

GAS ARABIAN SERVICES COMPANY
(A Saudi Closed Joint Stock Company)

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021**

GAS Arabian Services Company
(A Saudi Closed Joint Stock Company)

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
GAS Arabian Services Company
(A Saudi Closed Joint Stock Company)
Dammam, Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of GAS Arabian Services Company (the "Company") which comprise the statement of financial position as at December 31, 2021 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements section" of our report. We are independent of the Company in accordance with the professional code of conduct endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters (continued)

Revenue recognition	
Refer to note 3 for the accounting policy and note 23 for related disclosures.	
<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>During the year ended December 31, 2021, the Company has recognized a total revenue amounted to SR 386.5 million (2020: SR 322 million).</p> <p>Management recognises revenue in either at point in time or over the time according to the principals of IFRS 15, Revenue from Contracts with Customers.</p> <p>We considered this a key audit matter as judgement was required due to the multiple revenue streams which required appropriate basis to be recognized at point in time or over the time based on the terms of the contracts, in addition the Company's focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before the control has been transferred.</p>	<p>Our audit procedures on revenue recognition of the Company included the following:</p> <ul style="list-style-type: none"> - Assessed Company's revenue recognition policy and its compliance in terms of relevant IFRS; - Obtained and tested on sample basis the customer contracts for technical services provided and assessed the revenue recognition as per contractual obligation and the adequacy of over the time revenue recognition for the correct accounting period; - Tested samples of revenue for sale of goods and services under point on time basis to assess whether revenue was recognized in the correct accounting period; - Tested on sample basis journal entries posted to the revenue accounts in the general ledger in order to identify unusual or irregular items; - Assessed the adequacy of the disclosure in the financial statements.

Other matters

The financial statements of the Company for the year ended December 31, 2020 were audited by another auditor who issue an unmodified report dated Sha'ban 30, 1442H (corresponding to April 12, 2021).

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Company, which is expected to be made available to us after the date of this auditor's 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Company's management and Those Charged with Governance for the financial statements

The Company's management is responsible for the preparation and fair presentation of the financial statements in conformity with the International Financial Reporting Standards ("IFRS") endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and the Regulations for Companies and the Company's Article of Association with respect to the preparation and presentation of financial statements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Company's management and Those Charged with Governance for the financial statements (continued)

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Company's management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

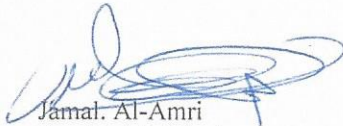
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

For Dr. Mohamed Al-Amri & Co



Jamal Al-Amri
Certified Public Accountant
Registration No. 331

March 14, 2022 G
Sha'aban 11, 1443 H



GAS ARABIAN SERVICES COMPANY

(A Saudi Closed Joint Stock Company)

**STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021**

(Expressed in Saudi Riyals)

	Notes	December 31, 2021	December 31, 2020
ASSETS			
Non-current assets			
Property and equipment	7	58,761,215	52,563,040
Right-of-use assets	8	1,534,061	2,065,843
Intangible assets	9	250,141	210,798
Investment in associates and joint ventures	10	80,752,027	75,459,054
Total non-current assets		141,297,444	130,298,735
Current assets			
Inventories	11	23,422,678	11,624,472
Projects work in progress		-	5,979,322
Accounts receivable and unbilled revenue	12	212,407,845	155,840,516
Prepayments and other receivables	13	40,491,570	23,005,737
Investments at fair value through profit or loss ("FVTPL")	14	12,771,710	-
Cash and cash equivalents	15	24,205,159	78,664,929
Total current assets		313,298,962	275,114,976
TOTAL ASSETS		454,596,406	405,413,711
EQUITY AND LIABILITIES			
Equity			
Share capital	16	158,000,000	150,000,000
Statutory reserve	16	21,982,543	15,976,528
Retained earnings		98,183,255	74,382,284
Total equity		278,165,798	240,358,812
Non-current liabilities			
Employees' defined benefit liabilities	17	27,490,261	23,662,428
Lease liabilities	18	942,877	1,379,980
Obligation against investment in joint venture	10	5,559,684	4,577,123
Total non-current liabilities		33,992,822	29,619,531
Current liabilities			
Accounts payable	19	95,371,701	67,602,719
Accruals other liabilities	20	32,755,080	36,419,203
Short term loans	21	9,164,276	26,897,248
Current portion of lease liabilities	18	526,087	591,095
Provision for zakat	22	4,620,642	3,925,103
Total current liabilities		142,437,786	135,435,368
Total liabilities		176,430,608	165,054,899
TOTAL EQUITY AND LIABILITIES		454,596,406	405,413,711

The accompanying notes from 1 to 38 form an integral part of these financial statements.

GAS ARABIAN SERVICES COMPANY

(A Saudi Closed Joint Stock Company)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021**

(Expressed in Saudi Riyals)

	Notes	December 31, 2021	December 31, 2020
Revenue	23	386,463,808	322,011,134
Cost of revenue	24	(281,760,883)	(204,951,036)
Gross profit		104,702,925	117,060,098
General and administrative expenses	25	(63,411,459)	(47,255,703)
Depreciation and amortisation		(3,926,784)	(3,302,740)
Profit from operations		37,364,682	66,501,655
Other income	26	7,738,517	3,807,146
Finance costs	27	(2,490,963)	(1,438,442)
Profit before share in results of associates, joint ventures and Zakat		42,612,236	68,870,359
Share in results of associates and joint ventures	10	22,073,534	8,364,452
Profit before Zakat		64,685,770	77,234,811
Zakat	22	(4,625,616)	(3,925,103)
NET PROFIT FOR THE YEAR		60,060,154	73,309,708
Other comprehensive income/(loss)			
<i>Items that will not be subsequently reclassified to profit or loss</i>			
Remeasurement (loss)/ gain on employees' defined benefits	17	(253,168)	1,388,513
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		59,806,986	74,698,221
EARNING PER SHARE			
Basic and diluted earnings per share from income attributable to the shareholders of the Company	28	3.88	4.89

The accompanying notes from 1 to 38 form an integral part of these financial statements.

GAS ARABIAN SERVICES COMPANY

(A Saudi Closed Joint Stock Company)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021**

(Expressed in Saudi Riyals)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total</u>
At January 01, 2020	150,000,000	8,645,557	61,015,034	219,660,591
Profit for the year	-	-	73,309,708	73,309,708
Other comprehensive income	-	-	1,388,513	1,388,513
Total comprehensive income	-	-	74,698,221	74,698,221
Transfer to statutory reserve	-	7,330,971	(7,330,971)	-
Dividends	-	-	(54,000,000)	(54,000,000)
At 31 December 2020	150,000,000	15,976,528	74,382,284	240,358,812
Profit for the year	-	-	60,060,154	60,060,154
Other comprehensive income	-	-	(253,168)	(253,168)
Total comprehensive income	-	-	59,806,986	59,806,986
Transfer to statutory reserve	-	6,006,015	(6,006,015)	-
Issue of share capital (Note – 16)	8,000,000	-	-	8,000,000
Dividends	-	-	(30,000,000)	(30,000,000)
At 31 December 2021	158,000,000	21,982,543	98,183,255	278,165,798

The accompanying notes from 1 to 38 form an integral part of these financial statements.

