding employee benefits) are recognised for amounts to be paid in the future for services received, whether billed by the supplier or not.

4 Significant accounting policies (continued)

Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Group's ordinary shares are classified as equity instruments.

Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from shareholders' equity.

Dividends and Board of Directors remuneration

Dividends and board remuneration are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is recognised when declared by the Board of Directors. In the case of final dividends and board remuneration, this is recognised when approved by the shareholders at the Annual General Meeting.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation in future and the amount of the obligation can be reliably estimated.

Employees' terminal benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment benefits

Employee benefits and entitlements to annual leave, holiday, air passage and other short-term benefits are recognised as they accrue to the employees. The Group contributes to the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain. This is a defined contribution pension plan and the Group's contributions are charged to the consolidated statement of profit or loss and other comprehensive income in the year to which they relate. In respect of this plan, the Group has a legal obligation to pay the contributions as they fall due and no obligation exists to pay the future benefits. The expatriate employees of the Group are paid leaving indemnity in accordance with the provisions of the Bahrain Labour Law. The Group accrues for its liability in this respect on an annual basis.

4 Significant accounting policies (continued)

Revenue recognition

Performance obligation and timing of revenue recognition

The majority of the Group's revenue is derived from the sale of ferro silicon, ferro manganese, silicon manganese, silicon metal, and micro silicate with revenue being recognised at a point in time depending on when the control of goods has been transferred to the customer. There is limited judgment needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the Group no longer has physical possession, usually will have a present right to payment (as a single payment on delivery), retains none of the significant risks and rewards of the goods in question and conclusion of the work performed.

The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that performance obligation from sale of goods is satisfied at the point in time when control of the asset is transferred to the customer, usually on delivery of the goods when the ownership of title is transferred.

Determining the transaction price

Most of the Group's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices.

Allocating amounts to performance obligations

For most of the contracts, there is a fixed unit price for each product sold, with reductions given for bulk orders placed at a specific time. Therefore, there is no judgment involved in allocating the contract price to each unit ordered in such contracts (it is the total contract price divided by the number of units ordered). Where customer orders more than one product line, the Group is able to determine the split of the total contract price between each product line by reference to each product's standalone selling prices (all product lines are capable of being, and are, sold separately).

Bank interest income is recognised on accrual basis as time passes while dividend income is recognised when the right to receive the payment is established.

Segmental reporting

The Group's primary segment reporting format is business segments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

The Group's primary business segments are:

- Smelting; and
- Investment activities.

The Group's secondary reporting format is geographic segments which are based on the geographical location of the Group's operations. The Group mainly operates in:

- Kingdom of Bahrain; and
- Kingdom of Saudi Arabia.

4 Significant accounting policies (continued)

Foreign currency transactions

Foreign currency transactions are accounted for at the rates of exchange prevailing on the dates of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation, at the year-end rates, of monetary assets and liabilities denominated in foreign currencies, are recognised in the consolidated statement of profit or loss and other comprehensive income. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

5 Critical accounting judgments and key source of estimation uncertainty

Preparation of consolidated financial statements in accordance with IFRS requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. The determination of estimates requires judgments which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

The most significant areas requiring the use of management's judgments, estimates and assumptions relate to:

- economic useful lives of property, plant and equipment;
- power to exercise significant influence;
- classification of investments;
- impairment of assets;
- contingencies;
- fair value measurement;
- revenue recognition;
- determination of lease term and borrowing rates; and
- economic life of right-of-use assets.

Economic useful lives of property, plant and equipment

Except for the machinery and equipment of the subsidiary, where the depreciation is calculated on the basis of unit of production method, the Group's smelting assets, classified within property, plant and equipment, are depreciated on a straight-line basis over their economic useful lives. The economic useful lives of property, plant and equipment is reviewed by management periodically. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Group.

Power to exercise significant influence

Where the Group holds over 20% of voting rights (but not over 50%) and the Group does not exercise significant influence, the investment is treated as either financial assets at fair value through profit or loss or fair value through other comprehensive income. More information is disclosed in Note 7 to these consolidated financial statements.

5 Critical accounting judgments and key source of estimation uncertainty (continued)

Classification of investments

In the process of applying the Group's accounting policies, management decides on acquisition of an investment whether it should be classified as investments designated at fair value through other profit or loss, at fair value through other comprehensive income or amortised cost. The classification of each investment reflects the management's intention in relation to each investment and is subject to different accounting treatments based on such classification.

Impairment of assets

a) Financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its trade receivables and FVTPL. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. In addition, with respect to its bank balances, the amounts are deposited with reputable banks with low credit risk.

During the year ended 31 December 2022, in the opinion of the management, a provision of BD401,944 is required towards impaired trade receivables (2021: BD261,825) (Note 11). Further, in the opinion of the management, amounts due from related parties and bank balances are not considered to be impaired (2021: BDNil).

b) Inventories

The Group also creates provision for obsolete and slow-moving inventories. At 31 December 2022, in the opinion of the Group's management, a provision of BD2,325,926 is required for obsolete and slow-moving raw materials and consumable spares (2021: BD2,429,393). Estimates of net realisable value of inventories are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the date of the consolidated financial position to the extent that such events confirm conditions existing at the end of the period.

c) Other non-financial assets

Other non-financial assets (excluding inventories) are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ("CGUs").

