

ARABIAN PIPES COMPANY
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
31 DECEMBER 2025

**ARABIAN PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

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Independent auditor’s report on the financial statements
To the shareholders of Arabian Pipes Company
(A Saudi Joint Stock Company)

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Opinion

We have audited the financial statements of Arabian Pipes Company (A Saudi Joint Stock Company) (“the Company”), which comprise the statement of financial position as at 31 December 2025, statement of profit or loss and other comprehensive income, statement of changes in shareholders’ equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements presents fairly, in all material respects, the financial position of the Company as at 31 December 2025, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in “Auditor’s responsibilities for the Audit of the Financial Statements” section of our report. We are independent from the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code’s requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Key Audit Matters

The key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming the auditor’s opinion thereon, and we do not provide a separate opinion on these matters. The following describes the key audit matter and how it was addressed:

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition</p> <p>During the year ended 31 December 2025, revenues from contracts with customers amounted to SR 874,055 thousand were recognized.</p> <p>Revenue recognition is considered a key audit matter as the revenue is one of the key indicators for measuring performance which results in inherent risk of overstating revenue recognized to increase profitability, due to that revenue recognition was considered as a key audit matter.</p> <p>Please refer to notes to the financial statements for accounting policy relating to revenue and related disclosure.</p>	<p>The audit procedures we performed include, among others, the following:</p> <ul style="list-style-type: none"> • The appropriateness of the Company’s accounting policies related to revenue recognition and evaluating the extent of compliance of those policies with International Financial Reporting Standard No. (15) “revenue from contracts with customers “endorsed in the Kingdom of Saudi Arabia. • Evaluated the design, implementation, and testing the operational effectiveness of the Company’s internal controls when recognizing revenues in accordance with the company’s policy. • Examined revenue transactions on a sample basis and verify relevant supporting documents to verify the revenue recognition. • Reviewed significant sales contracts to verify the timing of revenue recognition (over a period of time or at point in time) in accordance with the requirements of International Financial Reporting Standard (15) endorsed in the Kingdom of Saudi Arabia. • Conducted analytical procedures on the fluctuation of revenue recognized. • Conducted a cut-off test on the timing of revenue recognition from services after delivering the goods or product to ensure it has been recognized in the correct accounting period. • Evaluated the adequacy of the Company’s disclosures regarding revenue from contracts with customers in the financial statements.



**Independent auditor's report on the financial statements
To the shareholders of Arabian Pipes Company
(A Saudi Joint Stock Company) – (continued)**

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Other Information

Management is responsible for the other information. Other information consists of the information included in the annual report but does not include the financial statements and our report thereon. It's expected that the annual report will be available to us after the date of our report. Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information referred to above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit or it appears in other way that it is materially misstated.

When we read the annual report, when it is available to us, if we become aware of a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and those Charged with Governance for the Financial Statements

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

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

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

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

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

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

- Identify and evaluate the risks of material misstatements in the financial statements, whether resulting from fraud or error, design and implement audit procedures to address those risks, and obtain sufficient and appropriate audit evidence to provide a basis for expressing our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, because fraud may involve collusion, forgery, intentional omissions, misleading statements, or the override of internal control procedures.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



**Independent auditor's report on the financial statements
To the shareholders of Arabian Pipes Company
(A Saudi Joint Stock Company) – (Continued)**

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

- Evaluating the appropriateness of the accounting policies used, and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding the appropriateness of management's application of the Going Concern Principle of accounting, and based on the audit evidence obtained, whether there is material uncertainty related to events or circumstances that may raise significant doubt about the Company's ability to continue to operate in accordance with the going concern principle. If we determine that material uncertainty exists, we are required to draw attention in our report to the relevant disclosures in the financial statements, or if those disclosures are inadequate, we will modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or circumstances may cause the Company to cease continuing its business as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the transactions and events they represent in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

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

For Maham Company for Professional Services.

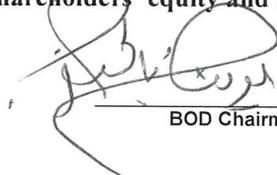
**Abdulaziz Saud Al Shabeebi
Certified Public Accountant
License no. (339)**

**12 Ramadan 1447H
1 March 2026**

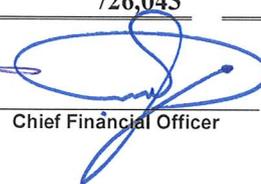


Arabian Pipes Company
(A Saudi Joint Stock Company)
Statement of financial position
As at 31 December 2025

	Note	2025 SR '000	2024 SR '000
Assets			
Non-current assets			
Property, plant and equipment	5	258,059	272,798
Intangible assets	6	1,769	2,597
Right-of-use assets	7	22,375	24,003
Total non-current assets		282,203	299,398
Current assets			
Inventory	8	201,753	311,681
Trade receivables	9	39,482	56,764
Contract assets	10	155,924	128,500
Short-term Islamic Murabaha	11	-	20,000
Prepayments and other current assets	12	31,264	15,833
Cash and cash equivalents	13	15,417	99,403
Total current assets		443,840	632,181
Total assets		726,043	931,579
Shareholders equity and liabilities			
Shareholders' equity			
Share capital	14	200,000	150,000
Reserve	14	15,430	15,430
Reserve for remeasurement of employees' end of service benefits		(4,159)	(2,991)
Retained earnings		276,850	238,876
Total shareholders' equity		488,121	401,315
Liabilities			
Non-current liabilities			
Lease liabilities – non current portion	16	22,527	23,756
Long term financing	17	-	47,263
Governmental grant- non current portion	17	-	686
Provision for decommissioning cost	18	2,129	2,028
Employees' end of service benefits	15	28,267	24,289
Total non-current liabilities		52,923	98,022
Current liabilities			
Lease liabilities - current portion	16	1,348	1,332
Bank facilities and the current portion of long term financing	17	106,639	346,718
Governmental grants - current portion	17	-	717
Trade payables		37,927	37,542
Accrued expenses and other current liabilities	19	28,196	36,939
Zakat provision	20	10,889	8,994
Total current liabilities		184,999	432,242
Total liabilities		237,922	530,264
Total shareholders' equity and liabilities		726,043	931,579


BOD Chairman


Chief Executive Officer


Chief Financial Officer

The accompanying notes 1 to 35 form an integral part of these financial statements

Statement of profit and loss and other comprehensive income
For the year ended 31 December 2025

	Note	2025 SR '000	2024 SR '000
Revenue	22	874,055	1,138,273
Cost of revenue	23	(682,285)	(855,083)
Gross profit		191,770	283,190
Expenses			
Selling and marketing	24	(14,793)	(12,538)
General and administrative	25	(39,012)	(34,541)
Provided for provision for inventory impairment	8	(632)	(2,626)
Total expenses		(54,437)	(49,705)
Profit from operations		137,333	233,485
Finance charges	26	(29,289)	(59,267)
Other income, net	27	9,383	1,843
Profit before zakat		117,427	176,061
Zakat	20	(6,953)	(7,884)
Net profit for the year		110,474	168,177
Other comprehensive income:			
Item not to be reclassified to profit or loss and other comprehensive income in subsequent periods:			
Gain (loss) on remeasurement of employees' end of service benefits	15	(1,168)	19
Total comprehensive income for the year		109,306	168,196
Earnings per share:			
Basic and diluted earnings per share from net profit for the year (SAR)	28	0.55	0.84



BOD Chairman



Chief Executive Officer

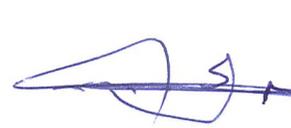


Chief Financial Officer

Arabian Pipes Company
(A Saudi Joint Stock Company)

Statement of changes in shareholders equity
For the year ended 31 December 2025

	Share capital SR '000	Reserve SR '000	Reserve for remeasurement of employees' end of service benefits SR '000	Retained earnings SR '000	Total SR '000
As at 1 January 2024	100,000	15,430	(3,010)	120,699	233,119
Net profit for the year	-	-	-	168,177	168,177
Other comprehensive income for the year	-	-	19	-	19
Total comprehensive income for the year	-	-	19	168,177	168,196
Transferred from retained earning to increase in share capital	50,000	-	-	(50,000)	-
As at 31 December 2024	150,000	15,430	(2,991)	238,876	401,315
As at 1 January 2025	150,000	15,430	(2,991)	238,876	401,315
Net profit for the year	-	-	-	110,474	110,474
Other comprehensive loss for the year	-	-	(1,168)	-	(1,168)
Total comprehensive income for the year	-	-	(1,168)	110,474	109,306
Dividend distribution	-	-	-	(22,500)	(22,500)
Transferred from retained earning to increase in share capital	50,000	-	-	(50,000)	-
As at 31 December 2025	200,000	15,430	(4,159)	276,850	488,121


BOD Chairman Chief Executive Officer Chief Financial Officer

The accompanying notes 1 to 35 form an integral part of these financial statements

Arabian Pipes Company
(A Saudi Joint Stock Company)

