GROUP FIVE PIPE SAUDI COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
WITH
INDEPENDENT AUDITOR'S REPORT

GROUP FIVE PIPE SAUDI COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021
(EXPRESSED IN SAUDI RIYALS)

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Kingdom of Saudi Arabia
Commercial Regisration No. 2051062328
Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
الطابق السادس عشر، برج البرغش
شارع الأمير تركي، تقاطع ١٤
ص.ب ٤٨٠٣
الخبر ٣١٩٥٢
المملكة العربية السعودية
سجل تجاري رقم ٢٠٥١٠٦٢٣٢٨
المركز الرئيسي الرياض

Independent auditor's report

To the Shareholders of Group Five Pipe Saudi Company (A Saudi Joint Stock Company)

Opinion

We have audited the financial statements of Group Five Pipe Saudi Company ("the Company"), which comprise the statement of financial position as at 31 December 2021, the income statement, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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 of the current year. 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.

Independent auditor's report

To the Shareholders of Group Five Pipe Saudi Company (A Saudi Joint Stock Company) (Continued)

Key audit matter (continued)

Revenue recognition

Refer Note 3 for the policy relating to revenue recognition and Note 19 for revenue disclosure.

The key audit matter	How the matter was addressed in our audit
During the year ended 31 December 2021, revenue from sale of goods amounting to SR 641 million was recognized. Revenue from sale of goods is recognized when a customer obtains control of the goods and this is done upon delivery and acceptance of the goods to the customer and issuance of a sales invoice in accordance with the requirements of IFRS 15, Revenue from contracts with customers. Revenue is one of the core indicators for measuring performance, and consequently, there are inherent risks associated with recognizing revenue with more than its actual value in order to increase profitability. Therefore, the revenue recognition process has been considered as a key audit matter.	The auditing procedures we performed in relation to revenue included, among other procedures, the following: • Assessed the appropriateness of the Company's revenue recognition accounting policies by considering the requirements of relevant accounting standards. • Tested relevant processes and controls established by management to ensure appropriate recognition of revenue. • Performed test of details on a sample of sale transactions and vouched to source documents. • Performed cut-off procedures to ensure that revenue is recognized when the control is transferred to the customer and in the correct accounting period. • Evaluated the adequacy of the financial statement disclosures related to revenue.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report 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 when it becomes available 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.

Independent auditor's report

To the Shareholders of Group Five Pipe Saudi Company (A Saudi Joint Stock Company) (Continued)

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Independent auditor's report

To the Shareholders of Group Five Pipe Saudi Company (A Saudi Joint Stock Company) (Continued)

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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.

KPMG Professional Services

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Lic No. 46
C.R. 2051062328
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ترخيص رقم ٤٦
س.ت : ٢٠٥١٠٦٢٣٢٨
KPMG Professional Services

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Abdulaziz Abdullah Alnaim
License No: 394

Al Khobar, 29 March 2022
Corresponding to: 26 Shaban 1443H

GROUP FIVE PIPE SAUDI COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINACIAL POSITION
AS AT 31 DECEMBER 2021
(EXPRESSED IN SAUDI RIYALS)

	Note	2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	5	**563,342,958**	575,542,013
Right-of-use assets	6	**9,565,756**	10,611,624
Total non-current assets		**572,908,714**	586,153,637
Current assets			
Inventories	7	**173,007,139**	311,107,618
Trade receivables	9	**360,770,122**	242,810,315
Due from related parties	18 (A)	**246,083,951**	249,557,640
Prepayments and other assets	8	**11,771,806**	40,433,985
Cash and cash equivalents	10	**62,979,423**	25,777,086
Total current assets		**854,612,441**	869,686,644
TOTAL ASSETS		**1,427,521,155**	1,455,840,281
EQUITY AND LIABILITIES			
Equity			
Share capital		**280,000,000**	280,000,000
Statutory reserve	11	**11,872,848**	8,361,351
Retained earnings		**42,600,606**	10,695,602
Total equity		**334,473,454**	299,056,953
Liabilities			
Non-current liabilities			
Term loans	13	**222,486,617**	292,908,632
Lease liabilities	27	**9,852,400**	10,615,145
Employee benefits	14	**19,187,613**	17,855,267
Total non-current liabilities		**251,526,630**	321,379,044
Current liabilities			
Trade and other payables	16	**64,776,519**	153,500,841
Accrued expenses and other liabilities	17	**49,969,515**	66,167,125
Term loans	13	**69,340,248**	61,492,563
Lease liabilities	27	**759,897**	759,897
Short term borrowings	12	**650,112,732**	549,743,196
Due to related parties	18 (B)	**4,414,790**	1,635,003
Zakat provision	25	**2,147,370**	2,105,659
Total current liabilities		**841,521,071**	835,404,284
Total liabilities		**1,093,047,701**	1,156,783,328
TOTAL EQUITY AND LIABILITIES		**1,427,521,155**	1,455,840,281

