

**ARABIAN PIPES COMPANY**  
**(A Saudi Joint Stock Company)**  
**INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE**  
**THREE-MONTH AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020**  
**AND INDEPENDENT AUDITOR'S REVIEW REPORT**

**ARABIAN PIPES COMPANY**  
**(A Saudi Joint Stock Company)**  
**INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020**

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## INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

**TO THE SHAREHOLDERS OF ARABIAN PIPES COMPANY  
(A SAUDI JOINT STOCK COMPANY)  
RIYADH, KINGDOM OF SAUDI ARABIA**

### INTRODUCTION

We have reviewed the accompanying interim statement of financial position of Arabian Pipes Company (the "Company") as of 30 September 2020 and the related interim statement of comprehensive (loss) / income for the three-month and nine-month periods ended 30 September 2020 and interim statements of changes in equity and cash flows for the nine-months period then ended and a summary of significant accounting policies and other explanatory notes (the "interim condensed financial statements"). Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

### SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

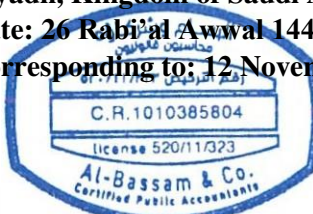
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

### OTHER MATTER

The financial statements of the Company for the year ended 31 December 2019 were audited by another auditor who expressed an Unmodified opinion dated 18 March 2020.

For Al-Bassam & Co.

**Ibrahim A. Al-Bassam**  
Certified Public Accountant - License No. 337  
Riyadh, Kingdom of Saudi Arabia  
Date: 26 Rabi' al Awwal 1442  
Corresponding to: 12 November 2020



**ARABIAN PIPES COMPANY**  
**(A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2020**  
**(All amounts are in Saudi Riyal "000" unless otherwise stated)**

		30 September 2020 (Unaudited)	31 December 2019 (Audited) (Restated)
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		361,055	374,420
Right-of-use asset	13	22,250	21,833
<b>Total non-current assets</b>		<u>383,305</u>	<u>396,253</u>
<b>Current assets</b>			
Inventories		702,542	612,986
Trade receivables		186,733	64,336
Prepayments and other receivables		44,416	42,237
Cash and cash equivalents		10,832	19,968
<b>Total current assets</b>		<u>944,523</u>	<u>739,527</u>
<b>TOTAL ASSETS</b>		<u>1,327,828</u>	<u>1,135,780</u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital		400,000	400,000
Statutory reserve	5	120,000	120,000
(Accumulated losses) / retained earnings	13	(29,880)	9,261
Actuarial loss on employee's post-employment benefits		(1,322)	(1,322)
<b>TOTAL EQUITY</b>		<u>488,798</u>	<u>527,939</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		20,207	17,945
Long-term loans	6	7,165	7,165
Employees' post-employment benefits		16,789	14,622
<b>Total non-current liabilities</b>		<u>44,161</u>	<u>39,732</u>
<b>Current liabilities</b>			
Overdraft		10,493	-
Lease liabilities – current portion	13	2,763	2,295
Long-term loans – current portion	6	70,580	69,861
Short-term loans	7	592,302	394,494
Due to related parties	8	831	1,546
Trade payables		92,342	85,970
Accrued and other payables		19,027	6,297
Zakat payable	9	6,531	7,646
<b>Total current liabilities</b>		<u>794,869</u>	<u>568,109</u>
<b>TOTAL LIABILITIES</b>		<u>839,030</u>	<u>607,841</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,327,828</u>	<u>1,135,780</u>
Contingencies	10		

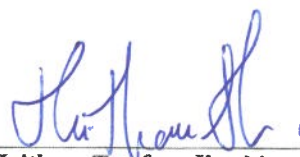
The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.



**Homoud Ali Alhamzah**  
CFO



**Ahmed Ali Al-Lohidan**  
CEO



**Haitham Tawfeeq Ibrahim Al-Foraih**  
Authorized Board of Director Member

**ARABIAN PIPES COMPANY**  
**(A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF COMPREHENSIVE (LOSS) / INCOME**  
**FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020**  
**(All amounts are in Saudi Riyal "000" unless otherwise stated)**