GAS ARABIAN SERVICES COMPANY

(A Saudi Closed Joint Stock Company)

**STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021**

(Expressed in Saudi Riyals)

	Notes	December 31, 2021	December 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat		64,685,770	77,234,811
<i>Adjustments for non –cash items to reconcile profit before zakat to net cash flows</i>			
Depreciation on property and equipment		3,233,552	2,704,322
Depreciation on right-of-use assets		531,782	452,851
Amortisation of intangible assets		161,453	145,567
Gain on disposal of property and equipment		(950)	(62,123)
Finance costs		2,490,963	1,438,442
Share in results of associates and joint ventures		(22,073,534)	(8,364,452)
Provision for employees' defined benefit liabilities		4,945,028	3,061,784
Loss on termination of lease		-	96,152
		53,974,064	76,707,354
<i>Working capital adjustments</i>			
Accounts receivable and unbilled revenue		(56,567,329)	(58,241,615)
Prepayments and other receivables		(17,485,833)	4,977,071
Inventories		(11,798,206)	(887,628)
Projects work in progress		5,979,322	(5,979,322)
Accounts payable		27,768,982	(7,457,950)
Accruals and other liabilities		(3,664,123)	(21,593,931)
Cash flows used in operations		(1,793,123)	(12,476,021)
Finance costs paid		(1,307,858)	(576,832)
Zakat paid		(3,930,077)	(3,286,861)
Employees' defined benefit liabilities paid including advances		(1,370,363)	(2,294,162)
Net cash flows used in operating activities		(8,401,421)	(18,633,876)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(9,494,229)	(6,141,819)
Purchases of intangibles		(200,796)	-
Proceeds from disposal of property and equipment		63,452	103,800
Purchase of investments at FVTPL		(12,771,710)	-
Movement in bank deposit		-	65,000,000
Investment in an associate		-	(2,450,000)
Dividends received from associates and joint ventures		17,763,122	15,418,500
Net cash flows (used in)/ generated from investing activities		(4,640,161)	71,930,481
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of share capital		8,000,000	-
Proceeds from short term loans		21,000,000	41,000,000
Repayments of short term loans including interest		(39,827,093)	(49,536,676)
Payment of principal portion of lease liabilities		(591,095)	(478,595)
Dividends paid to shareholders		(30,000,000)	(54,000,000)
Net cash used in financing activities		(41,418,188)	(63,015,271)
Net change in cash and cash equivalents		(54,459,770)	(9,718,666)
Cash and cash equivalents at the beginning of the year		78,664,929	88,383,595
Cash and cash equivalents at end of the year	15	24,205,159	78,664,929

The accompanying notes from 1 to 38 form an integral part of these financial statements.

GAS ARABIAN SERVICES COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

(Expressed in Saudi Riyals)

1 CORPORATE INFORMATION

Gas Arabian Services Company ("the Company") is a Saudi Closed Joint Stock Company registered in Saudi Arabia under Commercial Registration No. 2050022617 dated 7 Sha'ban 1412H (corresponding to February 11, 1992) issued in Dammam. The Company's registered office is at King Saud Street, P.O. Box 3422, Dammam 31471, Kingdom of Saudi Arabia.

The Company operates through the following branches:

<i>Branch</i>	<i>CR No.</i>
Gas Arabian Services Company - Dammam	2055004723
Gas Arabian Services Company - Dammam	2050099200
Gas Arabian Services Company - Yanbu	4700106468
Gas Arabian Services Company - Jubail	2055011867
Gas Arabian Services Company - Dammam	2050113651

The Company is in the business of wholesale of machinery and equipment, electrical, electronic, mechanical, hydro-mechanical, petroleum, industrial equipment, drilling equipment, technical equipment, desalination equipment, generators and spare parts, providing operational, maintenance and technical engineering services, manufacturing of piping spools, structural steel fabrication, pressure reducing stations and other industry essential products.

2 BASIS OF PREPARATION AND BASIS OF MEASSUREMENT

2.1 Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants.

2.2 Basis of measurement

The financial statements have been prepared on a historical cost basis using the accrual basis of accounting except otherwise as disclosed in note 3 below.

2.3 Functional and presentation currency

The financial statements are presented in Saudi Riyals (SR), which is the functional currency of the Company.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current / non-current classification. An asset is current when it is:

- Expected to be realized or intended to sell or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

GAS ARABIAN SERVICES COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Current versus non-current classification (continued)

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer settlement of liability for at least 12 months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all other liabilities as non-current.

3.2 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing use of relevant observable inputs and minimizing use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within fair value hierarchy, described as follows, 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 the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

GAS ARABIAN SERVICES COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

(Expressed in Saudi Riyals)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Revenue from contracts with customers

The Company is in the business of wholesale of machinery and equipment, electrical, electronic, mechanical, hydro-mechanical, petroleum, industrial equipment, drilling equipment, technical equipment, desalination equipment, generators and spare parts. Operational, Maintenance and technical engineering services. Manufacturing of piping spools, structural steel fabrication, pressure reducing stations and other industry essential products.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Sale of goods

Revenue from sale of goods is recognised at the point in time when control is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any).

Technical services

Revenue from technical services is recognised at a point in time when the services are rendered to customer.

In case of fixed price contracts, the Company recognises revenue from technical services over time because the customer simultaneously receives and consumes the benefits provided to them. The Company tracks the progress toward completion of the contract by measuring overall output to date relative to total estimated output needed to satisfy the performance obligation based on monthly progress reports.

Sales commission

The Company acts as a sales representative for products sold by its principals'. Commission is recognised at a point in time usually when the relevant terms and conditions are satisfied by the Company as per the agreement with its principals.

3.3.1 Contract balances

Contract assets

A contract asset is initially recognised for revenue earned from technical services because the receipt of consideration is conditional on successful completion of the installation. Upon completion of the installation and acceptance by the customer, the amount recognised as contract assets are reclassified to trade receivables. The Company contract assets include unbilled revenue, retention receivable and advance to suppliers.

Contract assets are subject to impairment assessment. Refer to accounting policies on impairment of financial assets in section - Financial instruments – initial recognition and subsequent measurement.

GAS ARABIAN SERVICES COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

(Expressed in Saudi Riyals)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section - Financial instruments – initial recognition and subsequent measurement.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Company performs under the contract (i.e., transfers control of the related goods or services to the customer). The Company contract liabilities include advance from customers.

3.4 Expenses

General and administrative expenses include direct and indirect costs not specifically part of cost of revenue. All other expenses, except for finance costs, depreciation and amortisation are classified as general and administrative expenses. Allocations of common expenses between cost of revenue and general and administrative expenses, when required, are made on a consistent basis.

3.5 Cash dividend distribution to equity holders

The Company recognises a liability to pay a dividend to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per provisions of Companies' Law, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in statement of changes in equity.

3.6 Foreign currencies

Transactions in foreign currencies are initially recorded by the Company at their respective spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

3.7 Zakat and indirect tax

3.7.1 Zakat

Zakat is provided for in accordance with Saudi Arabian fiscal regulations and charged to the statement of profit or loss. Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which assessment is finalized.

3.7.2 Value added tax (VAT)

Sales, expenses and assets are recognised net of the amount of value added tax, except when the value added tax incurred on purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

GAS ARABIAN SERVICES COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

(Expressed in Saudi Riyals)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Property and equipment

Capital work in progress is stated at cost, net of accumulated impairment losses, if any. Property and equipment are initially recorded at cost and stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Company recognise such parts as individual assets and depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit or loss as incurred.

Depreciation is calculated from the date the item of property and equipment is available for its intended use or in respect of self-constructed assets, from the date such assets are completed and ready for the intended use. The cost of property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings	20 years
Machinery and equipment	4 to 5 years
Motor vehicles	5 to 8 years
Furniture, fixture and office equipment	4 to 5 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the asset is written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of profit or loss as the expense is incurred.