The financial statements presented on pages 1 to 38 were approved by the Board of Directors of the Company on and signed on its behalf by:

Shaikh Salah Al-Qahtani
Vice chairman

Mohammed Adnan Ali
Acting Chief Financial Officer

شركة مجموعة خمسة للأنابيب السعودية
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GROUP FIVE PIPE SAUDI

The accompanying notes (1) through (33) form an integral part of these financial statements.

GROUP FIVE PIPE SAUDI COMPANY
(A SAUDI JOINT STOCK COMPANY)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021
(EXPRESSED IN SAUDI RIYALS)

	Note	**2021**	2020
Revenue	19	**641,098,583**	916,163,340
Cost of revenue	20	**(579,789,603)**	(786,403,137)
Gross profit		**61,308,980**	129,760,203
Selling and distribution expenses	21	**(1,663,469)**	(1,581,863)
General and administrative expenses	22	**(8,432,217)**	(8,152,787)
Operating profit		**51,213,294**	120,025,553
Provision on receivables	26	**(5,140,000)**	-
Reversal of impairment on trade receivables	9	**8,060,044**	-
Other income	23	**15,701,178**	11,411,000
Financial charges	24	**(32,456,566)**	(45,651,007)
Profit before Zakat		**37,377,950**	85,785,546
Zakat expense for the year	25	**(2,262,976)**	(2,172,034)
Profit for the year		**35,114,974**	83,613,512
Earnings per share			
Basic and diluted earnings per share	32	**1.25**	2.99

The accompanying notes (1) through (33) form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021
(EXPRESSED IN SAUDI RIYALS)

	Note	**2021**	2020
Profit for the year		**35,114,974**	83,613,512
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain / (loss) on re-measurements of defined benefit plans	14	**301,527**	(1,030,216)
Total comprehensive income for year		**35,416,501**	82,583,296

The accompanying notes (1) through (33) form an integral part of these financial statements.

GROUP FIVE PIPE SAUDI COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021
(EXPRESSED IN SAUDI RIYALS)

	Share capital	Statutory reserve	Retained earnings	Total
Balance as at 1 January 2020	125,000,000	29,804,231	61,669,426	216,473,657
Total comprehensive income for the year				
Profit for the year	-	-	83,613,512	83,613,512
Other comprehensive loss for the year	-	-	(1,030,216)	(1,030,216)
Total comprehensive income for year 2020	-	-	82,583,296	82,583,296
Transfer to statutory reserve	-	8,361,351	(8,361,351)	-
Increase in share capital	155,000,000	(29,804,231)	(125,195,769)	-
Balance at 31 December 2020	280,000,000	8,361,351	10,695,602	299,056,953
Balance as at 1 January 2021	**280,000,000**	**8,361,351**	**10,695,602**	**299,056,953**
Total comprehensive income for the year				
Profit for the year	-	-	**35,114,974**	**35,114,974**
Other comprehensive income for the year	-	-	**301,527**	**301,527**
Total comprehensive income for year 2021	-	-	**35,416,501**	**35,416,501**
Transfer to statuary reserve	-	**3,511,497**	**(3,511,497)**	-
Balance at 31 December 2021	**280,000,000**	**11,872,848**	**42,600,606**	**334,473,454**

The accompanying notes (1) through (33) form an integral part of these financial statements.