	Notes	For the three-month period ended		For the nine-month period ended	
		30 September 2020 (Unaudited)	30 September 2019 (Unaudited)	30 September 2020 (Unaudited)	30 September 2019 (Unaudited)
Sales		162,041	210,352	273,857	581,909
Cost of sales		(149,220)	(181,999)	(258,059)	(506,101)
<b>Gross income</b>		<b>12,821</b>	<b>28,353</b>	<b>15,798</b>	<b>75,808</b>
Selling and distribution expenses		(3,057)	(3,448)	(6,963)	(9,512)
General and administrative expenses		(6,002)	(4,373)	(20,250)	(19,363)
(Provision) / reversal on inventory		-	-	(6,579)	2,080
Impairment on account receivable		-	-	(3,979)	-
Other (expenses) / income	7.2	(912)	128	3,771	794
Finance charges	11	(6,131)	(10,673)	(17,447)	(21,187)
<b>(LOSS) / INCOME BEFORE ZAKAT</b>		<b>(3,281)</b>	<b>9,987</b>	<b>(35,649)</b>	<b>28,620</b>
Zakat	9	(172)	(804)	(3,492)	(3,251)
<b>NET (LOSS) / INCOME FOR THE PERIOD</b>		<b>(3,453)</b>	<b>9,183</b>	<b>(39,141)</b>	<b>25,369</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
<i>Items that will not be reclassified subsequently to statement of profit or loss</i>					
Actuarial gain / (loss) on employees' post-employment benefits		-	-	-	-
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</b>		<b>(3,453)</b>	<b>9,183</b>	<b>(39,141)</b>	<b>25,369</b>
<b>Basic and diluted (loss) / earning per share</b>	12	<b>(0.086)</b>	<b>0.23</b>	<b>(0.98)</b>	<b>0.63</b>

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

		
Homoud Ali Alhamzah CFO	Ahmed Ali Al-Lohidan CEO	Haitham Tawfeeq Ibrahim Al-Foraih Authorized Board of Director Member

**ARABIAN PIPES COMPANY**  
(A Saudi Joint Stock Company)

**INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020**  
(All amounts are in Saudi Riyal "000" unless otherwise stated)

	Note	Share capital	Statutory reserve	General reserve	(Accumulated losses) / earnings	Actuarial loss on employee's post-employment	Total equity
<b>Balance as at 1 January 2019 (Audited)</b>		400,000	159,427	31,438	(91,852)	(94)	498,919
Net income for the period		-	-	-	25,369	-	25,369
Transfer of reserve to accumulated losses		-	(39,427)	(31,438)	70,865	-	-
<b>Balance as at 30 September 2019 - (Unaudited)</b>		<b>400,000</b>	<b>120,000</b>	<b>-</b>	<b>4,382</b>	<b>(94)</b>	<b>524,288</b>
<b>Balance as at 1 January 2020 (Audited)</b>		400,000	120,000	-	7,718	(1,322)	526,396
Impact of prior year adjustment	13	-	-	-	1,543	-	1,543
<b>Balance as at 1 January 2020 – restated</b>		<b>400,000</b>	<b>120,000</b>	<b>-</b>	<b>9,261</b>	<b>(1,322)</b>	<b>527,939</b>
Net loss for the period		-	-	-	(39,141)	-	(39,141)
<b>Balance as at 30 September 2020 (Unaudited)</b>		<b>400,000</b>	<b>120,000</b>	<b>-</b>	<b>(29,880)</b>	<b>(1,322)</b>	<b>488,798</b>

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.



**Homoud Ali Alhamzah**  
CFO



**Ahmed Ali Al-Lohidan**  
CEO



**Haitham Tawfeeq Ibrahim Al-Foraih**  
Authorized Board of Director Member

**ARABIAN PIPES COMPANY**  
**(A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020**  
**(All amounts are in Saudi Riyal "000" unless otherwise stated)**

	30 September 2020	30 September 2019
Note	(Unaudited)	(Unaudited)
<b><u>Cash flows from operating activities:</u></b>		
Net (loss) / income before zakat	(35,649)	28,620
<b><u>Adjustments for non-cash items</u></b>		
Depreciation of property, plant and equipment	20,956	18,680
Depreciation of right-of-use asset	1,439	1,420
Finance cost of lease liabilities	11 927	879
Finance charges on loans	11 16,520	20,308
Loan modification gain	7.2 (3,756)	-
Impairment on account receivable	3,979	-
Provision for Employees' post-employment benefits	2,331	1,733
Provision / (reversal) on inventory	6,579	(2,080)
	13,326	69,560
<b><u>Movement in working capital</u></b>		
Inventories	(96,135)	(69,018)
Trade receivables	(126,376)	24,240
Prepayments and other receivables	(2,179)	(979)
Due to related parties	(715)	88
Trade payables	6,372	(42,706)
Accrued and other payables	12,730	1,123
Employees' post-employment benefits paid	(164)	(75)
Zakat paid	9.2 (4,607)	(4,313)
<b>Net cash used in operating activities</b>	(197,748)	(22,080)
<b><u>Cash flows from investing activities:</u></b>		
Additions to property, plant and equipment	(7,591)	(10,614)
<b>Net cash used in investing activities</b>	(7,591)	(10,614)
<b><u>Cash flows from financing activities:</u></b>		
Overdraft	10,493	-
Lease liabilities paid	(53)	-
Net movement in short-term loan	200,606	159,105
Net movement in long-term loan	-	(4,000)
Financial charges paid	(14,843)	(21,186)
<b>Net cash generated from financing activities</b>	196,203	133,919
<b>Net change in cash and cash equivalents</b>	(9,136)	101,225
Cash and cash equivalent at the beginning of the period	19,968	13,499
<b>Cash and cash equivalents at end of the period</b>	10,832	114,724