Impairment changes are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

5 Critical accounting judgments and key source of estimation uncertainty (continued)

Fair value measurement

The Group determines the fair value of financial instruments that are not quoted, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In this regards, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately.

A number of assets and liabilities included in the consolidated financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurement are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)
Level 2: Observable direct or indirect inputs other than Level 1 inputs
Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item and transfers of items between levels are recognised in the period they occur.

The financial assets and liabilities of the Group are initially recorded at fair value and subsequently re-measured at amortised cost while those which require fair value re-measurement are disclosed in Note 31.

Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Determination of lease term and the borrowing rates for leases

In case where the Group is a lessee, the Group's management exercises judgment in determining if it is reasonably certain to exercise the lease options to extend or terminate the lease at the commencement as well as during the lease term. The carrying value of lease liabilities are revised based on certain variable elements of the future lease payments like rates or index. Determination of incremental borrowing rates used to determine the carrying value of lease liabilities and the discount rates used to determine the carrying value of right-of-use of lease rights involve, to certain extent, management estimates. Any changes to management estimate may have an impact on the term as well as the carrying values of the lease assets and liabilities.

Economic life of right-of-use assets

Right-of-use assets are amortised over their economic useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated statement of profit or loss in specific periods.

The Group's right-of-use assets are amortised on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Economic useful lives of right-of-use assets are reviewed by management periodically. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Group.

6 Property, plant and equipment

	Building and leasehold land	Machinery and equipment	Furniture and fittings	Office equipment	Motor vehicles	Tools and lab equipment	Total
Cost							
At 31 December 2020	13,380,790	53,588,618	182,871	662,761	1,023,120	2,118,473	70,956,633
Additions	226,624	435,572	2,120	2,521	-	83,449	750,286
At 31 December 2021	13,607,414	54,024,190	184,991	665,282	1,023,120	2,201,922	71,706,919
Additions	8,765	-	9,704	38,423	68,745	332,041	457,678
Disposals	-	-	-	-	(13,120)	-	(13,120)
At 31 December 2022	13,616,179	54,024,190	194,695	703,705	1,078,745	2,533,963	72,151,477
Accumulated depreciation							
At 31 December 2020	9,158,115	24,203,128	164,376	515,422	991,391	1,908,320	36,940,752
Charge for the year	467,085	2,198,492	184	59,173	3,656	59,422	2,788,012
At 31 December 2021	9,625,200	26,401,620	164,560	574,595	995,047	1,967,742	39,728,764
Charge for the year	468,838	2,037,378	1,298	58,130	13,325	124,220	2,703,189
On disposals	-	-	-	-	(13,120)	-	(13,120)
At 31 December 2022	10,094,038	28,438,998	165,858	632,725	995,252	2,091,962	42,418,833
Net book amount							
At 31 December 2022	3,522,141	25,585,192	28,837	70,980	83,493	442,001	29,732,644
At 31 December 2021	3,982,214	27,622,570	20,431	90,687	28,073	234,180	31,978,155

The Group operates from premises rented at a monthly rent of BD12,053 (2021: BD9,342 per month).

6 Property, plant and equipment (continued)

The depreciation charged for the year has been allocated in the consolidated statement of profit or loss and other comprehensive income, as follows:

	31 December 2022	31 December 2021
Cost of sales (Note 23)	2,549,993	2,635,238
General and administrative expenses (Note 25)	153,196	152,774
	2,703,189	2,788,012

7 Investment in associates

	31 December 2022	31 December 2021
Opening balance	1,964,000	1,056,662
Additions during the year	500,949	909,000
Dividends received during the year	(158,172)	(117,421)
Share of (loss)/profit during the year, net	(20,677)	115,759
Closing balance	2,286,100	1,964,000

Details of the Group's investment in associates are as follows:

Name of the associate	Country of incorporation	Description of shares held	Proportionate ownership interest held 2022	2021
Dhahran Chemical Industries Marketing ("DCIM")	Kingdom of Saudi Arabia	Ordinary shares of SAR100 per share	20%	20%
Rukam Industrial Company ("Rukam")	Kingdom of Saudi Arabia	Ordinary shares of SAR1000 per share	40%	-

During the year ended 31 December 2021, the subsidiary, Gulf Ferro Alloys Company ("Sabayek"), acquired 40% ownership interest in Rukam Industrial company. An entity set up in the Kingdom of Saudi Arabia. The ownership interest in Rukam has been classified as an associate and the Group has adopted equity accounting for its share in the operational results of the associate.

The investments in associates are held through the Subsidiary Company.

The investment in associates represents the Group's 20% ownership interest in Dhahran Chemical Industries Marketing ("DCIM") and 40% ownership interest in Rukam Industrial Company.

The Group's share in the net assets and results of operations of the associate has been extracted from the financial statements of the associates prepared as at, and for the year ended, 31 December 2022 and 2021.