GROUP FIVE PIPE SAUDI COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(EXPRESSED IN SAUDI RIYALS)

	Note	**2021**	2020
Cash flows from operating activities			
Profit for the year		**35,114,974**	83,613,512
Adjustments for:			
Depreciation on property, plant and equipment	5	**20,394,269**	13,376,404
Depreciation on right-of-use assets	6	**1,045,867**	1,096,193
Employee's benefit charge for the year	14	**2,996,516**	3,065,054
Interest and commission		**30,414,743**	44,992,288
Financial charges on lease liability		**627,886**	658,719
Finished goods write-down to net realizable value		**1,856,179**	-
Write-off during the year		**(1,994,700)**	-
Impairment loss on trade receivables		**640,000**	-
Impairment loss on related parties receivable		**4,500,000**	
Reversal of impairment on receivables		**(8,060,044)**	-
Zakat charge	25	**2,262,976**	2,172,034
		85,298,666	148,974,204
Movement in working capital:			
Inventories		**136,244,300**	(26,983,576)
Prepayments and other assets		**28,662,179**	(9,571,124)
Due from related parties		**(1,026,311)**	(16,739,356)
Trade receivables		**(108,545,063)**	(41,468,962)
Trade and other payables		**(88,724,322)**	123,062,279
Due to related parties		**2,779,787**	(3,268,727)
Accrued expenses and other liabilities		**(15,616,044)**	(21,254,679)
Cash generated from operations		**43,573,192**	152,750,059
Interest and commission paid		**(31,987,442)**	(42,516,956)
Employee benefits paid		**(1,362,643)**	(1,207,760)
Zakat paid	25	**(2,221,265)**	(1,184,946)
Net cash generated from operating activities		**8,001,842**	107,840,397
Cash flows from investing activity			
Purchase of property, plant and equipment	5	**(8,195,214)**	(51,957,250)
Net cash used in investing activity		**(8,195,214)**	(51,957,250)
Cash flows from financing activities			
Long term loan disbursed during the year		**474,534,702**	15,642,563
Long term loan repaid during the year		**(536,117,899)**	(5,367,422)
Short term borrowing disbursed during the year		**1,334,948,390**	990,534,488
Short term borrowing repaid during the year		**(1,231,772,292)**	(1,030,940,355)
Payment of lease liabilities		**(1,390,631)**	(820,539)
Net cash from / (used in) financing activities		**40,202,270**	(30,951,265)
Net increase in cash and cash equivalents		**40,008,898**	24,931,882
Cash and cash equivalents at the beginning of the year	10	**21,383,666**	(3,548,216)
Cash and cash equivalents at the end of the year	10	**61,392,564**	21,383,666
Non-cash transactions:			
SIDF transaction cost amortization		**991,133**	1,982,268
Borrowing cost capitalized during the year	5	-	4,251,482
Conversion of short-term loan to long term loan		-	63,147,500
Capital work in progress transferred		-	408,961,120
Increase of share capital through transfer from retained earnings		-	155,000,000

The accompanying notes (1) through (33) form an integral part of these financial statements.

1. GENERAL INFORMATION

Group Five Pipe Saudi Company ("the Company") is a Saudi closed joint stock company initially registered on 16 Dhul-Hijjah 1421H (corresponding to March 11, 2001) under commercial registration number 2050037927 as a Limited Liability Company with share capital of SR 30 million. The Company is listed on Nomu Parallel Market after meeting the requirements of Capital Market Authority ("CMA") and Saudi Tadawul Group. The Company received approval for listing from Saudi Tadawul Group on 26 May 2021 and final approval from CMA on 29 September 2021. The authorized, issued and paid-up share capital of the Company as at 31 December 2021 and 31 December 2020 comprised of 28,000,000 shares of SR 10 per share.

During the year 2007, the Company increased its share capital from SR 30 million to SR 90 million for which legal formalities were completed in year 2008. During 2015, on 12 Rabi Al-Akhar 1436H (corresponding to 1 February 2015), the Company increased its share capital from SR 90 million to SR 125 million and also obtained the new commercial registration number 2050104647 **-** to be the main commercial registration of the Company and commercial registration number 2050037927 for its factory – branch of the Company. During 2020, the Company amended its per share value to SR 10 and issued new shares amounting to SR 155,000,000 and increased its share capital from SR 125 million to SR 280 million on 22 Rabi Al-Akhar 1442H (corresponding to 07 December 2020).

The shareholders of the Company have passed a resolution on 19 January 2021 to convert legal status of the Company from a limited liability company to a closed joint stock company. The Ministry of commerce issued a letter dated 19 Jumada Al-Akhira 1442H (corresponding to 1 February 2021) providing approval for conversion of legal status of the Company to a closed joint stock company and the change is reflected on Company's commercial registration number 2050104647 and 2050037927. The Company has submitted listing applications to Capital Market Authority ("CMA") and Saudi Tadawul Group in March 2021 and became listed on 29 November 2021.