An item of property and equipment is derecognised upon disposal or when no future benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end, and adjusted prospectively, if appropriate.

GAS ARABIAN SERVICES COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

(Expressed in Saudi Riyals)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Leases

The Company assesses at contract inception whether a contract is or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful lives of the assets, as follows:

<i>Leasehold land</i>	5 to 10 years
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If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section "Impairment of non-financial assets".

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

3.11 Investment in associates and joint arrangements

Associates

Associates are all entities over which the Company has significant influence but no control or joint control. This is generally the case where the Company holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method, after initially being recognized at cost.

Joint arrangements

Under IFRS 11 Joint Arrangements, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining whether joint control exists or not are similar to those necessary to determine control over subsidiaries.

Investments in joint arrangements are classified as either joint ventures or joint operations. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Joint ventures:

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the statement of financial position.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Investment in associates and joint arrangements (continued)

Joint operations:

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and liabilities of the joint operation.

The Company recognizes its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of other comprehensive income of the investee in other comprehensive income. After the share in the investee is reduced to zero, a liability is recognised only to the extent that there is an obligation to fund the investee's operations or any payments have been made on behalf of the investee. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Company's share of the results of operations of the associate or joint venture. Any change in the other comprehensive income ("OCI") of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate and joint venture are eliminated to the extent of the interest in the associate or joint venture. The financial statements of the associate or joint venture are prepared for the same reporting period as the Company.

When necessary, adjustments are made to bring the accounting policies of the associate or joint venture in line with those of the Company. After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments – initial recognition, subsequent measurement and derecognition

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through OCI, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of accounts receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Accounts receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in note 3.3 Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

Financial assets (continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in to four categories:

- (i) Financial assets at amortised cost (debt instruments)
- (ii) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments) - not applicable to the Company
- (iii) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) - not applicable to the Company
- (iv) Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in statement of profit or loss when the asset is derecognised, modified, or impaired.

The Company's financial assets at amortised cost include accounts receivables and amounts due from related parties.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e. removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - (a) the Company has transferred substantially all the risks and rewards of the asset, or
 - (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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(Expressed in Saudi Riyals)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments – initial recognition, subsequent measurement and derecognition (continued) Financial assets (continued)

Derecognition (continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- | | | |
|---|--|---------|
| - | Disclosures for significant assumptions | Note 4 |
| - | Accounts receivable and unbilled revenue | Note 12 |

For accounts receivable and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include accounts and other payables, amounts due to related parties, lease liabilities and short-term loans.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- (i) Financial liabilities at fair value through profit or loss
- (ii) Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised 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, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

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 recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.13 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the assets recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's ("CGU") fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company's of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Impairment of non-financial assets (continued)

In assessing the value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

For assets, an assessment is made at each financial year-end as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. This reversal is limited such that the recoverable amount doesn't exceed what the carrying amount would have been, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

3.14 Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Goods for resale: purchase cost on weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.15 Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand and other short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value

3.16 Bank deposits

Bank deposits include placements with banks with original maturities of more than three months but not more than one year from the date of placement. Time deposits are placed with financial institutions with investment grade rating, which are considered to have low credit risk.

Interest income from time deposits is accrued on a time basis, by reference to the principal outstanding and at the applicable interest rate.

3.17 Statutory reserve

In accordance with Saudi Arabian Regulations for Companies, the Company must set aside 10% of its profit for the year to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of their share capital. The reserve is not available for distribution.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Employees' benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, airfare, child education allowance, that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position under accruals and other current liabilities.

Employees' defined contribution obligations

The Company has defined contribution plan with General Organisation for Social Insurance ("GOSI") where the Company contributes fixed percentage of the employee's salary towards the retirement of its employees, which qualify as defined contribution plan. Contribution payable to the defined contribution plan is recognised as an expense in the statement of profit or loss.

The Company operates a non-funded employee end-of-service benefit plan, which is classified as defined benefit obligation under IAS 19 'Employee Benefits'. A defined benefit plan is a plan which is not a defined contribution plan. The liability recognised in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets at that date. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting estimated future cash outflows using market yields at the end of the reporting period of high quality corporate bonds that have terms to maturity approximating to the estimated term of the post-employment benefit obligations. Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognised in equity through other comprehensive income in the period in which they arise.

3.19 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as an asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.20 Segment information

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's relevant Business Heads' which in the Company's case is to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Company's relevant Business Heads' include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Company's operating segments are analysed and aggregated based on the nature of activity.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Liabilities which are probable, are recorded in the statement of financial position under accounts payable and accruals. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

- | | |
|--|---------|
| - Capital management | Note 32 |
| - Financial instruments risk management and policies | Note 32 |
| - Sensitivity analysis disclosures | Note 17 |

4.1 Judgements

In the process of applying the Company' accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

(i) Satisfaction of performance obligations

The Company is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Company has assessed that based on the agreements entered with the customers and the provisions of relevant laws and regulations, where contracts are entered into to undertake long term fixed price contracts with the customers, the Company does not create an asset with an alternative use to the Company and usually has an enforceable right to payment for performance completed to date. Further, the technical services provided under the contract are satisfied over time rather than at a point in time since the customer simultaneously receives and consumes the benefits provided by the Company. Based on this, the Company recognises revenue over time. Where this is not the case, revenue is recognized at a point in time.

The Company has elected to apply the output method in allocating the transaction price to performance obligation where revenue is recognized over time. The Company considers that the use of the output method, which requires revenue recognition based on the Company's output against the satisfaction of the performance obligation, provides the best reference of revenue actually earned. In applying the output method, the Company tracks the progress toward completion of the contract by measuring overall output to date relative to total estimated output needed to satisfy the performance obligation based on monthly progress reports.

(ii) Determining the lease term of contracts with renewal and termination options – Company as lessee

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

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4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

The Company has the option to renew the lease term for some of its leases. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in a business strategy).

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date and whether the fulfilment of the arrangement is dependent of the use of a specific asset or assets or the arrangement conveys the right to use the asset.

4.2 *Estimates and assumptions*

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(i) *Contract costs to complete estimates*

The Company estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognised. These estimates include, among other items, the construction costs, variation orders and the cost of meeting other contractual obligations to the customers. Such estimates are reviewed at regular intervals. Any subsequent changes in the estimated cost to complete the project may affect the results of the subsequent periods.

(ii) *Valuation of defined benefit obligations*

The present value of the defined benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and other assumptions. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries. Further details about employees' defined benefit liabilities are provided in note 17.

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4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

(iii) Useful lives of property and equipment

Management determines the estimated useful lives of its equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset, duration of contract with the customer and physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

(iv) Provision for expected credit losses of trade receivables and contract assets

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the company's trade receivables and contract assets are disclosed in note 12.

5 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Company has applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 01, 2021 but they have no material impact on these financial statements.

- Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions;
- Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9 and IAS 39

6 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The following amendments are effective for the period beginning January 01, 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the period beginning January 01, 2023:

- Insurance Contracts-Amendments regarding the expiry date of the deferral approach. (IFRS 4);
- Amendments regarding the interaction of IFRS 4 and IFRS 9 (IFRS 9); and
- Introduces an internationally consistent approach to the accounting for insurance contracts (IFRS 17).

The following amendments are effective for the period beginning January 01, 2024:

- Classification of Liabilities as Current or Non-current (Amendment to IAS 1);

The Company does not expect these to have a material impact on its financial statements upon their adoption.