7 Investment in associates (continued)

Summarised financial information of the Group's investment in the associate as extracted from the unaudited management accounts prepared as at, and for the year ended, 31 December is as follows:

The movement in the Group's investment in associates is as follows:

	Dhahran Chemical Industries Marketing Company W.L.L.	Rukam Industrial Company - Kingdom of Saudi Arabia	Total
Percentage of shareholding interest	20%	40%	
At 31 December 2020	1,056,662	-	1,056,662
Additions during the year	-	909,000	909,000
Share of profit/(loss) for the year	194,732	(78,973)	115,759
Dividends received	(117,421)	-	(117,421)
At 31 December 2021	1,133,973	830,027	1,964,000
Share of profit/(loss) for the year	134,502	(155,179)	(20,677)
Dividends received	(158,172)	-	(158,172)
Additions during the year	-	500,949	500,949
At 31 December 2022	1,110,303	1,175,797	2,286,100

The Group's share in the associates' profits or losses have been extracted from the financial statements of the associates prepared as at, and for the year ended 31 December 2022.

Dhahran Chemical Industries and Marketing Company W.L.L (20%)

	31 December 2022	31 December 2021
Non-current assets	3,629,742	3,114,924
Current assets	1,993,253	2,612,482
Current liabilities	(71,479)	(57,541)
Net assets	5,551,516	5,669,865
Group's share of net asset	1,110,303	1,133,973

	Year ended 31 December 2022	Year ended 31 December 2021
Revenue	745,865	982,244
Net profit of the associate for the year	672,509	973,659
Total comprehensive income of the associate	672,509	973,659
Group's share in total comprehensive income	134,502	194,732

7 Investment in associates (continued)

Rukam Industrial Company - Kingdom of Saudi Arabia (40%)

	31 December 2022	31 December 2021
Non-current assets	541,678	88,866
Current assets	2,554,925	1,505,518
	3,096,603	1,594,385
Non-current liabilities	5,508	-
Current liabilities	151,602	53,135
	157,110	53,135
Net assets	2,939,493	1,541,250
Group's share in the net assets	1,175,797	830,027

Group's share in the net assets of Rukam Industrial Company includes an amount of BD904,960 being advance paid to the associate by the Group, against which, a portion of associate's loss for the previous year ended 31 December 2021 has been absorbed.

	Year ended 31 December 2022	Year ended 31 December 2021
Revenue	572,732	71,607
Net loss and total comprehensive loss of the associate for the year	(387,948)	(197,433)
Group's share in total comprehensive loss of the associate	(155,179)	(78,973)

8 Right-of-use assets

	Leasehold land
Cost	
At 31 December 2020, 2021 and 2022	479,181
Accumulated amortisation	
At 31 December 2020	113,551
Amortisation charge for the year (Note 25)	56,776
At 31 December 2021	170,327
Amortisation charge for the year (Note 25)	56,775
At 31 December 2022	227,102
Net book amount	
At 31 December 2022	252,079
At 31 December 2021	308,854

9 Financial assets at fair value through profit or loss

	31 December 2022	31 December 2021
Opening and closing balance	256,000	256,000

Financial assets at fair value through profit or loss are denominated in Bahrain Dinars. These consist of marketable equity securities listed on the Bahrain Bourse and are fair valued annually at the close of business on 31 December. Fair value is determined by reference to stock exchange quoted prices.

In addition, the Group also holds 403,591 unquoted shares in TAB Energy Limited which have been fully impaired. In the opinion of the management, the fair values of the financial assets at fair value through profit or loss are not significantly different from their carrying amount.

10 Inventories

	31 December 2022	31 December 2021
Raw materials	6,571,711	6,721,225
Finished goods and work-in-process	6,944,009	5,099,211
Consumable spares	2,495,648	2,361,175
	16,011,368	14,181,611
Provision for slow-moving inventories	(2,325,926)	(2,429,393)
	13,685,442	11,752,218

The movement in the provision for slow-moving inventories are as follows:

	31 December 2022	31 December 2021
Opening balance	2,429,393	-
Provision during the year	1,258,374	2,429,393
Written-off during the year	(1,361,841)	-
	2,325,926	2,429,393

The provision for slow-moving inventories has been allocated in the consolidated statement of profit or loss and other comprehensive income as follows:

	31 December 2022	31 December 2021
Cost of sales (Note 23)	1,006,699	2,356,511
General and administrative expenses (Note 25)	251,675	72,882
	1,258,374	2,429,393

11 Trade and other receivables

	31 December 2022	31 December 2021
Trade receivables	4,634,582	9,462,289
Provision for impairment	(401,944)	(261,825)
	4,232,638	9,200,464
Prepayments and other receivables	3,615,472	2,871,970
	7,848,110	12,072,434

Trade receivables are generally on 60 to 180 days credit terms and are primarily denominated in Saudi Riyals. It is not the policy of the Group to obtain collateral against trade and other receivables and, therefore, is all unsecured. The carrying value of trade and other receivables classified at amortised cost approximates fair value.

The movement in the provision for impaired trade receivables is as follows:

	31 December 2022	31 December 2021
Opening balance	261,825	511,573
Provision during the year (Note 25)	140,119	-
Reversal of excess provision for impaired trade receivables (Note 24)	-	(249,748)
Closing balance	401,944	261,825

The Group applies the IFRS 9 simplified approach to measure expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging.

The expected loss rates are based on the Group's historical credit losses experienced over a number of years prior to the year end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group has identified the gross domestic product (GDP) and inflation rate as the key macroeconomic factors in the countries where the Group operates.