The principal activity of the Company is the production of spirally welded pipes.

The Company's principal place of business is in the second industrial city, Dammam, Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared using the accrual basis of accounting and the going concern assumption under the historical cost convention except for employee benefits which are recognized at the present value of future obligations using Projected Credit Unit.

2.3 Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals ("SR") which is the Company's functional currency and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment
Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any, except capital work-in-progress which are stated at cost less impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items including borrowing costs. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Where major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is charged to the income statement using the straight-line method whereby the cost of an operating asset less its estimated residual value is written off over its estimated useful life. Depreciation on addition is charged from the month in which the asset is available for use and on disposals up to the month of disposal. Depreciation method, useful lives and residual values are reviewed annually.

The following useful lives are used in the calculation of depreciation:

	Years
Plant and machinery	15 - 30
Buildings	4 - 30
Vehicles	4
Furniture, fixtures and office equipment	4 - 10

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

Leases

The Company as lessee
The Company assesses whether contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).

- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the statement of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Company as lessee (continued)

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'General and administrative expenses' in the income statement.

Employee benefits

The employees' defined benefit liability is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Re-measurement, comprising actuarial gains and losses, is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Re-measurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to income statement in subsequent periods. Past service cost is recognized in income statement when the plan's amendment or curtailment occurs, or when the Company recognizes related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of employees defined benefit liabilities are recognized when the settlement occurs.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- re-measurement.

Curtailment gains and losses are accounted for as past service costs.

Short-term employee benefits
A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave, air tickets and sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service. The liability is recorded at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Retirement benefits
Retirement benefits made to funded defined contribution plans in respect of its Saudi employees, are expensed when incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Zakat and taxes

Zakat

The Company is subject to the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. The zakat charge is computed on zakat base or adjusted net income whichever is higher. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

Withholding tax

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia, including dividend payments to the non-resident shareholder, as required under Saudi Arabian Income Tax Law.

Value added tax

Expenses and assets are recognized net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

- When receivables and payables are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Inventories

Inventories are stated at lower of cost and net realizable value. Cost comprises direct materials (where applicable), direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Cash and cash equivalents

Cash and cash equivalents include bank balances, short-term deposits, demand deposits and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents are subject to the impairment requirements of IFRS 9.

Financial instruments

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through income statement) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through income statement are recognized immediately in income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets
All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

a) Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortized cost and effective interest method:
The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset

Currently, the Company carries cash and cash equivalents, trade and other receivables, due from related parties and advances to employees at amortized cost.

b) Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Currently, the Company do not possess any debt instrument classified as FVTOCI.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

c) Equity instruments designated as at FVTOCI:
On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Currently, the Company do not possess any equity instruments designated as FVTOCI.

d) By default, all other financial assets are measured subsequently at fair value through income statement (FVTPL).

Currently, the Company do not possess any financial assets classified as FVTPL.

Impairment of financial assets
The Company recognizes a loss allowance for expected credit losses on trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime ECL for trade and other receivables using simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

(i) Definition of default:
The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 120 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(ii) Credit-impaired financial assets:
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iii) Write-off policy:
The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in income statement.

(iv) Measurement and recognition of expected credit losses:
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The Company recognizes an impairment gain or loss in income statement for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets
The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateral borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities
All financial liabilities are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of financial liabilities
The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in income statement.

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

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs under the contract.

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions (continued)
When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Revenue recognition
IFRS 15 "Revenue from Contracts with Customers", based five-step model to be applied to all contracts with customers. It requires a contract as well as the various performance obligations contained in the contract to be identified. The number of performance obligations depends on the types of contracts and activities.

The first step in the revenue recognition process involves identifying the relevant contracts and the performance obligations that they contain. The number of performance obligations included in a contract will depend on the type of contract

Under IFRS 15, recognition of revenue from contracts with customers must reflect:
• the rate at which performance obligations are fulfilled, corresponding to the transfer to a customer of control of a good or service;
• the amount to which the Company expects to be entitled as consideration for its activities.

Revenue is measured at an amount that reflects the considerations, to which an entity expects to be entitled in exchange for transferring goods or services to customer, excluding amounts collected on behalf of third parties. Revenue is adjusted for expected discounts, volume discounts, returns, and rebates which are estimated based on the historical data or forecast and projections. 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, 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).

Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods.

Expenses
All expenses are recognized on an accrual basis. Production costs and direct manufacturing expenses are classified as cost of revenue. This includes raw material, direct labour and other directly attributable overhead costs.

Selling and distribution expenses principally comprise of costs incurred in the distribution and marketing of the Company's products and services. All expenses, excluding cost of revenue and finance costs, are classified as administrative expenses due to the Company's nature of business on a consistent basis.

General and administrative expenses include direct and indirect costs not specifically part of cost of revenue as required under generally accepted accounting principles. Allocations between general and administrative expenses, selling and distribution expenses and cost of revenue, when required, are made on a consistent basis.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. The other borrowing costs are recognized in the income statement in the period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies
In preparing the financial statements of entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date and exchange differences are recognized in income statement in the period in which they arise. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Impairment of non-financial assets
At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate (pre-Zakat) that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in income statement.

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 sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or 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.

A liability is current when:
- It is expected to be settled in the 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 the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, they are recorded in the statement of financial position under trade payable and accruals. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Statutory reserve

In accordance with Regulations for Companies in Saudi Arabia, the Company is required to establish a statutory reserve by appropriation of 10% of the profit, until the reserve equals 30% of the share capital. The reserve is not available for Dividend distribution.

New and revised standards with no material effect on the financial statements

The following revised IFRSs have been adopted. The application of these revised IFRSs did not have any material impact on the amounts reported for current and prior periods.

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16), effective for annual periods beginning on or after 1 April 2021.
- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), effective for annual periods beginning on or after 1 January 2021.

New and revised standards issued but not yet effective

The Company has not early adopted the following new and revised standards that have been issued but are not yet effective:

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37), effective for annual periods beginning on or after 1 January 2022.
- Annual Improvements to IFRS Standards 2018-2020, effective for annual periods beginning on or after 1 January 2022.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16), effective for annual periods beginning on or after 1 January 2022.
- Reference to the Conceptual Framework (Amendments to IFRS 3), effective for annual periods beginning on or after 1 January 2022.
- IFRS 17 Insurance Contracts - Classification of liabilities as current or non-current (Amendments to IAS 1), effective for annual periods beginning on or after 1 January 2023.
- Amendments to IFRS 17 - Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), effective for annual periods beginning on or after 1 January 2023.
- Definition of Accounting Estimate (Amendments to IAS 8), effective for annual periods beginning on or after 1 January 2023.
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction Amendments to IAS 12 Income Taxes, effective for annual periods beginning on or after 1 January 2023.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) with effective annual period yet to be determined.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTANITY

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

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

Critical judgements in applying accounting policies
In the process of applying the entity's accounting policies, which are described in note 3, management did not make any critical judgments that may have a significant effect on the amounts recognized in the financial statements.

Key sources of estimation uncertainty
The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Property, plant and equipment
The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

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

Zakat and income tax
The Company is subject to Zakat and income tax in accordance with Zakat, Tax and Customs Authority (ZATCA) regulations. Zakat and income taxes are provided on an accrual basis. Zakat and income tax computation involves relevant knowledge and judgment of the Zakat and income tax rules and regulations to assess the impact of Zakat and income tax liability at a particular period end. This liability is considered an estimate until the final assessment by ZATCA is carried out until which the Company retains exposure to additional Zakat and income tax liability.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTANITY

Key sources of estimation uncertainty (continued)

Allowance for slow moving and obsolete inventories
Inventories are stated at the lower of cost and net realizable value. Adjustments to reduce the cost of inventories to net realizable value, if required, are made at the product level for estimated excess, obsolescence or damages. Factors influencing these adjustments include change in demand, product pricing, physical deterioration and quality issues.

Calculation of loss allowance
When measuring ECL the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Long-term assumptions for employees' benefits
Employee benefits and benefit payments represent obligations that will be settled in the future and require assumptions to project obligations and fair values of plan assets, if any. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase and return on assets, mortality rates, employment turnover and future healthcare costs. Periodically, management of the Company consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

Discounting of lease payments
The lease payments are discounted using the Company’s incremental borrowing rate (“IBR”). Management has applied judgments and estimates to determine the IBR at the commencement of lease.