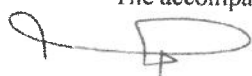
**\*Supplemental non-cash transactions:**

Addition to Right-of-use asset / lease liability

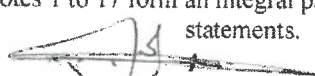
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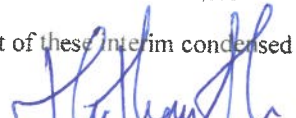
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**ARABIAN PIPES COMPANY**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020**  
**(All amounts are in Saudi Riyal “000” unless otherwise stated)**

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**1. GENERAL INFORMATION**

Arabian Pipes Company is a Saudi Joint Stock Company (“the Company”) was formed according to Ministry of Commerce Decree No. 922 dated 18 Thul-Qi’dah 1411H corresponding to 1 June 1991. The Company is registered in the Kingdom of Saudi Arabia (“KSA”) under Commercial Registration No. 1010085734 dated 14 Safar 1412H corresponding to 25 August 1991.

The main activities of the Company are the production of steel tubes longitudinally welded for pipelines and for the purposes of construction, trade, marketing, bending and forming a toothing pipe and pipe coating inside and outside and doing the business of buying and selling pipes and fittings and accessories and the implementation of the extension of pipelines.

The Company operates under industrial license for Riyadh plant No. 434 dated 12 Thul-Qi’dah 1405H and amended by industrial license No. 2196 dated 16 Rajab 1436H and industrial license for Jubail plant No. 1109 dated 12 Thul-Qi’dah 1419H and amended by industrial license No. 2195 dated 16 Rajab 1436H and industrial license for coating factory No. 479 dated 26 Safar 1436H.

The accompanying interim condensed financial statements include the accounts of the Company and its branches as follows:

<b>Factory name</b>	<b>CR number</b>	<b>Date</b>
*Riyadh factory	1010188732	27 Jumada I 1424
Jubail factory	2055007048	21 Rabi Thani 1426

\*The commercial registration is expired.

The Company’s registered office is located at the following address:

P.O Box 42734

Riyadh 11551

Kingdom of Saudi Arabia

Referring to the events related to the spread of the Corona Virus (COVID – 19) and its repercussions on the business sectors locally and internationally, the Company is committed to applying the recent directives of the relevant authorities. The Company is taking the necessary measures to ensure the health and safety of its employees and contribute to curbing the spread of the pandemic. The Company seeks to take advantage of the of the initiative and decisions taken by the Government of the Kingdom of Saudi Arabia in order to mitigate the negative effects of COVID-19 on private sector companies. Accordingly, during the period the Company was able to defer its repayments on a loan, and recognized a modification gain in line with International Financial Reporting Standard 9, amounting to SR 3.756 million (see Note 7.2).

The Company has been affected during the nine months period ended 30 September 2020, similar to other industrial companies. Due to the difficulty in determining the time period of this pandemic, the Company is currently unable to determine the financial impact of the crisis, however, management will continue to monitor the situation and any changes required will be reflected in future reporting periods.



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**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020**  
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**2. BASIS OF PREPARATION**

**2.1. Statement of Compliance**

These Interim Condensed Financial Statements have been prepared in accordance with International Accounting Standard IAS 34 ‘Interim Financial Reporting’ that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Certified Public Accountants (“SOCPA”) and should be read in conjunction with the Company’s last audited annual Financial Statements as at and for the year ended 31 December 2019. They do not include all of the information required for a complete set of Financial Statements, however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual Financial Statements.

The results for the nine-month period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

**2.2. Preparation of the Financial Statements**

These Interim Condensed Financial Statements have been prepared under the historical cost basis except the following material item(s) in the Interim Statement of Financial Position:

- The defined benefit obligation is recognized at the present value of future obligations using Projected Unit Credit Method.