On that basis, the expected loss allowance for trade receivables was determined as follows:

31 December 2022	0-90 days overdue	91-180 days overdue	181-360 days overdue	361-720 days overdue	721+ days overdue	Total
Expected loss rate	0.18%	5.53%	10.85%	32.51%	100.00%	
Trade receivables	3,226,848	164,957	730,703	302,914	209,160	4,634,582
Loss allowance	5,898	9,120	79,282	98,484	209,160	401,944

31 December 2021	0-90 days overdue	91-180 days overdue	181-360 days overdue	361-720 days overdue	721+ days overdue	Total
Expected loss rate	1.24%	12.14%	49.16%	84.33%	100.00%	
Trade receivables	9,080,036	265,216	-	-	117,037	9,462,289
Loss allowance	112,592	32,196	-	-	117,037	261,825

12 Mudaraba deposits

Mudaraba deposits represent deposits placed with financial institutions, earned profit rates ranging between 2.25% to 5.15% per annum during 2022 (2021: between 2.25% to 5.15% per annum) and have original maturities of more than 90 days but less than 365 days. The profits on these deposits have been recognised over the term of the related contract.

13 Cash and bank balances

	31 December 2022	31 December 2021
Balances in call and current accounts with banks	7,697,408	7,141,455
Cash on hand	4,705	4,270
	7,702,113	7,145,725

The current account balances with banks are non-profit bearing.

The cash and bank balances are denominated in the following currencies:

Currency	31 December 2022	31 December 2021
United States Dollars	6,082,240	3,663,585
Saudi Arabian Riyals	1,468,636	3,329,827
Bahrain Dinars	151,237	152,313
	7,702,113	7,145,725

14 Share capital

	31 December 2022	31 December 2021
Authorised		
400,000,000 shares of 100 fils each (2021: 400,000,000 shares of 100 fils each)	40,000,000	40,000,000
Issued and fully paid-up		
200,000,000 shares of 100 fils each (2021: 200,000,000 shares of 100 fils each)	20,000,000	20,000,000

The names and nationalities of the major shareholders who have an interest of 5% or more of the issued and fully paid-up share capital are as follows:

Name of the shareholder	Nationality	Number of shares	Percentage of shareholding of interest 2022	Percentage of shareholding of interest 2021
Mr Rashed Abdullah Al-Hajiri	Kingdom of Saudi Arabia	58,418,336	29.21%	29.21%

The Group has only one class of equity shares and the holders of the shares have equal voting rights.

14 Share capital (continued)

The distribution schedule of equity shares, setting out the number of shareholders and percentages in the following categories is as follows:

	Number of shareholders	Number of shares	Percentage of total outstanding shares 2022	2021
Less than 1%	1,169	76,903,817	38.45%	38.44%
1% up to less than 5%	19	64,677,847	32.34%	32.35%
20% up to less than 50%	1	58,418,336	29.21%	29.21%
	1,189	200,000,000	100.00%	100.00%

The details of the shares owned by the Directors as at 31 December:

	31 December 2022	31 December 2021
Mr Rashed Abdullah Alhajri	58,418,336	58,418,336
Mr Abdulla Fahad Al-Subaie	100,000	100,000
Mr Abdulla Mubarak Abdulla Al-Suwaiket	100,000	100,000
Mr Waleed Fahad Abdulrahman Al-Tharman	100,000	100,000
	58,718,336	58,718,336

15 Statutory reserve

In accordance with the provisions of the Bahrain Commercial Companies Law, an amount equivalent to 10% of the Group's net profit before appropriations is required to be transferred to a non-distributable reserve account until such time as a minimum of 50% of the issued share capital is set aside. During the year ended 31 December 2022, an amount of BD266,142 has been transferred to the statutory reserve (2021: BD280,823). The reserve is not available for distribution except for dividend payment as permitted by Bahrain Commercial Companies Law.

16 Other reserves

Share premium

This represents the amount subscribed for share capital in excess of nominal value. Share premium is not available for distribution.

Retained earnings

This represents all other net gains and losses and transactions with shareholders not recognised elsewhere. This reserve is available for distribution.

Revaluation reserve

Revaluation reserve represents surplus arising from the fair valuation of property, plant and equipment of the subsidiary. This reserve is not available for distribution.

17 Non-controlling interest

	31 December 2022	31 December 2021
Opening balance	6,499,883	5,624,067
Share of non-controlling interest in the total comprehensive income of the subsidiary	846,952	875,816
Closing balance	7,346,835	6,499,883

Summarised financial information in relation to the non-controlling interest of the subsidiary, before intra-group eliminations, is presented below:

	Year ended 31 December 2022	Year ended 31 December 2021
Income statement		
Sales	52,918,084	55,743,001
Cost of sales	(47,455,054)	(49,240,597)
Gross profit	5,463,030	6,502,404
General and administrative expenses	(1,532,548)	(1,479,532)
Operating profit	3,930,482	5,022,872
Other income	596,030	261,568
Loss from investments	(155,179)	(78,973)
Finance costs	(282,801)	(318,961)
Net profit before tax	4,088,532	4,886,506
Provision for zakat	(606,000)	(1,285,290)
Net profit after tax	3,482,532	3,601,216
Net profit and total comprehensive income allocated to non-controlling interest	846,952	875,816
Cash flow statement items		
Cash flows from operating activities	(7,554)	6,272,562
Cash flows from investing activities	(356,659)	(1,051,166)
Cash flows from financing activities	(1,403,757)	(909,000)
Net cash (outflows)/inflows	(1,767,970)	4,312,396