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7. PROPERTY AND EQUIPMENT

	<u>Freehold land</u>	<u>Buildings</u>	<u>Furniture, fixture and office equipment</u>	<u>Motor vehicles</u>	<u>Machinery and equipment</u>	<u>Capital work in progress</u>	<u>Total</u>
<i>Cost:</i>							
At 1 January 2020	20,433,725	25,986,966	3,280,048	12,934,037	4,626,691	1,744,505	69,005,972
Additions	-	60,000	458,087	289,998	1,257,824	4,075,910	6,141,819
Disposals	-	-	(6,047)	(336,750)	(30,138)	-	(372,935)
At 31 December 2020	20,433,725	26,046,966	3,732,088	12,887,285	5,854,377	5,820,415	74,774,856
Additions	-	2,015,000	375,312	564,657	2,805,107	3,759,353	9,519,429
Disposals	-	-	-	(117,000)	(7,755)	-	(124,755)
Reclassification	-	-	-	(25,200)	-	-	(25,200)
At 31 December 2021	20,433,725	28,061,966	4,107,400	13,309,742	8,651,729	9,579,768	84,144,330
<i>Accumulated depreciation:</i>							
At 1 January 2020	-	4,991,478	2,499,094	8,779,685	3,568,495	-	19,838,752
Charge for the year	-	1,311,374	306,702	575,246	511,000	-	2,704,322
Disposals	-	-	(6,047)	(295,073)	(30,138)	-	(331,258)
At 31 December 2020	-	6,302,852	2,799,749	9,059,858	4,049,357	-	22,211,816
Charge for the year	-	1,299,328	349,181	641,356	943,687	-	3,233,552
Disposals	-	-	-	(54,498)	(7,755)	-	(62,253)
At 31 December 2021	-	7,602,180	3,148,930	9,646,716	4,985,289	-	25,383,115
<i>Net book amounts:</i>							
At 31 December 2021	20,433,725	20,459,786	958,470	3,663,026	3,666,440	9,579,768	58,761,215
At 31 December 2020	20,433,725	19,744,114	932,339	3,827,427	1,805,020	5,820,415	52,563,040

Buildings are constructed on a land rented from Royal Commission for Jubail & Yanbu with a standard rent for ten years starting from 3 November 2014 with option to renew on expiry of the lease term.

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8. RIGHT OF USE ASSETS

The Company has contracts for leasehold land (leasehold land contract includes office building, workshop facility etc.). These leases generally have term between 5 to 10 years. Below are the carrying amounts of right of use assets recognised and the movement during the year:

	December 31, 2021	December 31, 2020
Cost:		
At January 01,	2,632,558	2,423,803
Additions	-	1,312,292
Deletion	-	(1,103,537)
At December 31,	2,632,558	2,632,558
Accumulated depreciation:		
At January 01,	566,715	242,611
Charge for the year	531,782	452,851
Deletion	-	(128,747)
At December 31,	1,098,497	566,715
Net carrying amount		
At December 31,	1,534,061	2,065,843

9. INTANGIBLE ASSETS**December 31, 2021**

	Software
Cost:	
At the beginning of the year	740,393
Additions	200,796
At the end of the year	941,189
Accumulated amortisation:	
At the beginning of the year	529,595
Charge for the year	161,453
At the end of the year	691,048
Net carrying amount	
At December 31, 2021	250,141

December 31, 2020

	Software
Cost:	
At the beginning of the year	740,393
Additions	-
At the end of the year	740,393
Accumulated amortisation:	
At the beginning of the year	384,028
Charge for the year	145,567
At the end of the year	529,595
Net carrying amounts	
At December 31, 2020	210,798

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10. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

The table below outlines the Company's investment in associates and joint ventures:

<i>Name of associates and joint ventures</i>	<i>Ownership %</i>		<i>Country of incorporation</i>	<i>Nature of activities</i>	<i>2021</i>	<i>2020</i>
	<i>2021</i>	<i>2020</i>				
Yokogawa Services Saudi Arabia Company	33%	33%	Saudi Arabia	Providing industrial technical services	33,192,475	34,709,177
Elliott Gas Services Saudi Arabia Limited	45%	45%	Saudi Arabia	Providing industrial technical services	35,417,327	28,305,673
FS Elliott Services Saudi Arabia Limited	50%	50%	Saudi Arabia	Providing industrial technical services	8,312,399	7,251,805
Elster Instromet Services Saudi Arabia Company Limited	40%	40%	Saudi Arabia	Providing industrial technical services	1,034,153	2,441,801
Weidmular Saudi Arabia Factory	49%	49%	Saudi Arabia	Manufacturing of industrial electrical components	1,294,291	1,889,671
Gas Vector Saudi Arabia Company Limited	45%	45%	Saudi Arabia	Providing industrial technical services	1,501,382	860,927
FS Elliott Saudi Arabia Limited	50%	50%	Saudi Arabia	Trading of industrial equipment	(5,559,684)	(4,577,123)
					<u>75,192,343</u>	<u>70,881,931</u>
<i>Disclosed in the statement of financial position as follows:</i>						
Obligation against investment in joint venture under non-current liabilities					(5,559,684)	(4,577,123)
Investments in associates and joint ventures under non-current assets					80,752,027	75,459,054
Total investments in associates and joint ventures					<u>75,192,343</u>	<u>70,881,931</u>

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10. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

Movement in the investment in associates and joint ventures is as follows:

	<i>Yokogawa Services Saudi Arabia Company</i>	<i>Elliott Gas Services Saudi Arabia Limited</i>	<i>Other associates and joint ventures</i>	<i>Total</i>
2021				
At 1 January	34,709,177	28,305,673	12,444,204	75,459,054
Share of results	4,423,298	18,909,406	(1,259,170)	22,073,534
Provision created for losses	-	-	982,561	982,561
Dividend received	(5,940,000)	(11,797,752)	(25,370)	(17,763,122)
At 31 December	<u>33,192,475</u>	<u>35,417,327</u>	<u>12,142,225</u>	<u>80,752,027</u>
2020				
At 1 January	33,540,756	35,703,514	9,774,868	79,019,138
Share of results	6,448,421	2,740,659	(824,628)	8,364,452
Additions during the year	-	-	2,450,000	2,450,000
Provision created for losses	-	-	1,043,964	1,043,964
Dividend received	(5,280,000)	(10,138,500)	-	(15,418,500)
At 31 December	<u>34,709,177</u>	<u>28,305,673</u>	<u>12,444,204</u>	<u>75,459,054</u>

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10. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

The table below provide summarised financial information of material associates and joint ventures of the Company. The information disclosed reflects the amounts presented in the available financial statements of the relevant investee and not Company's share of those amounts.