**2.3. Use of judgment and estimates**

In preparing these Interim Condensed Financial Statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts as assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual Financial Statements.

However, as explained in Note 1 above, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual Financial Statements against the backdrop of the COVID-19 pandemic. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

**3. FUNCTIONAL AND PRESENTATION CURRENCY**

These Interim Condensed Financial Statements have been presented in Saudi Riyals, which is the functional and presentation currency of the Company. All figures have been rounded off to the nearest thousand, unless otherwise mentioned.

**ARABIAN PIPES COMPANY**  
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**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020**  
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**4. SIGNIFICANT ACCOUNTING POLICIES**

**4.1. New Standards, Amendment to Standard and Interpretations:**

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2020, but they do not have a material effect on the Company’s interim condensed financial statements except for the below.

In the current period, the Company has adopted a new interpretation issued by the International Financial Reporting Interpretation Committee (“IFRIC”) that is voluntary for adoption in the annual periods beginning on or after 1 January 2020.

The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and instead account for those rent concessions as if they are not lease modifications. The Company has applied practical expedient for a rent contract that meets the conditions. Rent concession amounting to SR 228,167 for the rent contract are recognized in the interim statement of comprehensive (loss) / income loss over the concession period.

**5. STATUTORY RESERVE**

In accordance with its By-laws and the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net profit for the year to a statutory reserve until such reserve equals 30% of its share capital. This Statutory Reserve is not available for distribution to shareholders. However, it may be used to increase capital after obtaining shareholder approval.

**6. LONG-TERM LOANS**

	<b>30 September 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
<b>Saudi Industrial Development Fund (SIDF)</b>	<b>77,745</b>	<b>77,026</b>
Current portion	(69,861)	(69,861)
Accrued charge	(719)	-
<b>Total current portion</b>	<b>(70,580)</b>	<b>(69,861)</b>
Non-current portion	7,165	7,165

**6.1.** The Company obtained loan from the SIDF amounting to SR 113.4 million for the construction of the Jubail Pipe Production Plant. The loan is secured by mortgaging the buildings, machinery, and equipment of the Company's factories.

On 9 March 2015, SIDF agreed to reschedule the remaining balance as of that date, amounting to SR 83 million in ten semi-annual instalments.

On 9 December 2019, the Company obtained additional loan amounting to SR 7.165 million for a period of 5 years. The loan agreement includes requirements regarding the Company’s commitment to certain financial ratios and conditions.

As of the period ended 30 September 2020, the management of the Company is negotiating the repayment of the current balance outstanding amounting to SR 69.861 million.

The Company has not made any payment since the start of 1 January 2020.

**ARABIAN PIPES COMPANY**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020**  
**(All amounts are in Saudi Riyal “000” unless otherwise stated)**

**7. SHORT-TERM LOANS**

	Note	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Short-term loans		588,470	387,864
Modification gain	7.2	(3,756)	-
Accrued finance cost		7,588	6,630
		592,302	394,494

**7.1. The Company has obtained loans from the following institutions:**

	Note	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Al Rajhi Bank		267,520	163,924
Riyad Bank	7.2	213,868	199,290
Alawwal Bank		110,914	31,280
		592,302	394,494

**7.2.** The Company has a short-term loan from Ministry of Finance amounting to SR 120 million, which is disbursed to the Company through Riyad Bank. The loan is obtained to meet the working capital requirements of the Company. The loan is repayable within the period of 360 days from the date of utilization.

During the period ended 30 June 2020, Ministry of Finance rescheduled the repayments of the loan by deferring and extending the tenure of the instalments by 12-months from due date of February 2020. The accounting impact of these changes in terms of the loans have been assessed and accounted for as per the requirements of IFRS 9 as a modification in terms of the arrangements. Modification gain amounting to SR 4.680 million was recognized in the interim statement of comprehensive (loss) / income under other income, for the said period.

During August 2020, the Company received further clarification on the modification from Ministry of Finance where due fees amounting to SR 1.050 million was deferred for a maximum 3 months, only. Accordingly, the modification gain was reduced by SR 924,262, in the interim statement of comprehensive (loss) / income for the period ended 30 September 2020.

**7.3.** The Company has obtained loans from local banks for the purpose of financing working capital needs. These bank facilities bear finance cost at market prevailing rates.

**7.4.** The facility agreements include covenants which, among other things, require the Company to maintain certain financial ratios. As of 30 September 2020, and 2019, the Company was not in compliance with certain covenants of the financing agreements.