(EXPRESSED IN SAUDI RIYALS)

5. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Buildings	Vehicles	Furniture, fixtures and office equipment	Capital work in progress	Total
Cost						
Balance as at 1 January 2020	290,361,998	43,130,069	999,578	4,997,465	363,945,298	703,434,408
Additions	7,513,879	-	70,500	265,321	48,359,032	56,208,732
Transfer	320,428,315	88,220,465	-	312,340	(408,961,120)	-
Balance as at 31 December 2020	618,304,192	131,350,534	1,070,078	5,575,126	3,343,210	759,643,140
Additions	**1,072,202**	**3,369,688**	**-**	**149,535**	**3,603,789**	**8,195,214**
Balance as at 31 December 2021	**619,376,394**	**134,720,222**	**1,070,078**	**5,724,661**	**6,946,999**	**767,838,354**
Accumulated depreciation						
Balance as at 1 January 2020	148,827,207	16,703,399	681,835	4,512,282	-	170,724,723
Depreciation charge for the year	10,423,713	2,703,909	85,012	163,770	-	13,376,404
Balance as at 31 December 2020	159,250,920	19,407,308	766,847	4,676,052	-	184,101,127
Depreciation charge for the year	**15,527,834**	**4,594,834**	**99,700**	**171,901**	**-**	**20,394,269**
Balance as at 31 December 2021	**174,778,754**	**24,002,142**	**866,547**	**4,847,953**	**-**	**204,495,396**
Net book value as at 31 December 2021	**444,597,640**	**110,718,080**	**203,531**	**876,708**	**6,946,999**	**563,342,958**
31 December 2020	459,053,272	111,943,226	303,231	899,074	3,343,210	575,542,013

(EXPRESSED IN SAUDI RIYALS)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Allocation of depreciation charge is as follows:

	2021	2020
Cost of revenue (note 20)	**20,217,685**	13,191,055
General and administrative expenses (note 22)	**168,810**	174,614
Selling and distribution expenses (note 21)	**7,774**	10,735
	20,394,269	13,376,404

Cost of fully depreciated assets as at 31 December 2021 amounted to SR 39.09 million (2020: SR 39.09 million).

The buildings are constructed on plots of land leased from the Saudi Authority for Industrial Cities and Technology Zones ("MODON") for a period of 25 years which commenced from 14 Rajab 1421H (corresponding to 11 October 2000). The lease is renewable upon the expiry of the initial lease term.

As at 31 December 2021, capital work in progress (CWIP) mainly comprises the advance given for civil and construction work ancillary to manufacturing facility of the Company. These works expected to be finalized in 2022. During 2020, capital work in progress capitalized represented the costs incurred by the Company for the construction of production facility to manufacture spirally wielded pipes. The cost includes plant and machinery cost, construction costs, and other costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. Directly attributable cost mainly includes employees cost, site preparation, installation cost and financing cost. During June 2020, the plant was ready for its intended use, hence the plant and related other assets amounting to SR 408.96 million were transferred from capital work in progress to respective asset categories as shown above and started depreciating from 1 July 2020.

During the year ended 31 December 2021, the Company capitalized finance costs of SR nil (31 December 2020: SR 4.25 million).

6. RIGHT-OF-USE ASSETS

The Company acquired the plot of land on lease from Saudi Authority for Industrial Cities and Technology Zones ("MODON"), with lease term of 25 years (2020: 25 years) and a number of vehicles from a related party, Riyal Investment and Development Company, for average lease term of 3 years (2020: 3 years).

	2021	2020
Cost as at 31 December	**12,714,495**	12,714,495
Accumulated Depreciation:		
1 January	**2,102,872**	1,006,679
Depreciation charge for the year	**1,045,867**	1,096,193
31 December	**3,148,739**	2,102,872
Carrying amount as at 31 December	**9,565,756**	10,611,624

(EXPRESSED IN SAUDI RIYALS)

7. INVENTORIES

	2021	2020
Finished goods	**131,008,492**	249,242,468
Raw materials	**36,581,910**	50,501,887
Spare and consumables	**10,253,316**	9,173,731
Goods in transit	**-**	5,169,932
	177,843,718	314,088,018
Less: Allowance for slow-moving and obsolete inventory	**(2,980,400)**	(2,980,400)
Less: Finished goods written-down to net realizable value	**(1,856,179)**	-
	173,007,139	311,107,618