	<u>2021</u>		<u>2020</u>	
	<i>Yokogawa Services Saudi Arabia Company</i>	<i>Elliott Gas Services Saudi Arabia Limited</i>	<i>Yokogawa Services Saudi Arabia Company</i>	<i>Elliott Gas Services Saudi Arabia Limited</i>
Current assets	3,583,571	51,139,451	182,006,041	27,828,996
Non-current assets	210,828,325	33,060,910	4,141,618	34,621,918
Current liabilities	(113,266,327)	(15,652,032)	(85,059,000)	(5,776,917)
Non-current liabilities	(8,272,549)	-	(7,623,388)	-
Net assets	<u>92,873,020</u>	<u>68,548,329</u>	<u>93,465,271</u>	<u>56,673,997</u>
<i>Reconciliation:</i>				
Company's share in %	33%	45%	33%	45%
Company's share	30,648,096	30,846,748	30,843,539	25,503,299
Add: adjustment for income tax	2,544,379	4,570,579	3,865,638	2,802,374
Carrying amount	<u>33,192,475</u>	<u>35,417,327</u>	<u>34,709,177</u>	<u>28,305,673</u>
Revenue	111,696,845	135,498,993	98,788,128	67,191,951
Profit for the year	18,558,900	43,806,450	22,407,887	8,124,483
<i>Reconciliation:</i>				
Company's share	6,124,437	19,712,903	7,394,603	3,656,017
Less: adjustment for income tax	(1,701,139)	(803,497)	(946,182)	(915,358)
Company's share in results	<u>4,423,298</u>	<u>18,909,406</u>	<u>6,448,421</u>	<u>2,740,659</u>

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11. INVENTORIES

	December 31, 2021	December 31, 2020
Goods for resale	19,072,841	9,704,312
Goods in transit	4,349,837	1,920,160
	<u>23,422,678</u>	<u>11,624,472</u>

During 2021, SR 166 million (2020: SR 140 million) was recognised as an expense for inventories carried at net realisable value. This is recognised in the cost of revenue.

12. ACCOUNTS RECEIVABLE AND UNBILLED REVENUE

12.1 ACCOUNTS RECEIVABLE

	December 31, 2021	December 31, 2020
Accounts receivables		
- From third parties	184,527,690	125,555,382
- From related parties (note 29)	1,443,556	567,855
Accounts receivable, net	185,971,246	126,123,237
Less: allowance for expected credit losses	(4,257,520)	(2,377,689)
	<u>181,713,726</u>	<u>123,745,548</u>

Accounts receivables are non-interest bearing and are generally on terms of 60 to 90 days. Unimpaired accounts receivables are mainly unsecured and are expected on the basis of the past experience, to be fully recoverable. For the terms and conditions with the related parties, please refer note 29.

Movement in the provision for expected credit loss was as follows:

	December 31, 2021	December 31, 2020
At the beginning of the year	2,377,689	2,440,499
Charge/ (reversal) for the year	2,068,616	(41,263)
Amounts written off	(188,785)	(21,547)
At the end of the year	<u>4,257,520</u>	<u>2,377,689</u>

An aged analysis of net trade receivables was as follows:

	Total	Current	0-30 days	30 - 90 days	91 - 180 days	> 180 days
December 31, 2021	181,713,726	94,305,797	27,259,638	25,302,838	8,238,023	26,607,430
December 31, 2020	123,745,548	60,982,706	12,542,323	13,470,621	10,926,729	25,823,169

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12. ACCOUNTS RECEIVABLE AND UNBILLED REVENUE (continued)

12.2 UNBILLED REVENUE

Unbilled revenue is initially recognised for revenue earned from long-term projects with customers rendered but yet to be billed to customers. Upon billing of invoice, the amounts recognised as unbilled revenue are reclassified to accounts receivable.

	December 31, 2021	December 31, 2020
Value of services performed	107,214,571	55,789,233
Less: amounts received and receivable as progress billings	(76,520,452)	(23,694,265)
	<u>30,694,119</u>	<u>32,094,968</u>

13. PREPAYMENTS AND OTHER RECEIVABLES

	December 31, 2021	December 31, 2020
Retention receivable	14,570,786	8,911,980
Amounts due from related parties (note 29)	6,736,059	5,298,999
Advance to suppliers	12,930,388	4,283,942
Prepaid expenses	3,920,783	3,485,265
Refundable deposits	100,529	626,529
Staff advances	846,120	399,022
Others (note 13.1)	1,386,905	-
	<u>40,491,570</u>	<u>23,005,737</u>

13.1 This amount represents initial public offering (“IPO”) expenses paid by the Company on behalf of its shareholders which is subsequently received from the IPO proceeds.

14. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (“FVTPL”)

	December 31, 2021
14.1 FVTPL - Current Assets	
At 1 January	-
Additions during the year	26,030,425
Disposal during the year	(12,697,191)
Changes in Fair value – Un-realized loss (Note 14.2)	(561,524)
At 31 December	<u>12,771,710</u>

	December 31, 2021
14.2 FVTPL - Profit and Loss	
Realized gain during the year	408,412
Unrealized losses during the year	(561,524)
Dividend received	20,000
Net unrealized loss charged in profit and loss for the year	<u>(133,112)</u>

15. CASH AND CASH EQUIVALENTS

	December 31, 2021	December 31, 2020
Cash at banks	<u>24,205,159</u>	<u>78,664,929</u>

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16. EQUITY

16.1 SHARE CAPITAL

Share capital is divided into 15,800,000 shares (2020: 15,000,000 shares) of SR 10 each.

<i>Name of the partners</i>	Ownership %	December 31, 2021	December 31, 2020
GAS Gulf for Trading & Contracting Company	18.99%	30,000,000	30,000,000
GAS Asia for Trading & Contracting Company	18.99%	30,000,000	30,000,000
Future Cooperation Limited	18.99%	30,000,000	30,000,000
Future Generation Limited	18.99%	30,000,000	30,000,000
Future Prospects for Operating and Maintenance Limited	18.99%	30,000,000	30,000,000
Others	5.05%	8,000,000	-
		158,000,000	150,000,000

During 2021, the Company's capital was increased from SR 150 million to SR 158 million by SR 8,000,000 additional amount received from other shareholders to additional capital contribution. Further, this additional capital contribution was transferred to share capital account.

16.2 STATUTORY RESERVE

In accordance with the Saudi Arabian Regulations for Companies, 10% of the profit for the year is required to be transferred to statutory reserve until the balance in the reserve equals 30% of share capital. The reserve is not available for distribution.

17. EMPLOYEES' DEFINED BENEFIT LIABILITIES

17.1 Post-employment benefits plan

In accordance with the provisions of IAS 19 - Employee Benefits, management has appointed an independent actuary to carry out an exercise to assess the present value of its defined benefit obligations as at December 31, 2021 and December 31, 2020 in respect of employees' benefits payable under relevant local regulations and contractual arrangements.

	December 31, 2021	December 31, 2020
Post-employment benefits plan	27,490,261	23,662,428

The following table summarizes the components of the net benefit expense recognized in statement of profit or loss, OCI and amounts recognized in the statement of financial position.

17.2 Net benefit expense recognised in profit or loss	December 31, 2021	December 31, 2020
Current service cost	3,866,329	2,294,910
Interest cost on benefit obligations	1,078,699	766,874
Net benefit expense	4,945,028	3,061,784

17.3 Net remeasurement loss recognised in other comprehensive income	December 31, 2021	December 31, 2020
Gain due to change in financial assumptions	(310,355)	(4,023,663)
Loss due to change in demographic assumptions	563,523	2,635,150
Net remeasurement loss /(gain)	253,168	(1,388,513)

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17.4 Movement in the present value of defined benefit obligations

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Defined benefit obligations at the beginning of the year	28,196,363	28,214,167
Interest cost	3,866,329	2,294,910
Current service cost	1,078,699	766,874
Benefits paid	(1,074,820)	(1,691,075)
Re-measurement loss/ (gain) on obligations	253,168	(1,388,513)
Defined benefit obligations at the end of the year	32,319,739	28,196,363
Less: Advance against employees' defined benefit liabilities	(4,829,478)	(4,533,935)
	27,490,261	23,662,428

Significant assumptions used in determining the post-employment defined benefit obligations includes the following:

	<u>December 31, 2021 % per annum</u>	<u>December 31, 2020 % per annum</u>
Discount rate	3.00%	3.90%
Future salary increases	4.00%	5.00%

A quantitative sensitivity analysis for discount rate assumption on the defined benefit obligations as at December 31, are shown below:

<u>Assumptions</u>	<u>Discount rate per annum</u>	
	<u>1% Increase</u>	<u>1% Decrease</u>
Sensitivity level		
Defined benefit obligations as at December 31, 2021	29,551,587	35,347,970
Defined benefit obligations as at December 31, 2020	25,139,396	31,837,226

<u>Assumptions</u>	<u>Salary increase rate per annum</u>	
	<u>1% Increase</u>	<u>1% Decrease</u>
Sensitivity level		
Defined benefit obligations as at December 31, 2021	35,347,188	29,551,224
Defined benefit obligations as at December 31, 2020	31,758,594	25,142,092

The sensitivity analysis mentioned above have been determined based on a method that extrapolates the impact on the defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

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18. LEASE LIABILITY

The following are the amounts recognised in the statement of profit or loss and other comprehensive income:

	December 31, 2021	December 31, 2020
At 1 January	1,971,075	1,928,583
Addition	-	1,312,292
Termination	-	(878,638)
Interest	88,984	87,433
Payments	(591,095)	(478,595)
As at Dec 31	1,468,964	1,971,075

Lease liabilities are allocated into current and non-current as of Dec 31, 201, based on the maturity as follows.

	December 31, 2021	December 31, 2020
Current portion	526,087	591,095
Non –current portion	942,877	1,379,980
Total	1,468,964	1,971,075

19. ACCOUNTS PAYABLE

	December 31, 2021	December 31, 2020
Accounts payable		
- To third parties	90,623,915	64,106,949
- To related parties (note 29)	4,747,786	3,495,770
	95,371,701	67,602,719

20. ACCRUALS AND OTHER LIABILITIES

	December 31, 2021	December 31, 2020
Accrued expenses	10,533,647	11,494,586
Employee's related accruals	2,974,820	6,719,404
Vat payable, net	8,214,658	4,665,256
Advance from customer	10,977,963	7,007,594
Provision for contract costs	-	4,131,629
Amounts due to related parties (note 29)	-	2,229,262
Other payables	53,992	171,472
	32,755,080	36,419,203

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21. SHORT TERM LOANS

The Company had availed short term loans from commercial bank for working capital purposes. The loan carries financial charges at commercial rates and are secured by personnel guarantee of one of the shareholder of the Company. The loan is repayable within one year from the end of the financial year and are accordingly classified under current liabilities.

The movement of short term loans is as follows:

	December 31, 2021	December 31, 2020
At the beginning of year	26,897,248	34,659,748
Additions during the year	21,000,000	41,000,000
Paid during the year	(39,827,093)	(49,536,676)
Interest accrued during the year	1,094,121	774,176
At the end of year	9,164,276	26,897,248

22. PROVISION FOR ZAKAT

22.1 The principal elements of the Zakat base are as follows:

	December 31, 2021	December 31, 2020
Non-current assets	141,297,444	130,298,735
Non-current liabilities	33,992,822	29,619,531
Opening equity	240,358,812	219,660,591
Net profit before zakat	64,685,770	77,234,811

Some of these amounts have been adjusted in arriving at zakat charge for the year.

22.2 Charge for the year

	December 31, 2021	December 31, 2020
Current year	4,620,642	3,925,103
Adjustment for previous year	4,974	-
Total charge for the year	4,625,616	3,925,103

22.3 Movement of provision for Zakat

The movement of provision for Zakat is as follows:

	December 31, 2021	December 31, 2020
At the beginning of the year	3,925,103	3,286,861
Charged during the year	4,620,642	3,925,103
Paid during the year	(3,930,077)	(3,286,861)
Adjustment for previous year	4,974	-
At the end of the year	4,620,642	3,925,103

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23. REVENUE

Type of goods or services and timing of revenue recognition

	December 31, 2021	December 31, 2020
<i>Goods and services transferred at a point in time</i>		
Sale of traded goods	212,110,120	177,703,953
Technical services	54,725,474	53,925,686
Sales commission	4,314,362	10,156,852
Others	8,102,603	9,243,157
<i>Goods and services transferred over time</i>		
Technical services	107,211,249	70,981,486
Total revenue	386,463,808	322,011,134

24. COST OF REVENUE

	December 31, 2021	December 31, 2020
Cost of materials consumed	166,489,226	140,528,692
Sub-contracting and project material costs	76,083,781	31,192,959
Employees' costs	32,077,118	31,660,915
Others	7,110,758	1,568,470
	281,760,883	204,951,036

25. GENERAL AND ADMINISTRATIVE EXPENSES

	December 31, 2021	December 31, 2020
Employees' costs	45,470,429	36,250,171
Rent	2,574,825	2,302,776
Repairs and maintenance	1,344,973	1,045,394
Information technology expenses	877,169	1,019,479
Electricity and water	956,565	866,186
Travel	1,416,330	751,108
Professional fees	646,419	621,535
Communication	443,683	535,021
Insurance	516,871	381,575
Allowance/(reversal) for ECL (note 12)	2,068,616	(41,263)
Reversal for bad debts (note 29)	-	(238,393)
Others	7,095,579	3,762,114
	63,411,459	47,255,703

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26. OTHER INCOME

	December 31, 2021	December 31, 2020
Rent	2,950,830	1,927,011
Gain on disposal of property and equipment	950	62,123
Unrealized loss on investment at FVTPL (note 15.2)	(133,112)	-
Others	4,919,849	1,818,012
	<u>7,738,517</u>	<u>3,807,146</u>

27. FINANCE COSTS

	December 31, 2021	December 31, 2020
Interest on short term loans	1,094,121	774,176
Interest on lease liabilities	88,984	87,433
Others	1,307,858	576,833
	<u>2,490,963</u>	<u>1,438,442</u>

28. EARNINGS PER SHARE

The calculation of earnings per share is based on the following profit attributable to the shareholders of the Company and weighted average number of ordinary shares outstanding during the year:

	December 31, 2021	December 31, 2020
Net profit attributable to shareholders of the Company	<u>60,060,154</u>	<u>73,309,708</u>
Weighted average number of ordinary shares outstanding during the year	<u>15,482,192</u>	<u>15,000,000</u>
Basic and diluted earning per share	<u>3.88</u>	<u>4.89</u>

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29. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. The Company considers the members of the Board of Directors (and its sub-committees) and Executive Committee to be key management personnel for the purposes of IAS 24 Related Party Disclosures. Following is the list of the major related parties of the Company:

<i>Names of related parties</i>	<i>Nature of relationship</i>
Gas Gulf for Trading & Contracting Company	Partner
Gas Asia for Trading & Contracting Company	Partner
Future Cooperation Company Limited	Partner
Future Generation Company Limited	Partner
Future Prospects Company Limited	Partner
FS Elliot Services Company Limited	Joint venture
Yokogawa Services Saudi Arabia Company Limited	Associate
Gas Vector Saudi Arabia Company Limited	Associate
Elliot Gas Services Saudi Arabia Company Limited	Joint venture
Elster Instromet Saudi Arabia Company	Associate
FS Elliot Saudi Arabia Company Limited	Joint venture
Weidmular Saudi Arabia Factory	Joint venture
Eagle Burgmann Saudi Arabia Company Limited	Affiliate
TCR Arabia Company Limited	Affiliate
Prudent Saudi Arabia Limited	Affiliate
Mr. Abdulrahman Khalid Aldabal	Key management personnel
Mr. Faisal Khalid Aldabal	Key management personnel
Mr. Aref Khalid Aldabal	Key management personnel