17 Non-controlling interest (continued)

	31 December 2022	31 December 2021
Assets:		
Property, plant and equipment	25,401,463	27,646,992
Right-of-use assets	252,079	308,854
Inventories	13,685,442	11,752,218
Trade and other receivables	7,884,656	12,144,572
Cash and cash equivalents	7,507,720	6,739,282
Liabilities:		
Trade and other payables	5,500,706	5,566,661
Term loans	18,939,575	24,523,648
Provisions	736,000	688,315
Lease liabilities	521,536	648,594
Accumulated non-controlling interest	7,346,835	6,499,883

18 Term loans

	31 December 2022	31 December 2021
Saudi Electric Company Payable to SEC includes payable towards substation amounting to SAR23 million and payables towards electricity charges amounting to SAR8 million. Due to cash shortage, the subsidiary could not pay the dues towards the usage of electricity charges to SEC on time. The management re-negotiated with SEC for instalment payments against energy bills to which SEC agreed. The amount payable to SEC as on 1 January 2021 is SAR91.18 million out of which SAR60 million relates to short term payable instalment SAR5 million each month as per agreement for the year 2021 and SAR31.18 million for the year 2022. During the year the subsidiary received electricity bill from SEC amounting to SAR109.16 million. The total amount payable to SEC during the year is SAR69 million which includes amount due towards instalment of electricity bills. The old due towards electricity bills were paid during 2022.	2,365,475	6,939,548

18 Term loans (continued)

	31 December 2022	31 December 2021
Saudi Industrial Development Fund		
In 1996, the subsidiary obtained a long-term loan from SIDF amounting to SAR323 million by pledging the property, plant and equipment of the subsidiary and the guarantee of the subsidiary's shareholders against the loan. The total withdrawal against this loan amounted to SAR319 million.		
The loan agreement initially stated that the loan should be repaid in 16 instalments starting from 28 July 1999 and ended on 8 October 2006.		
Subsequently, the subsidiary negotiated with SIDF for the extension of the repayment schedule of the loan to a later period. SIDF accepted the subsidiary's proposal and extended the loan repayment period to 35 years beginning from 17 April 2008, with half yearly intervals, vide their letter dated 7/11/1427 Hijri (Arabic date).	16,574,100	17,584,100
	18,939,575	24,523,648
Less: current portion of term loans	(1,910,625)	(5,584,073)
Non-current portion of term loans	17,028,950	18,939,575

That portion of the loans which is repayable within one year from the consolidated statement of financial position date is disclosed as current portion of term loans.

19 Lease liabilities

	31 December 2022	31 December 2021
At 1 January	606,514	648,594
Lease payments	(91,616)	(91,616)
Interest expenses (Note 26)	6,638	49,536
At 31 December	521,536	606,514
Less: current lease liabilities	(85,418)	(285,991)
Non-current lease liabilities	436,118	320,523

Maturity analysis - contractual undiscounted cash flows:

	31 December 2022	31 December 2021
Not later than 1 year	91,616	91,616
Between one year and five years	450,445	641,311
Total undiscounted lease	542,061	732,927

20 Employees' terminal benefits

Local employees

The contributions made by the Company towards the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain for the year ended 31 December 2022 amounted to BD10,080 (2021: BD9,120) and BD70,536 (2021: BD74,545) towards the social security contribution for Saudi Nationals employed in the Kingdom of Saudi Arabia.

Expatriate employees

The movement in leaving indemnity liability applicable to expatriate employees is as follows:

	31 December 2022	31 December 2021
Opening balance	709,455	663,273
Accruals for the year	117,457	110,932
Payments during the year	(68,243)	(64,750)
Closing balance	758,669	709,455
Number of staff employed by the Group	85	85

The employees' terminal benefits accrued in the accounting records of the subsidiary in accordance with the Saudi Labour and Workmen Law amounted to BD736,000 (2021: BD688,315).

21 Trade and other payables

	31 December 2022	31 December 2021
Trade payables	296,555	684,528
Zakat payable	1,575,606	1,393,806
Accruals and other payables	4,481,198	5,635,278
	6,353,359	7,713,612

Trade payables are normally settled within 30 days from the suppliers' invoice date and are mainly in Saudi Arabian Riyals and Bahrain Dinars. The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

Accruals and other payables also include the zakat and income tax payable by the subsidiary.

22 Sales

	Year ended 31 December 2022	Year ended 31 December 2021
Product type:		
Silico manganese	45,815,788	49,677,965
Ferro manganese	7,102,296	6,065,036
	52,918,084	55,743,001
Contract counterparties:		
Direct to customers	52,918,084	55,743,001
Timing of revenue recognition:		
At a point in time	52,918,084	55,743,001

22 Sales (continued)

Geographical information of sales during the years:

	Year ended 31 December 2022	Year ended 31 December 2021
Domestic sales (Kingdom of Saudi Arabia)	43,312,969	36,957,340
Gulf Co-operation Countries (GCC) sales	7,653,023	15,784,119
Foreign sales	1,952,092	3,001,542
	52,918,084	55,743,001