Statement of Cash Flows
For the year ended 31 December 2025

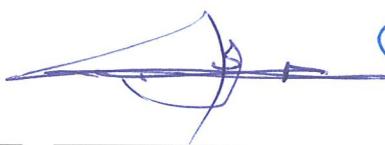
	Note	2025 SR '000	2024 SR '000
OPERATING ACTIVITIES			
Profit before Zakat		117,427	176,061
Adjustments for:			
Depreciation of property, plant and equipment	5	35,518	35,466
Amortization of intangible assets	6	1,454	1,395
Depreciation of right-of-use asset	7	1,787	2,358
Finance charges	26	29,289	59,267
Gain on derecognition of financial liabilities related to the Industrial Development Fund financing	17	-	(1,018)
Gain on derecognition of financial liabilities related to the National Development Fund financing	17	(197)	-
Loss on disposal of property, plant and equipment	27	1,018	-
Provided for provision for inventory impairment	8	632	2,626
Impairment of property, plant and equipment	5	184	2,804
Governmental grants	17	(303)	(2,100)
Provided for allowance for expected credit losses	9	(102)	803
Employees' end of service benefits	15	2,508	2,245
		<u>189,215</u>	<u>279,907</u>
Changes in operating assets and liabilities:			
Inventory		109,296	(44,495)
Trade receivables		17,385	129,306
Contract assets		(27,423)	(108,420)
Prepayments and other current assets		(14,269)	(2,279)
Trade and notes payables		385	(42,228)
Accrued expenses and other current liabilities		(1,207)	(52,894)
Cash from operations		<u>273,382</u>	<u>158,897</u>
Zakat paid	20	(5,058)	(9,072)
Finance charges paid		(32,239)	(53,212)
Employees' end of service benefits paid	15	(982)	(725)
Net cash from operating activities		<u>235,103</u>	<u>95,888</u>
INVESTING ACTIVITIES			
Additions to short-term Islamic financing	11	(70,000)	(21,000)
Proceeds from short-term Islamic financing	11	90,000	1,000
Additions to property, plant and equipment	5	(22,003)	(13,281)
Proceeds from the sale of property, machinery and equipment		22	-
Additions to intangible assets	6	(626)	(38)
Net cash used in investing activities		<u>(2,607)</u>	<u>(33,319)</u>
FINANCING ACTIVITIES			
Bank facilities and long term financing paid		(907,965)	(1,046,873)
Bank facilities and long term financing proceeds		616,634	992,329
Dividend paid	14	(22,500)	-
Payment of lease liabilities	16	(2,651)	(2,703)
Net cash used in financing activities		<u>(316,482)</u>	<u>(57,247)</u>
Net change in cash and cash equivalents		<u>(83,986)</u>	<u>5,322</u>
Cash and cash equivalent at the beginning of the year		<u>99,403</u>	<u>94,081</u>
Cash and cash equivalents at the end of the year		<u>15,417</u>	<u>99,403</u>

The accompanying notes 1 to 35 form an integral part of these financial statements

	Note	2025 SR '000	2024 SR '000
Significant non-cash transactions			
Additions to right-of-use assets against lease liabilities	16	-	2,627
Additions to right-of-use assets against provision for decommissioning cost	18	-	1,098
Transferred from retained earnings to increase in share capital	14	50,000	50,000



BOD Chairman



Chief Executive Officer



Chief Financial Officer

1- GENERAL INFORMATION

Arabian Pipes Company (“the Company”) is a Saudi Joint Stock Company formed in accordance with the Companies Regulation and is registered in the Kingdom of Saudi Arabia (“KSA”) under the Commercial Registration No. 1010085734 dated 14 Safar 1412H (corresponding to 24 August 1991). The company's registered address is P.O. Box 42734, Riyadh 11551, Third Industrial City, Kingdom of Saudi Arabia.

The main activities of the Company are the production and marketing of longitudinally welded steel pipes for pipelines and for construction and commercial purposes, bending, shaping, and threading pipes from the outside and inside, carrying out commercial business such as selling and buying pipes, their accessories, carrying out pipeline extension works, manufacturing pipes, hoses, plastic pipes, their connections and accessories, and manufacturing pipes, pipes, and shapes hollow iron and steel.

The Company operates under industrial license (Riyadh plant) No. 434 dated 12 Thul-Qi ‘Dah 1405H (corresponding to 30 July 1985) and amended by the industrial license No. 2195 dated 16 Rajab 1436H (corresponding to 5 May 2015) and industrial license for coating factory No. 479 dated 26 Safar 1436H (corresponding to 18 December 2014).

These financial statements include the following branch of the company:

No	Name in branch register	Branch Registration No.	Region	Date
1	Arabian Pipes Company	2055007048	Al-Jubail	21 Rabi’ al-Thani 1426H (Corresponding to: 29 May 2005)

2 BASIS OF PREPARATION

2-1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (together referred to as “International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia”).

2-2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for Employees’ end of service benefits which have been measured using the projected unit credit method.

2-3 Functional and presentation currency

These financial statements are presented in Saudi Riyals (SR), which is the Company's functional and presentation currency. All values have been rounded to the nearest thousand Saudi riyals, unless otherwise stated.

2-4 New and amended standards and interpretations

The company applied the following amendments and interpretations for the first time in 2025; however, they have no impact on the company’s financial statements.

Amendments to International Accounting Standard (“IAS”) No. 21 – Lack of exchangeability

The amendments apply when an entity has a foreign currency transaction or balance, but at the measurement date, the entity is unable to convert that currency into another currency for a specific purpose due to legal or practical restrictions. These amendments had no material impact on the financial statements during the year.

2 BASIS OF PREPARATION (continued)

2-5 Standards issued but not yet effective

The following are the new standards and amendments to existing standards that are effective for annual periods beginning on or after 1 January 2026, with early application permitted; however, the Company has not early adopted them in the preparation of these financial statements. The Company is currently assessing the impact of applying these standards on the financial statements.

- **Amendments to International Financial Reporting Standard No. 9 and International Accounting Standard No. 7 - Classification and Measurement of Financial Instruments**

The amendments clarify the requirements for the timing of recognition and derecognition of financial assets and liabilities (with a new exception for certain liabilities settled through electronic payment systems). They also enhance the guidance on assessing whether a financial asset meets the sole payments of principal and interest criteria. In addition, the amendments introduce new disclosure requirements for certain instruments with contractual terms that may affect cash flows, including sustainability-linked (ESG) instruments, and update the disclosure requirements for equity instruments designated at fair value through other comprehensive income.

- **International Financial Reporting Standard No. 18 - Presentation and Disclosure in Financial Statements**

International Financial Reporting Standard-18 is a new presentation and disclosure standard for financial statements that focuses on updates to the profit or loss statement, by reorganizing the structure of the statement, imposing disclosures on management-defined performance measures that were previously disclosed outside the financial statements, along with strengthening the aggregation and classification principles applied to the preliminary financial statements and notes in general.

- **Annual improvements to International Financial Reporting Standards- Volume 11**

These include nine narrow amendments that provide clarifications, simplifications, and corrections to enhance consistency across IFRS 1 and 7 (including the guidance accompanying IFRS 7, 9, and 10 and IAS 7). These amendments apply to financial periods commencing on or after 1 January 2026 (with early application permitted subject to disclosure) and are not expected to have a material impact on the financial statements.

3- SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

Estimates and judgments are evaluated on an ongoing basis; they are based on historical experience and other factors, including future expectations.

3-1 The main sources of uncertainty regarding accounting estimates

The Company makes estimates and assumptions regarding the future; The resulting accounting estimates rarely equal the relevant actual results. The following are estimates and assumptions that involve significant risks, which may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial period:

Useful lives of property, plant and equipment, and intangible assets

The useful life of each item of property, plant and equipment and intangible assets of the Company is estimated based on the number of years over which the asset is expected to be available for use. This estimate is based on a collective assessment of similar business practices, internal technical evaluation, and prior experience with similar assets. The estimated useful life of property, plant and equipment and intangible assets is assessed at each reporting date and updated if expectations differ from previous estimates due to normal depreciation and amortization of the asset, technical and commercial obsolescence, or legal or other restrictions on the use of the asset.

3- SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS (continued)

3-1 The main sources of uncertainty regarding accounting estimates(continued)

Allowance for expected credit losses on trade receivables and contract assets

The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on historical observed default rates. The Company will calibrate the matrix to adjust historical credit losses experience with forward-looking information. For example, if economic conditions (i.e., Gross Domestic Product) are expected to deteriorate over the next year, which can lead to an increased number of defaults in a particular sector, historical default rates are adjusted. At each reporting date, historically observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between historically observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of expected credit losses is affected by changes in expected economic conditions. The company's historical credit losses and forecast economic conditions may not be an indication of the customer's actual default in the future.

Impairment of inventory

The inventory is stated at cost or net realizable value (NRV), whichever is lower. When inventory becomes old or obsolete, an estimation of its NRV is made. For individually significant amounts, this estimate is performed on an item-by-item basis. For amounts that are individually immaterial but considered old or obsolete, they are collectively assessed, and a provision is made on the basis of type of inventory and its age or degree of obsolescence based on historical sales prices. These estimates take into account price fluctuations directly related to events occurring after the financial position date.

Impairment of non-financial assets

Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of fair value less costs to sell and value in use. Fair value less costs of disposal is calculated based on available data from binding sale transactions, which is conducted at arm's length, for similar assets, or observable market prices, less incremental costs for disposing off the asset. Value in use is calculated based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the company is not yet committed to or significant future investments that will enhance the performance of the Cash Generating Unit ("CGU") being tested. The recoverable amount is sensitive to the discount rate used in the discounted cash flow model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Contingent liabilities

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

Zakat liability and Zakat position for unagreed years with the Zakat, Tax and Customs Authority

The zakat provision included in the statement of financial position as of 31 December 2025 represents management's best estimate of the value of the existing obligation for the years that have not yet been agreed upon with the Zakat, Tax and Customs Authority ("ZATCA").

The zakat base has been calculated based on the company's understanding of the zakat and tax regulation in the Kingdom of Saudi Arabia. Zakat and tax regulation in the Kingdom of Saudi Arabia are subject to different interpretation and the assessments issued by the Authority may differ from the returns filed by the Company

3- SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS (continued)

3-1 The main sources of uncertainty regarding accounting estimates(continued)

Going concern

These financial statements have been prepared in accordance with the going concern principle. The Company's management has made an assessment of the Company's ability to continue as a going concern and is confident that the Company has sufficient resources to continue in business for the foreseeable future. Furthermore, management is not aware of a material uncertainty that may cast doubt on the Company's ability to continue as a going concern.