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29. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Following are the major transactions and balances with related parties:

<i>Related parties</i>	<i>Relationship</i>	<i>Nature of transactions</i>	<i>Amount of transactions</i>	
			2021 SR	2020 SR
Elliot Gas Services Saudi Arabia Company Limited	Joint venture	Sale of goods and technical services provided	2,625,637	2,483,345
Eagle Burgmann Saudi Arabia Company Limited	Affiliate	Sale of goods and technical services provided	4,630,721	7,358,762
		Purchase of goods	(168,122)	-
Elster Instromet Saudi Arabia Company	Associate	Sale of goods and technical services provided	337,171	148,505
		Rental income	1,938,202	569,166
		Purchase of goods	(332,764)	(274,253)
		Financial support	2,240,000	-
FS Elliot Saudi Arabia Company Limited	Joint venture	Payments made on behalf of associate	44,420	45,124
		Rental income	549,157	478,093
Yokogawa Services Saudi Arabia Company Limited	Associate	Technical services provided	103,500	-
		Sale of goods and technical services provided	716,120	718,981
		Purchase of goods	-	(706,860)
FS Elliot Services Company Limited	Joint venture	Technical services received	(4,701,691)	(2,594,110)
		Rental income	274,579	239,046
		Sale of goods and technical services provided	189,498	-
Gas Vector Saudi Arabia Company Limited	Associate	Technical services received	(1,319,593)	(2,241,321)
		Sale of goods and technical services provided	172,143	282,710
Wedmular Saudi Arabia Factory	Joint venture	Purchase of goods	(472,918)	(440,418)
		Payments made on behalf of associate	13,060	751,456
TCR Arabia Company Limited	Affiliate	Financial support	490,000	-
Prudent Saudi Arabia Limited	Affiliate	Rental income	718,283	566,525
Mr. Aref Khalid Aldabal	Key management personnel	Sale of goods and technical services provided	304,722	68,066
Mr. Abdulrahman Khalid Aldabal	Key management personnel	Rent	(1,108,846)	(1,002,533)
Mr. Khalid Abdulrahman Aldabal & Ms. Hind Abdulrahman Aldabal	Key management personnel	Rent	(521,372)	(328,984)
Ms. Nora Abdulrahman Albalal & Ms. Kholoud Abdulrahman Aldabal	Key management personnel	Rent	(309,946)	(234,480)
		Rent	(45,000)	(203,600)

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29. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Pricing policies and terms of payments of the above transactions with related parties have been approved by the Company's management.

In addition to the above the Company incurred the following compensation of key management personnel of the Company:

	December 31, 2021	December 31, 2020
Short-term employee benefits	5,014,716	6,279,169
Employees' defined benefit liabilities	1,667,827	361,124
Total compensation	6,682,543	6,640,293

The break down of amounts due from/to related parties is as follows:

29.1 Accounts receivable (note 12):

	December 31, 2021	December 31, 2020
Elliot Gas Services Saudi Arabia Company Limited	64,932	101,200
Gas Vector Saudi Arabia Company Limited	50,873	249,686
Prudent Saudi Arabia Ltd.	63,324	7,949
Eagle Burgmann Saudi Arabia Company Limited	-	138,899
Other affiliates	1,264,427	70,121
	1,443,556	567,855

29.2 Amounts due from related parties (note 12):

	December 31, 2021	December 31, 2020
Elster Instromet Saudi Arabia Company Limited	2,245,504	-
Gas Vector Saudi Arabia Company Limited	1,755,637	2,376,568
FS Elliot Saudi Arabia Company Limited	1,289,256	1,286,882
TCR Arabia Company Limited	490,905	671,291
FS Elliot Services Company Limited	413,499	411,125
Yokogawa Services Saudi Arabia Company Limited	1,786	142,167
Elliot Gas Services Saudi Arabia Company Limited	-	658,141
Other Affiliates	539,472	14,432
Less: Provision for Bad Debts	-	(261,607)
	6,736,059	5,298,999

29.3 Accounts payable (note 19):

	December 31, 2021	December 31, 2020
FS Elliot Services Company Limited	2,199,321	2,199,321
Yokogawa Services Saudi Arabia Company Limited	2,127,738	1,053,378
Gas Vector Saudi Arabia Company Limited	172,200	48,281
Wedmular Company Limited	96,128	164,728
Prudent Saudi Arabia Limited	51,400	-
Eagle Burgmann Saudi Arabia Company Limited	17,531	-
Other Affiliates	83,469	30,062
	4,747,786	3,495,770

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29.4 *Amounts due to related parties (note 20):*

	December 31, 2021	December 31, 2020
Gas Gulf for Trading & Contracting Company Limited	-	460,423
Gas Asia for Trading & Contracting Company Limited	-	225,978
Mr. Aref Khalid Aldabal	-	1,002,533
Mr. Abdulrahman Khalid Aldabal	-	45,846
Mr. Khalid Abdulrahman Aldabal & Ms. Hind Abdulrahman Aldabal	-	234,480
Ms. Nora Abdulrahman Albabal & Ms. Kholoud Abdulrahman Aldabal	-	203,600
Other affiliates	-	56,402
	-	2,229,262

30. SEGMENT INFORMATION

Operating segments

For management purposes, The Company is organized into business units based on their operations and has the following three reportable segments:

- The Technical services- This segment provides technical manpower services and executes technical engineering projects.
- The Trading segment- The segment is engaged in sales of industrial, electrical, mechanical, hydro-mechanical, petroleum and other technical equipment.
- The manufacturing segment- This segment is engagement in manufacturing of piping spools, structural steel fabrication, pressure reduction stations and other industry essential products.

All of the Company's operations are located in the Kingdom of Saudi Arabia. The selected information for each operating segment for the year ended December 31, 2021 and December 31, 2020 are as follows:

For the year ended December 31, 2021	Technical services	Trading	Manufacturing	Unallocated	Total
Revenue	158,565,607	216,424,482	11,473,719	-	386,463,808
Cost of revenue	(103,059,708)	(171,590,417)	(7,110,758)	-	(281,760,883)
Gross profit	55,505,899	44,834,065	4,362,961	-	104,702,925
General and administrative expenses	-	-	-	(63,411,459)	(63,411,459)
Depreciation and amortization	-	-	-	(3,926,784)	(3,926,784)
Other income	-	-	-	7,738,517	7,738,517
Finance costs	-	-	-	(2,490,963)	(2,490,963)
Share in results of associates and joint ventures	-	-	-	22,073,534	22,073,534
Profit before zakat					64,685,770
Total assets	136,509,911	78,613,020	5,529,526	233,943,949	454,596,406
Total liabilities	-	-	-	176,430,608	176,430,608

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30. SEGMENT INFORMATION

For the year ended December 31, 2020	Technical services	Trading	Manufacturing	Unallocated	Total
Revenue	124,907,172	187,860,805	9,243,157	-	322,011,134
Cost of revenue	(56,501,532)	(145,383,774)	(3,065,730)	-	(204,951,036)
Gross profit	68,405,640	42,477,031	6,177,427	-	117,060,098
General and administrative expenses	-	-	-	(47,255,703)	(47,255,703)
Depreciation and amortization	-	-	-	(3,302,740)	(3,302,740)
Other income	-	-	-	3,807,146	3,807,146
Finance costs	-	-	-	(1,438,442)	(1,438,442)
Share in results of associates and joint ventures	-	-	-	8,364,452	8,364,452
Profit before zakat					77,234,811
Total assets	65,523,596	52,919,324	9,444,762	277,526,029	405,413,711
Total liabilities	-	-	-	165,054,899	165,054,899