23 Cost of sales

	Year ended 31 December 2022	Year ended 31 December 2021
Raw materials consumed	30,544,030	31,209,469
Other direct costs	13,354,332	13,039,379
Depreciation (Note 6)	2,549,993	2,635,238
Provision for slow-moving inventories (Note 10)	1,006,699	2,356,511
	47,455,054	49,240,597

24 Other income

	Year ended 31 December 2022	Year ended 31 December 2021
Reversal of excess provision towards expenses	563,774	-
Interest income on Mudaraba deposits	76,874	49,539
Gain on disposal of property, plant and equipment	1,265	-
Reversal of excess provision for impaired trade receivables (Note 11)	-	249,748
Miscellaneous income	68,163	11,820
	710,076	311,107

25 General and administrative expenses

	Year ended 31 December 2022	Year ended 31 December 2021
Staff costs	409,486	308,989
Selling and distribution expenses	287,428	540,993
Provision for slow-moving inventories (Note 10)	251,675	72,882
Professional fees	226,659	173,252
Depreciation (Note 6)	153,196	152,774
Provision for impaired trade receivables (Note 11)	140,119	-
Repairs and maintenance	130,778	65,490
Amortisation of right-of-use assets (Note 8)	56,775	56,776
Office rental	17,674	107,828
Other general and administrative expenses	81,468	161,989
	1,755,258	1,640,973

26 Finance costs

	Year ended 31 December 2022	Year ended 31 December 2021
Interest expense on term loans	276,163	269,425
Interest expense on lease liabilities (Note 19)	6,638	49,536
	282,801	318,961

27 Provision for Zakat

	Year ended 31 December 2022	Year ended 31 December 2021
Provision for Zakat	606,000	1,285,290

In accordance with the Saudi Organisation for Certified Public Accountants (SOCPA), Accounting Standard No.11 for Zakat and income tax has set a uniform presentation for Zakat and income tax due on companies with mixed Saudi and foreign partners, as a direct charge to the consolidated statement of profit or loss and other comprehensive income.

28 Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss attributable to the shareholders of the company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December 2022	Year ended 31 December 2021
Net profit attributable to the shareholders of the Parent	2,661,418	2,808,230
Weighted average number of ordinary shares in issue during the year	200,000,000	200,000,000
Basic and diluted earnings per share	13.31 fils	14.04 fils

The Company does not have any potentially dilutive ordinary shares, hence, the diluted earnings per share and basic earnings per share are identical.

29 Dividends

Declared and paid

The Board of Directors did not declare dividends to the shareholders during the year ended 31 December 2022 (2021: BDNil).

Proposed by the Board of Directors

The Board of Directors do not propose to pay any dividend to the shareholders for the year ended 31 December 2022 (2021: BDNil). This is subject to the approval by the shareholders in their Annual General Meeting.

30 Segmental information

Business segments

As at, and for the year ended 31 December 2022	**Smelting**	**Investment activities**	**Total**
Revenue	52,918,084	-	52,918,084
Other income	596,030	114,046	710,076
Operating costs	(47,455,054)	-	(47,455,054)
Provision for Zakat	(606,000)	-	(606,000)
Segment profit	5,453,060	114,046	5,567,106
Net share of (loss)/profit from investment in associates	(155,179)	134,502	(20,677)
Other expenses	(1,815,349)	(222,710)	(2,038,059)
Net profit for the year	3,482,532	25,838	3,508,370

Assets and liabilities	**Smelting**	**Investment activities**	**Total**
Additions to non-current asset	958,627	-	958,627
Total segment assets	58,315,031	4,357,034	63,672,065
Total segment liabilities	24,776,630	1,796,509	26,573,139

As at, and for the year ended 31 December 2021	**Smelting**	**Investment activities**	**Total**
Revenue	55,743,001	-	55,743,001
Other income	261,568	49,539	311,107
Operating costs	(49,240,597)	-	(49,240,597)
Provision for Zakat	(1,285,290)	-	(1,285,290)
Segment profit	5,478,682	49,539	5,528,221
Net share of profit from investment in associates			115,759
Other expenses			(1,959,934)
Net profit for the year			3,684,046

Assets and liabilities	**Smelting**	**Investment activities**	**Total**
Additions to non-current asset	750,286	909,000	1,659,286
Total segment assets	58,502,874	8,640,912	67,143,785
Total segment liabilities	31,784,110	1,769,119	33,553,229

30 Segmental information (continued)

Geographical segments - secondary reporting format

	Segment assets		Segment liabilities	
	As at 31 December 2022	As at 31 December 2021	As at 31 December 2022	As at 31 December 2021
Kingdom of Bahrain	4,357,034	8,640,912	1,796,509	1,769,119
Kingdom of Saudi Arabia	59,315,031	58,502,873	24,776,630	31,784,110
	63,672,065	67,143,785	26,573,139	33,553,229

31 Financial assets and liabilities and risk management

Financial assets and liabilities carried on the consolidated financial position include financial assets at fair value through profit or loss, trade and other receivables (excluding prepayments), Mudaraba deposits, cash and bank balances, term loans, lease liabilities and trade and other payables (excluding employee benefits). The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Capital management

The Group's objectives when maintaining capital are:

- to safeguard the entity'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 provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. No changes were made in the objectives, policies and processes during the years ended 31 December 2022 and 2021.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, lease liability, term loans and trade and other payables less cash and bank balances and mudaraba deposits. Capital includes share capital and reserves attributable to the shareholders of the Group.