3-2 Significant judgments used when applying accounting standards

The following significant judgments have a material impact on the amounts included in these financial statements:

Fulfilling performance obligations

IFRS No.15 "Revenue from Contracts with Customers" that is endorsed in the Kingdom of Saudi Arabia requires management to make judgments about the timing of meeting performance obligations under contracts with customers, which has a material impact on the Company's net income. Accordingly, the Company must evaluate all of its contracts with customers to determine whether performance obligations are being met over a period of time or at a point in time in order to determine the appropriate method for recognizing revenues. For all performance obligations under the contract, the Company determines whether the performance obligation has been fulfilled over time, i.e. transferring control of the service to the customer over time. If a performance obligation is not met over time, the Company then recognizes revenue at a point in time at which control of the service is transferred to the customer. The factors the Company considers in evaluating whether performance obligations have been satisfied at a point in time include evaluating whether (1) the Company has a present right to payment for services, (2) the Company has performed the services, and (3) the Company has accepted Services that the company implemented for the client.

The key judgment in determining the lease term for leases with renewal options

The Company determines the lease term as the non-cancelable term of the lease, together with any periods covered by the option to extend the lease if it is reasonably certain to be exercised, or any periods covered by the option to terminate the lease if it is reasonably certain not to be exercised.

The Company has the option, under certain lease contracts, to lease assets for an additional period ranging from 3 to 40 years. The Company applies judgment in evaluating whether it is reasonable to exercise the renewal option. Which means, it considers all the relevant factors that create an economic incentive to exercise the renewal option. After the commencement date, the Company reassesses the term of the lease if there is a material event or change in circumstances within its control that affects its ability to exercise (or not exercise) the renewal option (for example, a change in business strategy).

4- SIGNIFICANT ACCOUNTING POLICIES

The following is a statement of the accounting policies applied in the preparation of these financial statements:

Classification of assets and liabilities as current and non-current

The Company presents assets and liabilities in the statement of financial position based on their current or non-current classification. Assets are considered current when:

- a) It expects to realize the asset, or intends to sell or consume it, in the entity's normal operating cycle;
- b) It holds the asset primarily for the purpose of trading.
- c) It expects to realize the asset within twelve months after the reporting date; or
- d) The asset is cash or a cash equivalent, unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

4- SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification of assets and liabilities as current and non-current (continued)

The Company shall classify all other assets as non-current. When the Company's normal operating cycle is not clearly defined, its duration is assumed to be twelve months.

The Company classifies liabilities as current when:

- a) It expects to settle the liability in the entity's normal operating cycle;
- b) It holds the liability primarily for the purpose of trading;
- c) The liability is due to be settled within twelve months after the reporting date; or
- d) The entity does not have an unconditional right to defer settlement of the liability for at least twelve months

The Company classifies all other liabilities as non-current liabilities.

Financial Instruments

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL). The classification of financial assets upon initial recognition depends on the cash flow characteristics of the financial asset and the Company's business model for managing it.

Initial recognition, and measurement

Financial assets and financial liabilities are initially measured at fair value. Upon initial recognition, transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities are added or deducted from the fair value of the financial assets and financial liabilities, as appropriate. Transaction costs directly attributable to the acquisition of financial assets held at fair value through profit or loss are recognized directly in the statement of profit or loss and other comprehensive income.

Financial assets

Subsequent recognition of financial assets

The Company has the following financial assets:

Financial assets at amortized cost:

This category includes trade receivables, contract assets and short-term Islamic Murabaha. The Company has financial assets at amortized cost only. Financial assets are measured at amortized cost if the following two conditions are met and the assets are not designated at fair value through profit or loss:

- Hold a financial asset within the business model with the aim to hold financial assets to collect contractual cash flows, and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of the principal amount and interest on the principal amount outstanding.

Subsequently, financial assets measured at amortized cost are measured using the effective profit rate method and are subject to impairment. Gains and losses are recognized in profit or loss in the statement of profit or loss and other comprehensive income when the asset is derecognized, modified or impaired.

Reclassifications

Financial assets are not reclassified after their initial recognition, except for the period after the Company changes its business model for managing financial assets.

4- MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment of financial assets

The Company applies the simplified approach provided in IFRS 9 to measure lifetime expected credit losses on trade receivables. Expected credit losses on these financial assets are estimated using a provision matrix based on the Company's past credit losses, adjusted for factors specific to the debtors, general economic conditions and a calendar of both current and expected market trends at the date of the financial statements, including the time value of money if appropriate.

Derecognition of financial assets

The Company derecognizes financial assets only when the rights to receive cash flows from the assets expire or when the Company transfers the financial assets and substantially all the risks and rewards of ownership of the assets to another party. In cases where the Company does not transfer or retain all of the risks and rewards associated with the owner or where control of the asset is not transferred, the Company recognizes the remaining interest in the asset and the related liability at the amount it is required to pay. If the company retains all the risks and rewards associated with the owner of the transferred financial asset, the company continues to recognize the financial asset.

When a financial asset measured at amortized cost is derecognized, the difference between the carrying amount of the asset and the amount of consideration received or receivable is recognized in the statement of profit or loss and other comprehensive income.

Financial liabilities

The Company classifies its financial liabilities as financial liabilities measured at amortized cost or at fair value through profit or loss. Financial liabilities are classified as FVTPL if they are classified as financial liabilities held for trading purposes or as derivatives or are designated as such on initial recognition.

The Company's financial liabilities include trade payable, other current liabilities, bank facilities and term financing and lease liabilities.

Subsequent measurement of financial liabilities

All financial liabilities are subsequently measured at amortized cost.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, this change or modification is considered to be cessation of recognition of the original liability and the recognition of a new liability. The difference in carrying amount recognized in the statement of profit or loss and other comprehensive income

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or settle the liabilities simultaneously.

4- MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. These costs include; The cost of replacing part of property, plant and equipment and borrowing costs related to long-term construction projects (qualifying assets), if the recognition criteria are met. When these assets are created internally, their cost includes all amounts necessary to bring the asset to its current condition and location so that it is ready for its intended use by the Company; All other costs such as general and administrative expenses and training costs are excluded. Any costs of the feasibility study are expensed when incurred unless they relate to a specific asset created internally and are directly attributable to it.

The Company capitalizes the cost of replacing parts of an item of property, plant and equipment when such cost is incurred if it is probable that the replacement part will provide additional future economic benefits to the Company, and the carrying amount of the replaced part is derecognized. All other repairs and maintenance expenses are charged directly to profit or loss in the statement of profit or loss and other comprehensive income during the period in which they are incurred.

Depreciation of assets is charged to distribute the cost of assets less their estimated residual value over their estimated useful lives using the straight-line method.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the profit or loss in the statement of profit or loss and other comprehensive income. key spare parts are eligible for recognition as appliances, furniture, and office equipment when the Company expects to use them within more than one year. Transfers are made to the relevant operating asset class when these items are available for use.

Depreciation is calculated on a straight-line basis over the years of the estimated useful lives of the assets, as follows. Capital work in progress stated at cost and are not depreciated.

<u>Category of property, machinery and equipment</u>	<u>Years</u>
Buildings	33 years or the lease term, whichever is lower
Machinery and equipment	10 to 25 years
Vehicles	5 years
Furniture and fixtures	3.33 to 5 years
Computers	3.33 to 5 years

The residual values, useful lives and depreciation methods of assets are reviewed and adjusted prospectively if appropriate, at the end of each financial period. Any item of property, plant and equipment and any significant portion thereof that is initially recognized shall be derecognized when it is disposed of or when there are no future benefits expected from its use. Any gains or losses arising on derecognition of the asset (which are calculated as the difference between the net proceeds of disposals and the carrying amount of the asset) are included in profit or loss in the statement of profit or loss and other comprehensive income.

Capital work in progress

The cost of capital work in progress is calculated on the basis of the actual cost and is shown as capital work in progress until the project is received from the contractor. Then it is transferred to the various items within property, machinery and equipment and then their depreciation begins.

4- MATERIAL ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets represent purchased computer software. Intangible assets with a finite life are amortized over their estimated useful lives, and are reviewed for impairment whenever there is evidence that there may be an impairment. The amortization period and method for intangible assets with a finite life are reviewed at least once at the end of each reporting date. Changes in the expected useful life or the method of consuming future economic benefits embodied in the assets are accounted by adjusting the period or method, as appropriate, and are recognized as changes in accounting estimates. Amortization expenses for intangible assets with a finite life are included in the statement of profit or loss and other comprehensive income as an expense, in line with the function of the intangible assets.

Gains or losses resulting from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the book value of the asset, and are included in the statement of profit or loss when the asset is derecognized.

Leases

The Company evaluates at the beginning of the contract whether the contract is a lease or contains a lease. A contract is or contains a lease if it gives the right to control the use of a specific asset for a period of time in exchange for consideration.

The Company as lessee

The Company applies a single recognition and measurement method for all leases, except for short-term leases and leases for low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets that represent the right to use the underlying assets subject to the contract.

1) Right to use assets

The company recognizes right-of-use assets on the lease commencement date (i.e., the date the asset becomes available for use). Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses and are adjusted to account for any remeasurement of lease liabilities. The cost of right-of-use assets includes the value of the lease liabilities recognized, initial direct costs incurred, and lease payments made on or before the lease commencement date, less any lease incentives received, plus an estimate of the costs to be incurred in dismantling and removing the asset, restoring the site where the asset is located to its original condition, or restoring the asset itself to the required condition, less any lease incentives received. Right-of-use assets are depreciated by the straight-line method over the lease term or the estimated useful lives of the assets, whichever is shorter.

If the ownership of the leased asset is transferred to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. Right-of-use assets are also subject to impairment. Please see the accounting policies mentioned in the "Impairment of Non-Financial Assets" section. Right-of-use assets are depreciated on a straight-line basis over the lease term or the estimated useful lives of the assets, whichever is shorter. Lease terms for land and buildings are typically 3 to 40 years.

2) Lease liabilities

At the lease commencement date, the Company recognizes lease liabilities measured at the present value of lease payments made throughout the lease term. Lease payments include fixed payments (including actual fixed payments) less any lease incentives receivable, variable lease payments based on an index or rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a reasonably certain purchase option to be exercised by the Company and payments of penalties for terminating the lease, if the terms of the lease give the Company the option to terminate the lease. Variable lease payments that do not depend on an index or rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

4- MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

3) Short-term leases and leases of low value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., leases that have a term of 12 months or less from the contract commencement date and do not include a purchase option). The recognition exemption for leases with low-value assets also applies to leases that are considered low-value. Lease payments related to short-term leases and leases with low-value assets are recognized as an expense on a straight-line basis over the term of the lease.