**ARABIAN PIPES COMPANY**  
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**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020**  
**(All amounts are in Saudi Riyal “000” unless otherwise stated)**

**8. RELATED PARTY TRANSACTIONS AND BALANCES**

**8.1. Key management personnel**

Transactions with related parties comprise salaries, remuneration and allowances of directors and senior executives that were made during the period between the Company and the senior management. The principal transactions with related parties and their resulting balances are as follows:

**Compensation of key management personnel of the Company**

Name of related party	Nature of transaction	Nine-month period ended	
		30 September 2020 (Unaudited)	30 September 2019 (Unaudited)
Board and other committees' members	Reward and allowances	881	58
Senior executives	Salaries, allowances and bonuses	3,353	3,173

**8.2. Due to related parties**

Significant period-end balances arising from transactions with related parties are as follows:

Related party	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Key management personnel	831	1,546
	<u>831</u>	<u>1,546</u>

**9. ZAKAT PAYABLE**

**9.1. Zakat assessment**

The Company has submitted its Zakat return to General Authority of Zakat & Tax (“GAZT”) through the year ended 31 December 2019, and obtained certificate valid until 18 Ramadan 1442H, corresponding to 30 April 2021. During 2018, Zakat assessment has been raised by GAZT for the year 2015 assessing additional Zakat of SR 2.9 million against which the Company has filed an appeal and initially accepted by GAZT on 21 November 2018. Provision for the same is already held in the books of the Company.

**9.2. Zakat movement**

Movements' summary for the zakat is as follows:

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Balance at the beginning of the period / year	7,646	7,465
Provision for the period / year	3,492	4,494
Payments made during the period / year	(4,607)	(4,313)
Balance at the end of the period / year	<u>6,531</u>	<u>7,646</u>

**ARABIAN PIPES COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020**  
**(All amounts are in Saudi Riyal “000” unless otherwise stated)**

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**10. CONTINGENT LIABILITIES**

Contingent liabilities are letters of credit and guarantee outstanding as at 30 September 2020 amounting to SR 22.991 million (31 December 2019: SR 11.102 million).

**11. FINANCE CHARGES**

	<b>30 September 2020 (Unaudited)</b>	<b>30 September 2019 (Unaudited)</b>
Loans	16,520	20,308
Lease liabilities finance charge	927	879
	<u>17,447</u>	<u>21,187</u>

**12. (LOSS) / EARNING PER SHARE**

Basic and diluted (loss) / earning per share are calculated by dividing the (loss) / profit for the period attributable to shareholders by the weighted average number of common shares outstanding at the end of the period amounting to 40 million shares (30 September 2019: 40 million shares).

**13. PRIOR YEAR ADJUSTMENT**

The management of the Company has identified an error in the right-of-use-asset and lease liabilities, Accordingly, the comparative figures have been restated to correct the above mentioned error, as shown below:

<b>Restatement in the statement of financial position</b>	<b>Balance as previously reported December 31 2019</b>	<b>Effect of prior year adjustment</b>	<b>Balance restated December 31 2019</b>
Right-of-use asset	19,940	1,893	21,833
Lease liabilities	19,890	350	20,240
Retained earnings	7,718	1,543	9,261

**14. SEGMENT REPORTS**

**a) Operating segment**

The Company's products are manufactured in Saudi Arabia and have two segments, the steel pipe production segment, and steel pipe packaging segment. The pipe packaging segment has not achieved any of the quantitative limits referred to in IFRS 8 Operating Segments. Accordingly, the segmental operating information has not been disclosed in the accompanying interim condensed financial statements.

**b) Geographic segment**

During the period ended 30 September 2020, approximately 1.27% (30 September 2019: 0.47%) of the Company's sales were export sales to the Gulf and Middle East countries, with approximately 98.73% (30 September 2019: 99.53%) domestic sales. All of the Company's assets and liabilities are in Saudi Arabia.

**ARABIAN PIPES COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020**  
**(All amounts are in Saudi Riyal “000” unless otherwise stated)**

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**15. 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. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of the Company's financial instruments are reasonable approximation of fair value.

**Concentration risk**

Concentration risk is the risk of focusing the sales of the Company in a limited number of customers, which results in the case of the cessation of sales to those customers, who represent a substantial percentage of sales of the Company for any reason to cause significant losses to the Company, threatening its ability to continuity.

One of the Company's clients represents the most significant percentage of the Company's receivables and sales. Management is taking steps to continuously expand its customer base.

**16. NON-ADJUSTING EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE**

The Company does not have non-adjusting events after the interim statement of financial position date.

**17. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements were approved by the board of directors on 24 Rabi' al Awwal 1442H (corresponding to 10 November 2020).