	31 December 2022	31 December 2021
Lease liabilities	521,536	606,514
Term loans	18,939,575	24,523,648
Trade and other payables	6,353,359	7,713,612
Less: cash and bank balances	(7,702,113)	(7,145,725)
Less: Mudaraba deposits	(1,909,577)	(1,666,399)
Net debt	16,202,780	24,031,650
Share capital	20,000,000	20,000,000
Statutory reserve	3,400,568	3,134,426
Share premium	116,328	116,328
Other reserves	6,235,195	3,839,919
Equity attributable to shareholders of the Company	29,752,091	27,090,673
Total capital and net debt	45,954,871	51,122,323
Gearing ratio	35.26%	47.01%

31 Financial assets and liabilities and risk management (continued)

Risk management

The Board of Directors have the overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's risk and compliance function. The Board of Directors receive quarterly reports from the Risk and Compliance Department through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board of Directors is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

The Group is exposed, through its operations, to various financial risks which include liquidity risk, operational risk, regulatory risk, investment risk, legal risk, reputational risk, market risk, credit risk and fair value measurement.

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Finance Department headed by the Finance Manager, in coordination with the Managing Director, is primarily responsible for the regular monitoring of the liquidity requirements of the Group. The Board is being provided with quarterly liquidity reports for their review and decision making.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of non-derivative financial liabilities based on the earliest date on which the Group can be required to make payments.

At 31 December 2022	Total	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	More than 2 years
Interest bearing	18,939,575	900,625	1,010,000	1,010,000	16,018,950
Non-interest bearing	6,353,359	6,353,359	-	-	-
	25,292,934	7,253,984	1,010,000	1,010,000	16,018,950

At 31 December 2021	Total	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	More than 2 years
Interest bearing	24,523,648	4,574,073	1,010,000	16,574,100	2,365,475
Non-interest bearing	7,713,612	7,713,612	-	-	-
	32,237,260	12,287,685	1,010,000	16,574,100	2,365,475

31 Financial assets and liabilities and risk management (continued)

Operational risk is the exposure to loss resulting from inadequate or failed internal processes, people and systems or external events. The Group seeks to minimise this risk by continuously framing policies and procedures to identify, control and manage these risks. As at 31 December 2022 and 2021, in the opinion the management, operational risk exposures are considered to be acceptable in the circumstance.

Investment risk is defined as the uncertainty about the future benefits to be realised from an investment. The Group has well-defined policies for managing investment risk. These policies cover investment authority limits and investment assessment practices. The Board of Directors in coordination with the Chief Executive Officer studies the impact of transactions on the Group's consolidated statement of financial position and monitors the investment portfolio on a continuous basis. Every investment application is reviewed by a designated body depending on the size and the nature of the transaction. Fair valuation is generally conducted on a quarterly basis. The Group has a policy to ensure the conservatism convention and to make the necessary provisions when they are warranted.

Regulatory risk is the risk of non-compliance with regulatory and legal requirements in the Kingdom of Bahrain and Kingdom of Saudi Arabia. The Group's Compliance Department is responsible for ensuring all regulations are adhered to on timely basis.

Legal risk includes the risk of unexpected losses from transactions and/or contracts not being enforceable under applicable laws or from unsound documentation. The Group deals with several external law firms to support it in managing the legal risk.

Reputation risk is the risk that negative perception regarding the Group's business practices or internal controls, whether true or not, will cause a decline in the Group's investor base and lead to costly litigations which could have an adverse impact on the liquidity of the Group. The Board of Directors examines the issues that are considered to have reputation repercussions for the Group and issues directives to address these.

Market risk is the risk that the value of a financial instrument will fluctuate due to changes in profit rate, currency rate, and equity price risk. The Group closely monitors the market forces and suitably revises the strategy to minimize the market risk.

Profit rate risk

It is the policy of the Group that significant borrowings are obtained by way of fixed profit rate that is most advantageous in the local market. Although the Group considers that this policy does not entirely eliminate the risk of paying profit rates in excess of market rates nor eliminates fully cash flow risk associated with variability in profit payments, however, is in the opinion that it achieves an appropriate balance of exposure to these risks. The Group's term loans bear fixed profit rate while the other financial liabilities are non-profit bearing. In the opinion of the Group's management, risk exposures to fluctuations in profit rate are minimal.

Equity price risk

The Group holds equity investments in other companies for strategic purpose. The Board of Directors believe that the exposure to market price risk from this activity is acceptable in the Group's circumstance.

The effect of a 5% increase/decrease in the value of the equity investments as at 31 December 2022, all other variables held constant, would have resulted to an increase/decrease in profit or loss of BD12,800 (2021: BD12,800) and net assets will correspondingly increase/decrease by the same amount.

31 Financial assets and liabilities and risk management (continued)

Market risk (continued)

Currency rate risk

Currency rate risk is the risk that the value of a financial asset or liability will fluctuate due to changes in foreign exchange rates. The Group's foreign currency transactions are primarily in United States Dollars and other GCC currencies which are effectively pegged to the Bahrain Dinar. Accordingly, management assesses the Group's exposure to currency rate risk as insignificant.