Decommissioning and dismantling obligations

The company recognizes decommissioning liabilities when there is a legal or constructive obligation arising from past events, which is likely to result in an outflow of resources to settle the obligation and can be reliably measured. The company estimates a provision for future costs related to the decommissioning and removal of assets. Upon initial recognition of the liability, the present value of the expected costs (using a discount rate for cash flows) is added to the value of the right-of-use assets. The discount reduction is recognized when incurred and recorded in the statement of profit or loss and other comprehensive income as a financial expense. The estimated future costs of decommissioning and removal are reviewed annually and adjusted when necessary. Changes in the estimated future costs or the discount rate applied are added or deducted from the cost of the right-of-use assets

Impairment of non-financial assets

The Company conducts an assessment at each statement of financial position date to determine whether there is an indication that the value of a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. It represents the recoverable amount of the asset; The fair value of an asset or cash-generating unit less costs to sell and its value in use, whichever is higher, determines the recoverable amount of an individual asset, unless the asset generates cash flows that are largely independent of those generated by another asset or group of assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

When estimating value in use, projected future cash flows are discounted to their present value using a pre-Zakat discount rate, which reflects current market estimates of the time value of money and the risks associated with the asset. The company's impairment calculation is based on a detailed balance sheet and projections, prepared separately for each cash-generating unit to which the assets have been allocated. These balance sheets and projections generally cover a five-year period. For longer periods, a long-term growth rate is calculated and applied to the projected future cash flow for subsequent periods. When the impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to its adjusted estimated recoverable amount, provided that the increased carrying amount does not exceed the carrying amount that would have been recognized had there been no impairment loss for the asset or cash-generating unit in prior years. The reversal of the loss entry arising from a decrease in profit or loss is recognized in the statement of profit or loss and other comprehensive income.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to settle a liability in an ordinary transaction between market participants at the measurement date. The fair value measurement is based on the assumption that the transactions to sell the asset or transfer the liability occur either:

- In the primary market for the assets or liabilities or
- In the absence of a principal market, in the most appropriate market for the assets or liabilities

4- MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

The main market or the most suitable market must be accessible to the Company. The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants represent their economic interest.

When measuring the fair value of non-financial assets, it takes into account the ability of market participants to achieve economic benefits by using the assets in their maximum and best use or by selling them to another market participant who uses the same asset in its maximum and best use.

The Company uses valuation techniques that are appropriate under the circumstances in which the information necessary to measure fair value is available, maximizing the use of observable inputs and minimizing the use of non-observable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy and this is disclosed below, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities recognized in the financial statements at fair value on a recurring basis, the Company determines whether a transfer has occurred between levels in the hierarchy by reassessing the classification (based on the lowest level significant input to the fair value measurement as a whole) at the end of the period. The company determines policies and procedures for both recurring fair value measurement and non-recurring fair value measurement.

At the date of each report, the company analyzes the changes in the values of assets and liabilities that need to be remeasured or reevaluated in accordance with the company's accounting policies. For this analysis, the company verifies the main inputs applied in the last evaluation by matching the information in calculating the evaluation with contracts and other relevant documents. The company also compares the change in the fair value of each asset or liability with other external indicators to determine whether the change is reasonable for the purposes of fair value disclosures. The company has determined the categories of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as described above.

Inventory

Inventory, including raw materials, work in progress, finished goods, consumables, and spare parts, is measured at cost, i.e.; Previous purchase prices are based on the weighted average principle plus direct attributable costs or net realizable value, whichever is lower.

Work-in-progress and finished goods inventory includes the cost of materials and labor and an appropriate proportion of direct and indirect production overhead.

4- MATERIAL ACCOUNTING POLICIES (continued)

Inventory (continued)

Unusual inventory losses due to quality or other problems and indirect expenses incurred during unplanned maintenance/shutdown period are excluded from inventory costs. The allocation of indirect expenses at the end of the period for the purpose of inventory valuation is based on the normal capacity or actual production for the period. Costs are assigned to individual items of inventory on a weighted average cost basis. The costs of purchased inventory items are determined by the net of quantity discounts and rebates. Net realizable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to complete the sale.

Scrap inventory

The company's production processes sometimes result in the production of by-products or scrap (unusable or not recyclable).

When the conversion costs of by-products and/or scrap cannot be determined separately from the cost of the primary product, they are allocated on a logical and consistent basis for those by-products and scrap. Allocation is based on the relative sales value of each product, either at a stage in the production process when the products become separately identifiable or upon completion of production. Upon subsequent sale of these by-products and scrap, the proceeds are recorded as revenue, with the corresponding cost of sale being recorded under cost of revenue in the statement of profit or loss and other comprehensive income.

Consumables

Consumables are the raw materials that are consumed in the production of finished and semi-finished products. Consumables may include engineering materials, disposable packaging materials, oils, supplies and some other materials.

Capital spare parts

Spare parts are interchangeable parts of property, plant and equipment, which are necessary to support routine maintenance, repair and refurbishment of plant and equipment, or which are used in emergency repairs. The company maintains the following different types of spare parts:

- Items of spare equipment acquired with the factory/production line or purchased later but linked to a specific factory or production line and which are rarely needed, are necessary for the operation of the factory, and must be available when needed at all times: these items are capitalized. As part of property, plant and equipment, it is depreciated from the date of purchase over the lesser of the useful life of the item or the remaining useful life of the plant in which it is to be used. These items do not form part of inventory, provided they meet the criteria for capitalization under property, plant and equipment.
- Repairable elements of a production line plant that require a long delivery time and are often replaced or renewed frequently during maintenance). These items are capitalized as part of property, plant and equipment if the capitalization criteria are met. Depreciation begins from the day the items are installed in the plant, and the depreciation period is the shorter of the useful life of the item or the remaining useful life of the plant and related equipment in which it is installed. These items do not form part of the inventory.
- General spare parts and other consumable items that are not of a special nature but of a general nature, i.e.; They are not limited to a specific plant and can be used in multiple plants or production lines, and any other items that may be required at any time to facilitate the operation of the plant. These items are generally classified as consumables and spare parts in inventory, unless they exceed the capitalization limit and have a useful life of more than one year, in which case they are recorded under property, plant and equipment. Items that are recorded in inventory are subject to an obsolescence allowance assessment and are charged to the statement of profit or loss and other comprehensive income when installed or used. If these items meet the capitalization criteria, their method of depreciation is similar to salvageable items as stated above.

4- MATERIAL ACCOUNTING POLICIES (continued)

Impairment and valuation of inventory provision

At each reporting date, inventory is tested for impairment. If the inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognized immediately in the statement of profit or loss and other comprehensive income.

Contract assets

Contract assets represent the right to consideration for the goods or services transferred to the customer. If the Company transfers the goods or services to the customer before the customer pays the consideration or before it becomes due, the assets are recognized in exchange for the consideration earned.

Contract liabilities

Contractual liabilities represent obligations related to the transfer of goods or services to customers, for which the company has received payment in advance (or for which payment is due) from the customer. If the customer pays the payment before the company transfers the goods or services, the contractual liabilities are recognized when the payment is received or due (whichever comes first). Contractual liabilities are recognized as revenue when the company performs under the contract.

Employee benefits

Short-term employee benefits

A liability is recognized for benefits due to employees in terms of salaries, wages, annual leave, and travel tickets, which are expected to be paid in full within twelve months after the end of the period in which the employees provide the related services. The liability is recognized for the undiscounted amount of benefits expected to be paid for those services.

End of service benefits for employees

The end of service benefits for employees is determined using the projected unit credit method, in addition to actuarial valuations performed at the end of each financial year. Remeasurements, which include actuarial gains and losses, are recognized immediately in the statement of financial position with increases or decreases recognized in other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are recognized immediately in the employees' end of service benefits remeasurement reserve in shareholders' equity and will not be reclassified to the statement of profit or loss and other comprehensive income in subsequent periods.

Changes in the present value of the end of service benefits, resulting from programmed adjustments or direct labor reductions, are recognized directly in the statement of profit or loss and other comprehensive income as pre-service costs. The commission is calculated by applying the discount rate at the beginning of the period to the net defined benefit liabilities or assets.

Defined benefit assets or liabilities consist of the present value of defined benefit liabilities, less past service costs and the present value of program assets from which the liabilities must be paid. At present, the program is not funded and has no assets.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that the use of resources involving economic benefits will be required to settle the obligation, so that the amount of the obligation can be reliably estimated. Where the Company expects to recover part or all of a provision, for example under an insurance contract, amounts recovered are recognized as a separate asset only when the recovery is actually certain. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income, net of any recoveries. If the effect of the time value of money is material, provisions are discounted using a current pre-zakat/tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

4- MATERIAL ACCOUNTING POLICIES (continued)

Zakat and value added tax

Zakat

The Company is subject to zakat under the regulations of the Zakat, Tax and Customs Authority (the ZATCA). The provision for zakat is charged to the statement of profit or loss and other comprehensive income. Differences, if any, are calculated upon finalizing the assessments when these amounts are determined in accordance with the requirements of International Accounting Standard 8 “Accounting Policies.” “Changes in Accounting Estimates and Errors” endorsed in the Kingdom of Saudi Arabia.

Value added tax

Revenues, expenses and assets are recognized net, after deducting the amount of VAT when the VAT incurred on the purchase of assets or services is not recoverable from the ZATCA; In this case, value added tax is recognized as part of the cost of acquiring the asset or as part of an expense item, as the case may be. Receivables and payables are recognized including the value added tax amount. The net amount of VAT that is recoverable or payable to the ZATCA is included as part of receivables or payables in the statement of financial position.

Withholding tax

The Company deducts tax on transactions with non-resident parties in accordance with the ZATCA regulations, which are not recognized as expenses as they are obligations of the counterparty on whose behalf the amounts are deducted.