8. PREPAYMENTS AND OTHER ASSETS

	2021	2020
Advance to suppliers	**8,176,197**	25,028,168
Prepaid expenses	**1,326,483**	2,482,817
Employees receivables	**633,664**	569,190
Other receivables	**1,635,462**	12,353,810
	11,771,806	40,433,985

9. TRADE RECEIVABLES

	2021	2020
Trade receivables	**365,683,302**	257,138,239
Less: allowance for doubtful debts	**(4,913,180)**	(14,327,924)
	360,770,122	242,810,315

Movement in allowance for doubtful debts is as follows:

	2021	2020
Balance at beginning of the year	**14,327,924**	14,327,924
Impairment loss during the year	**640,000**	-
Write-off during the year	**(1,994,700)**	-
Reversal during the year	**(8,060,044)**	-
Balance at end of the year	**4,913,180**	14,327,924

The average credit period on sales of goods is from 60 to 120 days (2020: 60 to 120 days). No interest is charged on trade receivables.

The Company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (“ECL”) using simplified approach. The accounting policies relating to impairment of trade receivables are disclosed in note 3.

(EXPRESSED IN SAUDI RIYALS)

9. TRADE RECEIVABLES (CONTINUED)

The aging analysis of these trade receivable are as follows:

	2021			
Ageing	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**	**Credit impaired**
0-90 days	**0.03%**	**350,223,609**	**101,531**	**Yes**
91-180 days	**3.03%**	**10,981,357**	**333,313**	**Yes**
More than 1 year	**100.00%**	**4,478,336**	**4,478,336**	**Yes**
		365,683,302	**4,913,180**	

	2020			
Ageing	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
0-90 days	0%	242,773,150	-	No
271- 360 days	0%	37,165	-	No
More than 1 year	100%	14,327,924	14,327,924	Yes
		257,138,239	14,327,924	

See note 29 on credit risk of trade receivables, which discusses how the Company manages and measures credit quality of trade receivables that are neither past due nor impaired.

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, cash in banks and bank overdraft. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2021	2020
Cash in hand	**244,897**	82,260
Cash at banks	**62,734,526**	25,694,826
	62,979,423	25,777,086
Bank overdraft (note 12)	**(1,586,859)**	(4,393,420)
	61,392,564	21,383,666

Cash and cash equivalents are subject to the impairment requirements of IFRS 9, and the identified impairment loss was immaterial.

(EXPRESSED IN SAUDI RIYALS)

11. STATUTORY RESERVE

In accordance with Company's Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of its profit each year to a statutory reserve until such reserve equals 30% of its share capital. This reserve is not available for distributions to the shareholders. However, the statutory reserve can be used in mitigating the Company's losses or for increasing its capital, where elected by the shareholders.

12. SHORT TERM BORROWINGS

The short-term borrowings from the commercial banks are as follows:

	2021	2020
Short term loans	**648,525,874**	545,349,776
Bank overdraft (Note 10)	**1,586,859**	4,393,420
	650,112,733	549,743,196

The Company has obtained short term bank facilities including overdraft facilities for working capital management from local banks at an interest rate prevailing in the market. These facilities are secured by assignment of contract proceeds in bank's favor and guarantees from the shareholders.

The Company obtained bank facilities ("the Facilities") from local banks in the form of short-term loans, overdraft, letters of credits and guarantees etc. The Facilities carried finance charges at the prevailing market rates and were secured against assignment of proceed from customers in bank favor and guarantees provided by certain shareholders.

13. LONG TERM LOANS

	2021	2020
Long term loans from commercial banks and SIDF	**292,817,998**	356,383,463
Less: SIDF loan evaluation fees	**(991,133)**	(1,982,268)
	291,826,865	354,401,195
Classified as:		
Current portion classified as current liabilities	**69,340,248**	61,492,563
Non-current portion classified as non-current liabilities	**222,486,617**	292,908,632
	291,826,865	354,401,195

The loans from the commercial banks and Saudi Industrial Development Fund (SIDF) loan are as follows:

	2021	2020
Loan 1	**121,815,362**	154,935,963
Loan 2	**128,008,867**	136,317,732
Loan 3	**42,002,636**	63,147,500
	291,826,865	354,401,195

(EXPRESSED IN SAUDI RIYALS)