As at 31 December 2022 and 2021, the Group's financial assets and financial liabilities were denominated in the following currencies:

Financial assets

	United States Dollars		Bahrain Dinars		Saudi Arabian Riyals		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Trade and other receivables (excluding prepayments)	-	-	-	-	4,232,638	9,200,464	4,232,638	9,200,464
Cash and bank balances	1,468,636	3,329,827	151,237	152,313	6,082,240	3,663,585	7,702,113	7,145,725
Investment in an associate	-	-	-	-	2,286,100	1,964,000	2,286,100	1,964,000
Financial assets at fair value through profit or loss	-	-	256,000	256,000	-	-	256,000	256,000
	1,468,636	3,329,827	407,237	408,313	12,600,978	14,828,049	14,476,851	18,566,189

Financial liabilities

	Bahrain Dinars		Saudi Riyals		Total	
	2022	2021	2022	2021	2022	2021
Term loans	-	-	18,939,575	24,523,648	18,939,575	24,523,648
Trade and other payables (excluding employee benefits)	1,773,840	1,747,979	5,500,706	5,965,633	7,274,546	7,713,612
	1,773,840	1,747,979	24,440,281	30,489,281	26,214,121	32,237,260

31 Financial assets and liabilities and risk management (continued)

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is mainly exposed to credit risk in respect of its credit sales and cash and cash equivalents. In respect of credit sales, it is the practice of the Group to evaluate each new customer for credit worthiness before entering into contracts. The management also regularly monitors the credit worthiness of its existing customers through review of trade receivables ageing analysis. The Group mainly provides credit only to large size, established and well-known companies. Concentrations of credit risk with respect to trade receivables are limited due to the Group's small number of customers that have a variety of end markets in which they operate. The management believe that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables. In respect of its bank balance, cash is placed with national and multi-national banks with good credit ratings.

The Group does not enter into derivatives to manage credit risk, although in certain isolated cases, may take steps to mitigate such risks if it is sufficiently concentrated. The carrying amounts of the financial assets represent the Group's maximum exposure to credit risk.

A significant amount of bank balances is held with the following institutions:

	Rating as at 31 December 2022	Balance as at 31 December 2022	Rating as at 31 December 2021	Balance as at 31 December 2021
Alinma Bank	BBB+	202,224	BBB+/Negative[1]	2,899,729
National Commercial Bank	A-	301,074	BBB+[1]	219,193
Ahli United Bank	BB+	23,859	BB+[1]	27,205
Arab Banking Corporation	BB+	37,114	BB+[1]	37,201
Arab National Bank	BBB+	1,448,795	BB+[1]	601,141
Ithmaar Bank	B+	1,769,138	B+[1]	1,738,412
Various	N.A.[2]	5,824,781	N.A.[2]	3,284,973

[1] Fitch's long term issuer default rating
[2] Rating not available

Fair value measurement

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following table sets out the fair value hierarchy of financial instruments measured at fair value on recurring basis along with valuation techniques and significant unobservable inputs used in determining the fair value measurement of financial instruments as well as the inter-relationship between unobservable inputs and fair value:

	Fair value at 31 December	Level of hierarchy	Valuation technique used and key inputs	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value
Financial assets at fair value through profit or loss	BD256,000 (2021: BD256,000)	L1	Quoted prices from stock exchanges	Not applicable	Not applicable

32 Related parties transactions and balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the shareholders, key management personnel and their close family members and such other companies over which the Group or its shareholders, key management personnel and their close family members can exercise significant influence or can be significantly influenced by those parties. Transactions with the related parties are authorised by the management are on arm's length basis. Further, there are no loans due from any of the Directors of the Group.

Key management personnel compensation

Key management personnel of the Group comprise the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group including the Chief Executive Officer of the Group.

	Year ended 31 December 2022	Year ended 31 December 2021
Remuneration of top six employees of key management personnel including remuneration paid to the executive director who is also the CEO of the Company	627,916	633,962

Current year remuneration includes a provision of BD303,000 towards bonus of the CEO which is subject to approval of Board of Directors

A summary of significant transactions with the associate:

	Year ended 31 December 2022	Year ended 31 December 2021
Net share of (loss)/profit from investment in Associates	(20,677)	115,759

Remuneration paid to the Board of directors during the year ended 31 December 2022 amounted to BD13,000 (2021: BDNil).

33 Notes supporting statement of cash flows

IAS 7 "Statement of Cash Flows" requires additional disclosures about changes in an entity's financing liabilities arising from both cash flow and non-cash flow items.

	1 January 2022	Obtained during the year	Finance cost accrued	Principal repaid during the year	Finance costs paid	31 December 2022
Term loans	24,523,648	-	276,163	(5,584,073)	(276,163)	18,939,575

	1 January 2021	Obtained during the year	Finance cost accrued	Principal repaid during the year	Finance costs paid	31 December 2021
Term loans	30,774,566	6,631,645	269,425	(12,882,563)	(269,425)	24,523,648

34 Zakat

The subsidiary of the Company has accrued the amount of Zakat in accordance with the regulations of the General Authority of Zakat and Income Tax (GAZT), Kingdom of Saudi Arabia. The Saudi shareholders of the subsidiary will be liable for the payment of Zakat (SABAYEK).

35 Events after the reporting period

There were no significant events subsequent to 31 December 2022 and occurring before the date of the report that are expected to have a significant impact on these consolidated financial statements.