Cash and cash equivalents

Cash and cash equivalents consist of cash deposited with local banks and short-term Murabaha with maturities of three months or less. These balances are subject to an insignificant risk of changes in value.

Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred. Borrowing costs consist of commissions and other costs incurred by the entity regarding obtaining bank facilities and financing.

Governmental grants

Government grants related to interest rate differentials are recognized when financing is provided at a lower than the market interest rate as result of government support. The interest charged on the financing are measured at the prevailing market rate, and the difference between the actual interest paid and the interest calculated at the market rate is recognized as a government grant. This grant is recognized as deferred income on the balance sheet and amortized over the financing period in a systematic manner consistent with the financial costs associated with the financing.

Revenue recognition

The Company recognizes revenues under IFRS No. (15) using the following five-step model:

Step 1: Identify the contract with the client	A contract is an agreement between two or more parties that creates enforceable rights and obligations and meets the criteria that must be satisfied for each contract.
Step 2: Identify the performance obligations	A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price	The transaction price is the amount of consideration that the Company expects to be entitled to in exchange for transferring the promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price to the performance obligation	For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration the Company expects to be entitled to in exchange for satisfying each performance obligation
Step 5: Recognize revenue	The Company recognizes revenue when (or as) it satisfies a performance obligation by transferring the promised goods or services to the customer under the contract

4- MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue is recognized primarily from contracts for the manufacture and packaging of steel pipes at a value that reflects the consideration to which the Company expects to be entitled in exchange for these goods. The Company has generally stated that it is the principal in all its revenue agreements.

The Company satisfies performance obligation and recognizes revenue over time using output method, if one of the following conditions is met:

- The customer receives the benefits provided by the Company's performance and simultaneously consumes them during the Company's performance.
- The Company's performance results in the creation or improvement of an asset that the customer controls when the asset is created or improved.
- The Company's performance does not create an asset with an alternative use to the Company, and the Company has an enforceable right to receive the value of the performance completed to date.

For performance obligations, for which one of the above conditions is not met, revenue is recognized at the time the performance obligation is satisfied (point in time).

Other income

Other incomes are recognized after providing services in accordance with the agreements and contracts concluded with customers.

Cost of revenue

Direct production costs and manufacturing expenses are classified as cost of revenue. This includes raw materials, direct labor, and other attributable indirect costs. Other costs such as selling costs are recorded as selling and marketing expenses, while all other costs are shown as general and administrative expenses. All expenses are recognized on an accrual basis. Operating costs are recognized on the historical cost basis.

Selling and marketing expenses

These expenses include any costs incurred to carry out or facilitate all selling activities in the company. These costs typically include marketing, selling, and logistics expenses as well as allocations for certain general indirect expenses.

General and administrative expenses

These expenses relate to operating expenses that are not directly related to the production or sale of any goods or services. These also include provisions that are not specifically attributable to cost of revenues or selling and marketing expenses. Indirect expenses are allocated to cost of revenues, selling and marketing expenses and general and administrative expenses, where applicable, on a fixed basis based on pre-determined rates as appropriate by the Company.

Foreign currency transactions

Transactions in foreign currencies are converted into Saudi Riyals using the prevailing exchange rates when those transactions occur. Cash assets and liabilities denominated in foreign currencies are converted into Saudi riyals using the prevailing exchange rates at the reporting date. As for non-cash assets and liabilities that are measured according to fair value in a foreign currency, they are converted into the activity currency using exchange rates when determining the fair value. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rates at the date of the transaction. Gains and losses resulting from changes in exchange rates are recognized in the statement of profit or loss and other comprehensive income.

4- MATERIAL ACCOUNTING POLICIES (continued)

Earnings per Share

The Company present basic and diluted earnings per share, if any, for its ordinary shares. The basic and diluted earnings per share are calculated by dividing the profit or loss attributable to the Company's ordinary shareholders on the basis of the weighted average number of ordinary shares outstanding during the fiscal year. No potential ordinary shares have been issued by the Company and therefore basic and diluted earnings per share are the same.

Dividends

Dividends are recognized as liabilities upon approval by the general assembly. The corresponding amount is recognized directly in the statement of changes in shareholders equity.

Related Parties

The entity is considered related to the Company if the Company has the ability, directly or indirectly, to control the entity or has a significant influence on the entity in making financial operating decisions or vice versa, or where the Company and the entity are subject to joint control or significant influence. Related parties also include the Company's senior management directors. Pricing policies and transaction terms with related parties are adopted in accordance with the company's approved policy and in compliance with the requirements of the Company bylaws.

5 - PROPERTY, PLANT AND EQUIPMENT

	Land SR '000	Buildings SR '000	Machinery and equipment SR '000	Vehicles SR '000	Furniture and Fixtures SR '000	Computers SR '000	Capital works in progress SR '000	Total 2025 SR '000
Cost:								
At 1 January 2025	5,676	91,391	762,483	2,484	3,896	3,647	71	869,648
Additions	-	189	13,218	543	382	175	7,496	22,003
Disposals	-	-	(14,627)	(58)	(1,829)	(1,309)	-	(17,823)
At 31 December 2025	<u>5,676</u>	<u>91,580</u>	<u>761,074</u>	<u>2,969</u>	<u>2,449</u>	<u>2,513</u>	<u>7,567</u>	873,828
Accumulated depreciation								
At 1 January 2025	-	53,629	535,519	1,937	2,896	2,869	-	596,850
Charge for the year	-	3,611	31,154	211	309	233	-	35,518
Impairment for the year	-	-	184	-	-	-	-	184
Disposals	-	-	(13,643)	(58)	(1,794)	(1,288)	-	(16,783)
At 31 December 2025	<u>-</u>	<u>57,240</u>	<u>553,214</u>	<u>2,090</u>	<u>1,411</u>	<u>1,814</u>	<u>-</u>	615,769
Net book value								
At 31 December 2025	<u>5,676</u>	<u>34,340</u>	<u>207,860</u>	<u>879</u>	<u>1,038</u>	<u>699</u>	<u>7,567</u>	<u>258,059</u>

- The company's buildings in Riyadh and Jubail are constructed on land leased from government entities..
- The impairment mentioned above relates to spare parts that are being replaced and those used for repairing of machinery and equipment.

5 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land SR '000	Buildings SR '000	Machinery and equipment SR '000	Vehicles SR '000	Furniture and Fixtures SR '000	Computer SR '000	Capital Works in Progress SR '000	Total 2024 SR '000
Cost:								
At 1 January 2024	5,676	91,391	751,411	2,060	3,432	3,019	-	856,989
Additions	-	-	11,472	485	625	628	71	13,281
Disposal	-	-	(400)	(61)	(161)	-	-	(622)
At 31 December 2024	<u>5,676</u>	<u>91,391</u>	<u>762,483</u>	<u>2,484</u>	<u>3,896</u>	<u>3,647</u>	<u>71</u>	<u>869,648</u>
Accumulated depreciation								
At 1 January 2024	-	50,023	501,823	1,816	2,846	2,694	-	559,202
Charge for the year	-	3,606	31,292	182	211	175	-	35,466
Impairment for the year	-	-	2,804	-	-	-	-	2,804
Disposal	-	-	(400)	(61)	(161)	-	-	(622)
At 31 December 2024	<u>-</u>	<u>53,629</u>	<u>535,519</u>	<u>1,937</u>	<u>2,896</u>	<u>2,869</u>	<u>-</u>	<u>596,850</u>
Net book value: At 31 December 2024	<u>5,676</u>	<u>37,762</u>	<u>226,964</u>	<u>547</u>	<u>1,000</u>	<u>778</u>	<u>71</u>	<u>272,798</u>

Depreciation has been charged with-in the statement of profit or loss and other comprehensive income as follows:

	2025 SR '000	2024 SR '000
Cost of revenue	<u>33,841</u>	<u>33,847</u>
General and administrative expenses	<u>1,650</u>	<u>1,606</u>
Selling and marketing expenses	<u>27</u>	<u>13</u>
	<u><u>35,518</u></u>	<u><u>35,466</u></u>

6 - INTANGIBLE ASSETS

Intangible assets represent software that is amortized over a period of 3 to 5 years. The movement in intangible assets during the year was as follows:

	2025 SR '000	2024 SR '000
Cost		
At 1 January	7,231	7,193
Additions	626	38
Disposal	(234)	-
At 31 December	7,623	7,231
Accumulated amortization:		
At 1 January	4,634	3,239
Amortization for the year	1,454	1,395
Disposal during the year	(234)	-
At 31 December	5,854	4,634
Net book value as of 31 December	1,769	2,597

Amortization has been charged within general and administrative expenses.

7 - RIGHT OF USE ASSETS

	Land SR '000	Buildings SR '000	Total 2025 SR '000
Cost			
At 1 January 2025	27,999	3,918	31,917
Adjustments	-	159	159
At 31 December 2025	27,999	4,077	32,076
Accumulated Depreciation:			
At 1 January 2025	7,181	733	7,914
Charged for the year	1,137	650	1,787
At 31 December 2025	8,318	1,383	9,701
Net book value:			
As of 31 December 2025	19,681	2,694	22,375

7- RIGHT OF USE ASSETS (continued)

	Land SR '000	Buildings SR '000	Total 2024 SR '000
Cost:			
At 1 January 2024	26,901	4,070	30,971
Additions	1,098	2,627	3,725
Disposals	-	(2,779)	(2,779)
At 31 December 2024	27,999	3,918	31,917
Accumulated Depreciation:			
At 1 January 2024	5,491	2,844	8,335
Charger for the year	1,690	668	2,358
Disposals	-	(2,779)	(2,779)
At 31 December 2024	7,181	733	7,914
Net book value:			
As of 31 December 2024	20,818	3,185	24,003

Depreciation has been charged within the statement of profit or loss and other comprehensive income as follows:

	2025 SR '000	2024 SR '000
Cost of revenue	1,622	2,108
General and administrative expenses	156	242
Selling and marketing expenses	9	8
	1,787	2,358

8- INVENTORY

	2025 SR '000	2024 SR '000
Goods in transit	83,931	64,118
Raw materials	58,112	175,138
Finished goods	43,304	51,655
Consumable materials	41,993	40,069
Work in progress	8,570	14,042
Scrap inventory	1,724	1,908
	237,634	346,930
Less: provision for inventory impairment (note 8.1)	(35,881)	(35,249)
	201,753	311,681

8- INVENTORY (continued)

8.1- The movement of provision for inventory impairment is as follows:

	2025 SR '000	2024 SR '000
At 1 January	35,249	33,715
Provided for during the year	632	2,626
Write-off during the year	-	(1,092)
At 31 December	<u>35,881</u>	<u>35,249</u>

9 -TRADE RECEIVABLES

	2025 SR '000	2024 SR '000
Trade receivables	41,543	58,927
Allowance for expected credit losses (9.1)	(2,061)	(2,163)
	<u>39,482</u>	<u>56,764</u>

9.1-The movement of allowance for expected credit losses is as follows:

	2025 SR '000	2024 SR '000
At 1 January	2,163	18,055
(Reversal) provided for during the year	(102)	803
Write-off during the year	-	(16,695)
At 31 December	<u>2,061</u>	<u>2,163</u>

(a) The Company applies the simplified approach of International Financial Reporting Standard No 9 for measuring expected credit losses.