31. FINANCIAL INSTRUMENTS BY CATEGORY

	December 31, 2021		
	Total	At amortised cost	at FVTPL
<i>Financial assets</i>			
Investments at fair value through profit or loss ("FVTPL")	12,771,710	-	12,771,710
Trade receivables	181,713,726	181,713,726	-
Due from related parties	6,736,059	6,736,059	-
Cash and cash equivalents	24,205,159	24,205,159	-
Total	225,426,654	212,654,944	12,771,710
	December 31, 2021		
	Total	at amortised cost	at FVTPL
<i>Financial liabilities</i>			
Accounts payables	95,371,701	95,371,701	-
Accruals and other liabilities	32,755,080	32,755,080	-
Lease liabilities	1,468,964	1,468,964	-
Short term loans	9,164,276	9,164,276	-
Total	138,760,021	138,760,021	-

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31. FINANCIAL INSTRUMENTS BY CATEGORY

	December 31, 2020		
	Total	At amortised cost	At FVTPL
<i>Financial assets</i>			
Trade receivables	123,745,548	123,745,548	-
Due from related parties	5,298,999	5,298,999	-
Cash and cash equivalents	78,664,929	78,664,929	-
Total	207,709,476	207,709,476	-
	December 31, 2020		
	Total	At amortised cost	at FVTPL
<i>Financial liabilities</i>			
Accounts payables	67,602,719	67,602,719	-
Accruals and other liabilities	24,764,353	24,764,353	-
Lease liabilities	2,038,705	2,038,705	-
Short term loans	26,897,248	26,897,248	-
Total	121,303,025	121,303,025	-

The Company's exposure to various risks associated with the financial instruments is discussed in Note 32. The maximum exposure to credit risk at the end of the reporting year is the carrying amount of each class of financial assets mentioned above.

32. FINANCIAL INSTRUMENTS

The Company's principal financial liabilities comprise payables, short term facilities and term loans. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include cash and cash equivalents, instruments at FVTPL and receivables.

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, currency risk and price risk). The Company's overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimize potential adverse effects on the Company's financial performance

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32.1 Credit risk

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company is exposed to credit risk on its bank balances, trade receivables, and other receivables as follows:

Financial assets	December 31, 2021	December 31, 2020
Cash and cash equivalents	24,205,159	78,664,954
Trade receivables	181,713,726	116,737,954
	205,918,885	195,402,908

The carrying amount of financial assets represents the maximum credit exposure.

Credit risk on bank balances, trade receivables and other receivables is limited as cash balances are held with banks with sound credit ratings and the trade receivables and other receivables are shown net of allowance for impairment.

The Company manages credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures. Before accepting any new credit customer, the Company has its own credit policy to assess the potential customer's credit quality and defines the credit limits for the new customer. These policies are reviewed and updated regularly. Moreover, the Company seeks to manage its credit risk by monitoring outstanding receivables on an ongoing basis.

32.1.1 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities at the end of the reporting period of financial and non-financial liabilities:

December 31, 2021

	Within one year	1-5 years	More than 5 years	Total
Accounts payables	95,371,701	-	-	95,371,701
Accruals and other liabilities	32,755,080	-	-	32,755,080
Lease liabilities	591,095	856,515	-	1,447,610
Short term loans	9,164,276	-	-	9,164,276
	137,882,152	856,515	-	138,738,667

December 31, 2020

	Within one year	1-5 years	More than 5 years	Total
Accounts payables	67,602,719	-	-	67,602,719
Accruals and other liabilities	36,419,203	-	-	36,419,203
Lease liabilities	591,095	1,447,610	-	2,038,705
Short term loans	24,746,353	-	-	24,746,353
	129,359,370	1,447,610	-	130,806,980

The maturity analysis of lease liabilities is disclosed under note 18.

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Company's future commitments. The Company's terms of sales require amounts to be paid mostly on cash on delivery.

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32.1.1 Liquidity risk (continued)

i. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and price risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Financial instruments affected by market risk include investment at FVTPL.

Management believes that Company's exposure to price risk is limited because the amounts of the underlying balances and transactions are marginal. The Company is exposed to interest rate risk on its investment at FVTPL.

ii. Interest rate risk

Interest rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows and short-term loans amounted to SR 9,164,276 (2020: SR 26,897,248) bear variable finance costs at prevailing market rate.

iii. Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyal (SR) and United States Dollar (USD). The Company's management believe that their exposure to currency risk associated with the USD is limited as the Saudi Riyal is pegged to the USD.

32.1.2 Measurement of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Investment at FVTPL is determined at level 2 of the fair value hierarchy. As of December 31, 2021, the carrying amount of financial assets and financial liabilities of the Company approximate their fair value.

32.1.3 Capital management

For the purpose of the Company's capital management, capital includes issued capital, statutory reserve and retained earnings the Company. The primary objective of the Company's capital management is to maximize the shareholder value. The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

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33. COVID-19 UPDATES

The global economy is recovering faster from COVID-19 impacts and the number of people vaccinated against COVID-19 is increasing. In addition, protective measures and contact restrictions are relaxed. Uncertainties remain, however, with the prospect of further COVID outbreaks as a result of new variants, Omicron, for instance. In response to the spread of the COVID-19 in KSA where the Company operates and its resulting potential disruptions to the social and economic activities in market, management had proactively assessed its impacts on its operations and took a series of preventive measures, including the creation of on-going crisis management teams and processes, to ensure the health and safety of its employees, customers and the wider community as well as to ensure the continuity of supply of its products throughout its markets.

Further, management has implemented active prevention programs at its sites and contingency plans in order to minimize the impact of risks related to COVID-19 and to safeguard the continuity of its business operations. Based on this assessment, no significant adjustments were required in the financial statements for the year ended December 31, 2021. As the COVID-19 pandemic remains an evolving situation, management will continue to closely monitor the effects of the pandemic on its financial results during 2022 and beyond.

34. DISTRIBUTIONS MADE

During the year December 31, 2021, the shareholders approved the dividend amounted to SR 30 million and it was also paid to the shareholders (for the year ended December 31, 2020: SR 54 million).

35. CONTINGENCIES AND COMMITMENTS

As of December 31, 2021, the Company has issued outstanding letters of guarantee amounting to SR 126.57 million (December 31, 2020: SR 74 million) and letters of credit amounting to SR 5.34 million (December 31, 2020: SR 1.5 million) issued by the local banks on behalf of Company in the ordinary course of business. Further, the Company has Capital commitments amounting to SR 23 million (December 31, 2020: SR Nil) on account of construction of Company's new office building.

36. COMPARATIVE FIGURES

During the year, advances from customers amounting to SR 7,007,594 previously included in accounts receivable in 2020 was reclassified as advances to customers and included in accruals and other liabilities.

37. SUBSEQUENT EVENTS

On Rajab 06, 1443H (corresponding to February 07, 2022) the Company got their shares listed on the parallel Saudi Stock Exchange ("NOMU") for the year ended December 31, 2021.

On March 10, 2022, the Board of Directors has recommended a dividend of SR 31.6 million to the General Assembly of the Company.

38. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been authorized for issue and approved by the Board of Directors of the Company on March 10, 2022 G.