(b) Trade receivables do not bear interest and vary maturity periods ranging from 30 to 60 days.

(c) The maximum exposure to credit risk as of the reporting date is the carrying value of each category of the mentioned trade receivables.

(d) The Company does not hold any collateral against the trade receivables and, therefore, they are unsecured.

The analysis of aging for trade receivables was as follows:

	Total SR '000	Less than 90 days SR '000	From 91 to 180 SR '000	From 181 to 360 SR '000	More than 360 SR '000
31 December 2025	41,543	40,183	-	-	1,360
31 December 2024	58,927	48,495	-	9,072	1,360

10- CONTRACT ASSETS

Contract assets primarily relate to the company's right to receive payment for performance completed to date in relation to completed steel pipe manufacturing contracts (for which revenue is recognized over time), but which have not been invoiced as of the statement of financial position date. These amounts will be transferred to trade receivables when invoiced to customers, SR 7.3 million of contract asset balances were billed subsequent to the statement of financial position date. All contract asset balances as at 31 December 2025 were due within less than 30 days and, therefore, were not subject to a significant risk of impairment.

10- CONTRACT ASSETS (continued)

The movement in the contract assets account was as follows:

	2025 SR '000	2024 SR '000
At 1 January	128,500	20,080
Revenues recognized during the year	443,882	876,488
Invoices issued during the year	(416,458)	(768,068)
At 31 December	<u>155,924</u>	<u>128,500</u>

11-SHORT-TERM ISLAMIC MURABAHA

Short-term Islamic Murabaha represents deposits with local banks with an original maturity period of more than three months but not exceeding twelve months from the acquisition date, and it generates Murabaha income at an average rate of 5.38% per annum (2024: 5.45%).

The movement in Short-term Murabaha was as follows:

	2025 SR '000	2024 SR '000
At 1 January	20,000	-
Additions during the year	70,000	21,000
Proceeds from Murabaha	(90,000)	(1,000)
At 31 December	<u>-</u>	<u>20,000</u>

12- PREPAYMENTS AND OTHER CURRENT ASSETS

	2025 SR '000	2024 SR '000
Advances to suppliers	29,162	10,958
Employees Advances	1,095	1,893
Margin on letter of guarantees and credit of banks (*)	516	1,776
Prepaid expenses	59	579
Others	432	627
	<u>31,264</u>	<u>15,833</u>

(*) The Company's banks have issued letter of guarantees with a maximum limit of SR 73.17 million (2024: SR 70.6 million)

13- CASH AND CASH EQUIVALENTS

	2025 SR '000	2024 SR '000
Cash at bank	5,417	48,403
Short-term Islamic Murabaha (*)	10,000	51,000
	<u>15,417</u>	<u>99,403</u>

(*) Murabaha represents deposits with local banks with an original maturity of less than three months from the acquisition date, generating Murabaha income at an average rate of 5.43% per annum (2024: 5.45%)

14- SHARE CAPITAL AND RESERVE

Share capital

The Company's authorized, issued, and fully paid capital consists of 200 million shares, each share's par value is SR 1 (31 December 2024: 15 million shares, each share's par value is SR 10).

Splitting the nominal value of the share

The Board of Directors recommended on 27 of Rabi' al-Thani 1446H (corresponding to 30 October 2024) to split the nominal value of the share from SR 10 per share to SR 1 per share. As a result, the number of the Company's shares after the adjustment will be 150 million shares instead of 15 million shares.

The Extraordinary General Assembly, in its meeting held on 1 of Rajab 1446H (corresponding to 8 January 2025), approved the Board of Directors' recommendation to split the nominal value of the share. The legal formalities related to the split were completed, and the by-laws were amended during the year 2025.

Increasing the capital from SR 150 million to SR 200 million

The Board of Directors recommended on 27 of Sha'ban 1446H (corresponding to 26 February 2025) to increase the company's capital from SR 150 million to SR 200 million by capitalizing a portion of retained earnings.

On 30 Shawwal 1446 AH (corresponding to 28 April 2025), the Capital Market Authority approved the request of the Arabian Pipes Company to increase its capital from SR 150 million to SR 200 million by granting one bonus share for every three existing shares held by shareholders registered in the issuer's shareholder register at the Securities Depository Center at the close of trading on the second trading day following the entitlement date.

The Extraordinary General Assembly, meeting on 7 Dhu al-Hijjah 1446 AH (corresponding to 3 June 2025), approved the Board of Directors' recommendation to increase the company's capital. The company is in the process of updating its by-laws to reflect the new capital amount.

Reserve

During the year 2024, the Company amended its by-laws to comply with the new Companies Regulations requirements issued by Royal Decree M/132 dated 30 June 2022 and consequently, the Company is no longer required to appropriate statutory reserve and accordingly, the reserve appropriated during the prior years will be subject to shareholders resolution in the future, either to keep it as a general reserve, or transfer it back to retained earnings.

Dividend distribution

The Board of Directors recommended on 28 Sha'ban 1446 AH (corresponding to 27 February 2025) the distribution of cash dividends to shareholders in the amount of SR 22.5 million for the year 2024, at a rate of SR 0.15 per share.

The Extraordinary General Assembly, in its meeting held on 7 Dhu al-Hijjah 1446 AH (corresponding to 3 June 2025), approved the Board of Directors' recommendation to distribute cash dividends to shareholders for the year 2024. The dividends were deposited into shareholders' accounts on 1 Muharram 1447 AH (corresponding to 26 June 2025).

15- EMPLOYEES END OF SERVICES BENEFITS

The Company grants employees' end of service benefits ("Benefit program") to its employees in accordance with the requirements of the labor law in the Kingdom of Saudi Arabia. The benefits granted under this benefit program represent a lump sum calculated based on employees' latest salaries and allowances and their accumulated years of service at the date of termination of service.

15- EMPLOYEES END OF SERVICE BENEFITS (continued)

The benefit obligations recognized in the statement of financial position for employees end of services benefits liabilities represent the present value of the employees' end of service benefits at reporting date. The most recent actuarial valuation was performed by an independent qualified actuary using the projected unit credit method.

The following is the movement in end of service benefits for employees:

	2025	2024
	SR '000	SR '000
At 1 January	<u>24,289</u>	<u>21,806</u>
Current service cost	2,508	2,245
Finance charges on employees end of services benefits	1,284	982
Paid during the year	(982)	(725)
loss (gain) on remeasurement of employees' end of service benefits	<u>1,168</u>	<u>(19)</u>
At 31 December	<u>28,267</u>	<u>24,289</u>

Changes related to current service cost and financial charges are recognized in profit or loss and changes related to actuarial gains (loss) are recognized in other comprehensive income.

Key actuarial assumptions

The assessment of the employees' end of service benefits for the employees' end of service benefit plan was prepared with the assistance of an actuary using the following principal assumptions:

	2025	2024
	SR '000	SR '000
Discount rate	<u>4,8%</u>	<u>5.7%</u>
Salary increases rate	4.5%	5%
Staff turnover rate	Medium	Medium
Retirement age	65	65

Sensitivity analysis

The reasonably possible changes, as of the date of reporting date, in relevant actuarial assumptions, while keeping all other assumptions constant, were expected to impact the employees' end of service benefits as follows:

	2025	2024
	SR '000	SR '000
Increase in discount rate by 1%	<u>26,160</u>	<u>22,546</u>
Decrease in discount rate by 1%	30,720	26,310
Increase in salary increase rate by 1%	30,843	26,362
Decrease in salary increase rate by 1%	26,015	22,469
Increase in staff turnover rate by 10%	28,153	24,230
Decrease in staff turnover rate by 10%	28,390	24,352

15- EMPLOYEES END OF SERVICE BENEFITS (continued)

The table below shows the expected maturity analysis for the employees defined benefit liabilities:

	2025	2024
	SR '000	SR '000
First year	3,146	3,517
Second year	2,228	1,796
Third year	2,343	1,823
Fourth year	2,954	1,988
Fifth year	1,937	2,533
Sixth year and after	32,438	30,443
Total undiscounted defined benefit liabilities	45,046	42,100
Less: Finance cost	(16,779)	(17,811)
	28,267	24,289

16- LEASE LIABILITIES

The net present value of the lease payments stated in statement of financial position is as follows:

	2025	2024
	SR '000	SR '000
Lease liabilities - current portion	1,348	1,332
Lease liabilities -non-current portion	22,527	23,756
	23,875	25,088

The following is the details of the carrying value of recognized lease liabilities and the relevant changes during the year:

	2025	2024
	SR '000	SR '000
At 1 January	25,088	23,903
Addition	-	2,627
Adjustments	159	-
Finance charges	1,279	1,261
Amounts paid	(2,651)	(2,703)
At 31 December	23,875	25,088

The following is the aggregate maturities of undiscounted lease liabilities:

	2025	2024
	SR '000	SR '000
Within one year	2,506	2,604
From one to five years	10,914	11,452
More than five years	27,258	29,226
	40,678	43,282

17-BANK FACILITIES AND LONG-TERM FINANCING

- The Company obtained short-term bank facilities and financing from several local banks, with the balance of bank facilities as of 31 December 2025, amounting to SR 107 million (31 December, 2024: SR 346 million). These consist of letter of credit financing and short-term financing to cover the company's working capital requirements, with facilities bearing a interest according to prevailing market rates, these facilities are secured by promissory notes and pledges on trade receivable balances, the facilities are compliant with Islamic Sharia principles. The facility agreements include covenants to maintain certain financial indicators, such as the leverage ratio, among others. According to these financial agreements, the bank has the right to demand immediate repayment of the facilities if these conditions are not met. The company was unable to meet some of these commitments. The company obtained an official waiver letter as of 31 December, 2025.
- The Company obtained a financing from the Saudi Industrial Development Fund ("the Fund") for the purpose of producing longitudinally welded steel pipes and for replacing and updating factory machinery and equipment, with a total amount of SR 236.5 million, the Company made an early settlement for the entire balance of financing during 2024 resulting in a profit from the derecognition of the financial liabilities related to the Fund's financing amounting to SR 1 million.
- The Company obtained a short-term financing from the Saudi National Development Fund ("NDF") for the purpose of financing the letters of credits, with a total amount of SR 109.5 million and with original due date on 31 December 2023. On 1 July, 2024, the Company rescheduled the NDF financing for a period of three and a half years, until 1 January, 2028. The Company made an early settlement for the entire balance of financing during 2025. This early settlement resulted in a profit of SR 197 thousand due to the cancellation of the financial obligations related to the NDF financing.

17-1 The bank facilities and long-term financing presented in the statement of financial position consist of the following:

	2025 SR '000	2024 SR '000
Bank facilities and short-term financing	106,639	335,932
Long term financing - current portion	-	11,949
Prepaid bank fees	-	(1,163)
Bank facilities, short-term financing and current portion of long-term financing	106,639	346,718
Non-current portion of long-term financing	-	47,263
	106,639	393,981

17-2 Government grants

According to IFRS 20, the interest rate on financing that carries a lower interest rate than the market rate is measured at fair value. The difference between the fair value of the financing and the amount of financing received is treated as a government grant. The movement in the government grants account during the year was as follows:

	2025 SR '000	2024 SR '000
At 1 January	1,403	1,778
Received during the year	-	1,847
Amortized during the year	(303)	(2,100)
Gain on derecognition of financial liabilities	(1,100)	(122)
At 31 December	-	1,403

17- BANK FACILITIES AND LONG-TERM FINANCING (continued)

17-2 Governmental grants (continued)

Government grants stated in the statement of financial position:

	2025 SR '000	2024 SR '000
Current portion of government grants	-	717
Non-current portion of government grants	-	686
At 31 December	<u>-</u>	<u>1,403</u>

18- PROVISION FOR DECOMMISSIONING COST

The provision for decommissioning and removal costs relates to the obligations for dismantling and removing the company's assets located in the cities of Riyadh and Jubail, situated on land leased from the Saudi Authority for Industrial Cities and Technology Zones.

	2025 SR '000	2024 SR '000
At 1 January	2,028	-
Additions during the year	-	1,098
Finance Charges	101	930
At 31 December	<u>2,129</u>	<u>2,028</u>

19- ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2025 SR '000	2024 SR '000
Accrued expenses	13,984	20,325
Contract liabilities	10,415	2,574
Other liabilities	3,797	14,040
	<u>28,196</u>	<u>36,939</u>

20- ZAKAT

The net zakat charge for the year ended 31 December 2025 amounted to SR 6.95 million (2024, an amount of SR 7.88 million)

20.1 The components of the zakat base for the year 2025:

	2025 SR '000	2024 SR '000
Total shareholders' equity, liabilities, and its equivalent	552,168	533,842
Total non-current assets and its equivalent	(282,424)	(339,466)
Total zakat base	<u>269,744</u>	<u>194,376</u>

* Zakat is calculated at 2.5847% of the Zakat base.

20- ZAKAT (continued)

20-2 Zakat provision movement

	2025 SR '000	2024 SR '000
At 1 January	8,994	10,182
Charged during the year (current year expense)	6,953	5,024
Charged during the year (related to prior years) – net	-	2,860
Payments during the year	(5,058)	(9,072)
At 31 December	<u>10,889</u>	<u>8,994</u>

20.3 Zakat assessments

The Company has submitted its zakat returns to the Zakat, Tax and Customs Authority ("the ZATCA") for all years up to 2024 and has paid the zakat due accordingly, receiving the zakat certificates. The zakat assessments for all years up to 2018 have been concluded with the ZATCA.

During March 2024, the Company received Zakat assessments for the years 2019 and 2020 from the ZATCA, claiming additional amounts totaling SR 5.63 million. The Company paid SR 1.67 million, representing the portion of the additional assessment that was not subject to objection. The Company submitted an objection to the ZATCA regarding the remaining amount of SR 3.96 million and recognized a provision for the full amount. In August 2024, the ZATCA issued a decision rejecting the objection in full. The Company subsequently filed an appeal with the General Secretariat of the Zakat, Tax and Customs Committees. No decision has been issued by the Committees as of the date of issuance of these financial statements.

21- RELATED PARTIES TRANSACTIONS AND THEIR BALANCES

Top management employees are defined as people who have the authority and responsibility to plan, direct and control the Company's activities (directly or indirectly).

Transactions with related parties include salaries, bonuses and allowances of Board of Directors' members and senior executives that took place during the year between the Company and top management. Transactions with related parties were as follows:

Related parties	Nature of the transaction	2025 SR '000	2024 SR '000
Senior executives	Short-term salaries and bonuses	8,517	8,127
	Employees defined benefit liabilities	1,099	619
Members of the board of directors and other committees	Bonuses and allowances	2,333	1,819
		<u>11,949</u>	<u>10,565</u>

22- REVENUES

22-1 The following is a breakdown of revenues from contracts with customers:

	2025	2024
	SR '000	SR '000
Revenues from steel pipes manufacturing and packaging activities	860,452	1,127,424
Other operating revenues	13,603	10,849
	874,055	1,138,273

22-2 Timing of revenue recognition:

	2025	2024
	SR '000	SR '000
Revenue recognized over a period of time	443,882	876,492
Revenue recognized at a point in time	430,173	261,781
	874,055	1,138,273

22-3 Geographic markets:

	2025	2024
	SR '000	SR '000
Inside the Kingdom of Saudi Arabia	862,426	1,133,499
Outside the Kingdom of Saudi Arabia	11,629	4,774
	874,055	1,138,273

22-4 Revenue by customer type:

	2025	2024
	SR '000	SR '000
Semi-governmental customers	443,882	876,483
Private sector customers	430,173	261,790
	874,055	1,138,273

22-5 The following table shows the total amount of the transaction price allocated to performance obligations that have not been satisfied (or partially satisfied) as of the year-end:

	2025	2024
	SR '000	SR '000
Revenues from steel pipes manufacturing and packaging activities (projects under progress)	570,085	1,028,923
	570,085	1,028,923

Management anticipates that all performance obligations related to the unsatisfied contracts for the steel pipes manufacturing and packaging activities as of 31 December 2025, to be completed within the year 2026.

23- COST OF REVENUE

	2025 SR '000	2024 SR '000
Raw materials	567,208	741,791
Salaries, wages and related benefits	66,443	60,827
Depreciation of property, plant and equipment	33,841	33,847
Spare parts and maintenance	5,485	4,714
Utilities	5,089	4,582
Depreciation of right of use assets	1,622	2,108
Impairment of property, plant and equipment	184	2,804
Others	2,413	4,410
	<u>682,285</u>	<u>855,083</u>

24- SELLING AND MARKETING EXPENSE

	2025 SR '000	2024 SR '000
Shipping expenses	10,117	7,649
Salaries, wages and related benefits	4,397	3,973
Others	279	916
	<u>14,793</u>	<u>12,538</u>

25- GENERAL AND ADMINISTRATIVE EXPENSES

	2025 SR '000	2024 SR '000
Salaries, wages and related benefits	24,093	19,288
Professional and consulting fees	3,769	2,478
Depreciation of property, plant and equipment	1,650	1,606
Board of directors' compensation and remunerations	2,333	2,753
Medical Insurance	1,457	1,090
Amortization of intangible assets	1,454	1,395
Subscription expenses	395	931
Depreciation of right of use assets	156	242
Allowance for expected credit losses	(102)	803
Others	3,807	3,955
	<u>39,012</u>	<u>34,541</u>

26- FINANCE CHARGES

	2025 SR '000	2024 SR '000
Finance charges on bank facilities and term financing	26,625	56,094
Finance charges on employees end of services benefits	1,284	982
Finance charges on lease liabilities	1,279	1,261
Finance charges on provision for decommissioning costs	101	930
	<u>29,289</u>	<u>59,267</u>

27- OTHER INCOME

	2025 SR '000	2024 SR '000
Reversal of provisions no longer required (*)	9,458	-
Financing income from short-term Islamic Murabaha	2,475	573
Financing income from Governmental grants	303	2,100
Gains from the derecognition of financial liabilities related to the National Development Fund and Saudi Industrial Development Fund financing	197	1,018
Loss on disposal of assets	(1,018)	-
Currency exchange losses	(2,088)	(2,131)
Other	56	283
	<u>9,383</u>	<u>1,843</u>

(*) This amount relates to provisions the company had made in prior years for settlements requested by a major customer, which were reversed as the company obtained a final settlement from the customer in 2025.

28- EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding at the date of issuance of the financial statements. The diluted earnings per share are identical to the basic earnings per share as the company does not have any diluted shares issued

	2025 SR '000	2024 SR '000
Profit for the year attributable to shareholders (SR '000)	110,474	168,177
Weighted average number of shares ('000)	200,000	200,000
Basic and diluted earnings per share (SR)	<u>0.55</u>	<u>0.84</u>

Capital Increase:

The weighted average number of shares was calculated as if the capital increase had taken place as of the beginning of the year 2024, as the capital increase did not result from an injection of funds from outside the company, in accordance with the requirements of the International Accounting Standards (IAS 33) adopted in the Kingdom of Saudi Arabia.

Splitting the nominal value of the share

In accordance with the requirements of IAS 33 Earnings per Share, as adopted in the Kingdom of Saudi Arabia, if the Company splits the nominal value of its shares, the calculation of basic and diluted earnings per share must be retrospectively adjusted for all periods presented.

29- SEGMENT INFORMATION

The sector is considered an integral part of the company and either provides specific products or services (business segment) or offers products or services within a specific economic environment (geographical segment). It is subject to risks and benefits that differ from those of other segments.

29- SEGMENT INFORMATION (continued)

The Company's Board of Directors monitors the results of the Company's operations and has been identified as the primary body responsible for making operational decisions. The Company's net results are disclosed to the entire Board of Directors. Additionally, the various expenses included in the measurement of the Company's net results are disclosed in the related notes to the financial statements

The Company's activities are limited to the manufacturing and packaging of steel pipes. The Company analyzes financial information for its operations. Accordingly, no segment analysis has been performed for the income statement, other comprehensive income statement, or the statement of financial position. The chief operating decision maker considers the company as a single operating segment based on the nature of its operations and products, as all the Company's operations relate to a single operating segment. Additionally, the substantial portion of the Company's activities and all its assets and liabilities are located within the Kingdom of Saudi Arabia. Revenues outside the Kingdom of Saudi Arabia did not exceed 10% of total revenues. Geographic information regarding the company's revenues is disclosed in note (22-3).

30- COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

As of 31 December 2025, the Company had outstanding letters of credit of SR 102.3 million (2024: SR 110.9 million).

Capital commitments

As of 31 December 2025, the company's management approved future capital expenditure amounting to SR 958 thousand (2024: SR 960 thousand)

31- FAIR VALUE MEASUREMENT FOR FINANCIAL INSTRUMENTS

Fair value is the value at which assets are exchanged, or liabilities are settled between willing parties in an arm's length transaction. Financial instruments consist of financial assets and financial liabilities. Financial assets include trade receivables, cash and cash equivalents and contract assets and short-term Islamic Murabaha. Financial liabilities include bank facilities and long-term financing, trade payable, accrued expenses and other current liabilities and lease liabilities.

The management has assessed that the fair value of trade receivables, cash and cash equivalents, contract assets, short-term Islamic Murabaha, bank facilities and long-term financing, trade payable, accrued expenses and other current liabilities and lease liabilities approximate their carrying amounts. This is mainly due to the short-term maturity of these instruments.

During the year ended 31 December 2025, and the year ended 31 December 2024, no transfers were made between Level 1 and Level 2 of the fair value measurement hierarchy, nor were there any transfers to or from Level 3 of the fair value measurement hierarchy.

32- RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

The company is exposed to market risks, credit risks, and liquidity risks. The Company's senior management oversees the management of these risks. Additionally, the senior management reviews policies and procedures to ensure that financial risks are identified, measured, and managed in accordance with the company's risk management policies and objectives, as summarized below:

32- RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

a) MARKET RISK

Market risk represents the risk of fluctuation in the fair value or future cash flows of a financial instrument due to changes in prevailing market prices. Market risks include financing, cost, price risk, foreign currency exchange rate risk, and commodity price risk. Financial instruments that are affected by market risk include bank facilities, long-term financing.

Financing cost price risk

Financing cost price risk represents the risks arising from fluctuations in the value of financial instruments due to changes in prevailing interest rates in the market. The risks to which the company is exposed regarding changes in prevailing interest rates are primarily related to bank facilities, long-term financing, and promissory notes linked to floating interest rates. The company manages its exposure to financing cost price risk by continuously monitoring changes in interest rates.

A reasonable potential change of 50 basis points in interest rates, with all other variables held constant, for bank facilities, long term financing, and promissory notes linked to floating interest rates would impact the income statement and other comprehensive income by an amount of SR 3.08 million (2024: SR 4.96 million)

Foreign currency exchange rate risk

Foreign currency exchange rate risk represents the risks arising from fluctuations in the value of a financial instrument due to changes in foreign exchange rates. The company is exposed to foreign currency exchange rate risks on purchases and sales denominated in currencies other than the functional currency used by the company. The company primarily conducts its transactions in Saudi Riyals, US Dollars, Euros, and British Pounds. The company is exposed to fluctuations in foreign exchange rates during its normal business operations. The company manages foreign currency exchange rate risk by regularly monitoring currency markets to determine appropriate actions to mitigate exposure to foreign exchange risk.

The Company's sensitivity to a reasonable potential change of 10% in exchange rates would have resulted in an increase / (decrease) in net profit by SR 209 thousand (2024: SR 213 thousand).

Commodity price risk

Commodity price risk" refers to the risks associated with changes in the prices of certain commodities, such as steel, among others, which expose the company to undesirable effects on its costs and cash flows. These risks in commodity prices arise from the expected purchases of certain raw materials used in the Company's operations. The Company manages commodity price risks by regularly monitoring global commodity markets to determine the appropriate actions to mitigate exposure to commodity price risks.

The sensitivity of commodity prices to a reasonable potential change of 5% would result in an increase / (decrease) in net profit by SR 17.8 million (2024: SR 32.9 million).

32- RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

b) CREDIT RISK

Credit risk represents the risk that counterparty will fail to meet its obligations, causing the other party to incur a financial loss. The Company is exposed to credit risk on cash at bank, short-term Islamic Murabaha and trade receivables as follows:

	31 December 2025	As at 31 December 2024
	SR '000	SR '000
Cash at bank	15,417	99,403
Short term Islamic Murabaha deposits	-	20,000
Trade receivables	41,543	58,927
	56,960	178,330

Trade receivables

Customer credit risk is managed based on the company's policies, procedures, and controls regarding customer credit risk management. The Company's trade receivables are primarily distributed among quasi-governmental entities and private companies. The Company aims to manage credit risks related to customers by setting a credit limit for each customer, monitoring outstanding receivables, and ensuring close follow-up. The management has established a credit policy, under which each new customer is analyzed individually concerning creditworthiness before offering the company's applicable payment and supply terms. Credit terms are extended to customers whom the company does not believe are unable to repay. The necessary requirements to ensure impairment at the reporting date are analyzed individually for customers. This is based on actual historical data. The company believes that the concentration of credit risk related to trade receivables is low, as most of its customers are located within the Kingdom of Saudi Arabia, with a small portion of customers located outside it. The company's revenue from sales to Saudi Aramco and its suppliers represents 93.3% of the company's total revenue for the year 2025 (2024: 97%)

Short-term Murabaha and Cash at bank

Credit risks arising from balances with banks and financial institutions are managed by the Company's treasury department in accordance with the Company's policy. The Company aims to manage credit risks related to banks and Murabaha transactions by dealing only with reputable banks. As of the preparation date of the financial statements, the management has not identified any significant concentrations of credit risk

c) LIQUIDITY RISK

Liquidity risk represents the difficulties the Company may face in obtaining funds to meet its obligations related to financial instruments. Liquidity risk arises from the inability to quickly sell a financial asset at its fair value. The Company manages liquidity risk by ensuring the availability of bank facilities and financing. The Company's terms for deferred sales specify payment within 30 to 60 days from the sale date. Trade payables are typically settled within 90 days from the purchase date. All liabilities shown in the Company's statement of financial position, except for the non-current portion of lease obligations and employees' end of service benefits for employees, are contractually payable on demand.

The table below summarizes the maturity dates of the Company's undiscounted financial liabilities as of 31 December, based on contractual payment dates and current market interest rates:

32- RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

c) LIQUIDITY RISK (continued)

31 December 2025	within one year SR '000	From 1 to 5 years SR '000	More than 5 years SR '000	Total SR '000
Bank facilities and short term financing	106,639	-	-	106,639
Trade payable	37,927	-	-	37,927
Accrued expenses and other current liabilities	28,196	-	-	28,196
Lease liabilities	2,506	10,914	27,258	40,678
	175,268	10,914	27,258	213,440

31 December 2024	within one year SR '000	From 1 to 5 years SR '000	More than 5 years SR '000	Total SR '000
Bank facilities, short term financing and long term financing	347,881	47,263	-	395,144
Trade payable	37,542	-	-	37,542
Accrued expenses and other current liabilities	36,939	-	-	36,939
Lease liabilities	2,604	11,452	29,226	43,282
	424,966	58,715	29,226	512,907

33- CAPITAL MANAGEMENT

For the purpose of managing the company's capital, it includes issued capital and all other shareholders' equity reserves belonging to the shareholders. The primary objective of the company's capital management is to ensure the maintenance of a healthy capital ratio to support its operations and maximize shareholder value. The company manages its capital structure and adjusts it in light of changes in economic conditions. Some bank facility and financing agreements include restrictions on dividend distributions, and some stipulate that no dividends will be distributed until the full amounts of the agreements are repaid. There were no changes to the objectives, policies, and procedures for capital management during the years ending 31 December, 2025, and 31 December, 2024.

34- SUBSEQUENT EVENTS

- 1- On 2 Ramadan 1447 H (corresponding to 19 February 2026), the Board of Directors recommended distributing cash dividends to shareholders for the year 2025 of SR 34 million and equal to 0.17 per share. This recommendation will be subject to the approval of the General Assembly.
- 2- On 2 Ramadan 1447 H (corresponding to 19 February 2026), the Board of Directors recommended increasing the capital from SR 200 million to SR 252 million by capitalizing a portion of retained earnings through the issuance of 52 million ordinary shares. This recommendation will be subject to the approval of the regulatory authorities and the Extraordinary General Assembly.

Management is not aware of any significant subsequent events which would have a material effect on the financial statements, other than those mentioned above and disclosed in Note 10.

35- APPROVALS OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 2 Ramadan 1447H (corresponding to 19 February 2026).