13. LONG TERM LOANS (CONTINUED)

Loan 1

In 2016, the Company obtained a long-term loan from a local bank amounting to SR 176.03 million. During 2016, the Company has withdrawn SR 176.03 million. During 2017, repaid SR 7.71 million. During 2021, the Company has not drawn any amount and repaid SR 33.07 million. The loan is repayable in 14 equal semi-annual instalments commencing October 2020. During 2020, the Company has withdrawn an additional facility of SR 11.17 million and repaid SR 4.47 million. The loan is secured by joint and several personal guarantee of Sheikh Tariq Al-Qahtani and Sheikh Salah Al-Qahtani. Interest on this loan is charged at floating rates based on the 12 months SIBOR plus margin. The loan requires maintenance of certain conditions including financial ratios. As at 31 December 2021 and 31 December 2020, the Company is not in compliance with certain covenants. The management is in process of taking necessary remedial actions. However, as the loan agreement does not require early settlement of loan as a result of this non-compliance, long-term balance of SR 121.87 million continues to be classified as non-current.

Loan 2

The Company obtained a long-term borrowing facility from SIDF to finance the expansion of the manufacturing facilities amounting to SR 152.3 million including upfront fees of SR 11.6 million. During 2016, the Company received SR 56.38 million, net of SR 10.32 million upfront fee. During 2017, the Company received SR 9.64 million, net of SR 1.47 million upfront fee. During 2018, the Company repaid SR 4 million. During 2019, the Company has received SR 71.68 million and repaid SR 10 million. During 2020, the Company has received SR 4.46 million. On 7 June 2020, SIDF has approved restructuring of loan maturities as requested by the Company. The loan is repayable in 9 semi-annual instalments commencing March 2021. During 2021, the Company has repaid SR 9.3 million. The loan is secured by mortgage on the Company's fixed assets and personal and corporate guarantees of certain shareholders. The loan requires maintenance of certain conditions including financial ratios. As at 31 December 2021 and 31 December 2020, the Company is not in compliance with certain covenants. The management is in process of taking necessary remedial actions. However as per the agreement with the SIDF, it does not require an early settlement of loan as result of this non-compliance, accordingly long-term balance of SIDF loan continues to be classified as per the original repayment term.

Movement in the SIDF loan is represented as follows:

	2021	2020
Opening balance	**138,300,000**	133,835,000
Loan obtained during the year	**-**	4,465,000
Repayment made during the year	**(9,300,000)**	-
	129,000,000	138,300,000
Less: SIDF loan evaluation fees	**(991,133)**	(1,982,268)
Closing balance	**128,008,867**	136,317,732

(EXPRESSED IN SAUDI RIYALS)

13. LONG TERM LOANS (CONTINUED)

The movement in loan appraisal fee is as follows:

	2021	2020
Opening balance	**1,982,266**	3,964,534
Amortization during the year	**(991,133)**	(1,982,268)
Closing balance	**991,133**	1,982,266

Loan 3

During 2020, the refinance loan and short-term loans from Alawwal Bank have been converted to long-term loan amounting to SR 63.96 million. During the year, the Company has withdrawn additional amount of SR 474.53 million and repaid an amount of SR 495.68 million. The loan is repayable on a monthly installment starting from January 2021 up to December 2025. The loan is secured by joint and several personal guarantee of some of the shareholders. Interest on this loan is charged at floating rates based on the 12 months SIBOR plus margin.

The aggregate maturities of long-term loans are as follows:

	2021	2020
2021	**-**	61,492,563
2022	**69,340,248**	58,325,709
2023	**55,157,855**	67,725,709
2024	**61,157,855**	76,125,709
2025	**54,178,348**	57,657,101
Thereafter	**52,983,692**	35,056,672
	292,817,998	356,383,463

14. EMPLOYEE BENEFITS

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its employee benefits at 31 December 2021 and 31 December 2020 in respect of employees' defined benefit liabilities under relevant local regulations and contractual arrangements.

The principal actuarial assumptions used at the reporting date were as follows:

	2021	2020
Discount rate	**1.70%**	2.20%
Expected rate of salary increase	**2.50%**	2.50%
Mortality rates	**A1949-52**	A1949-52
Rates of employee turnover	**15% per annum**	15% per annum

Amounts recognized in income statement is as follows:

	2021	2020
Current service cost	**2,618,689**	2,562,318
Interest cost	**377,827**	502,736
	2,996,516	3,065,054

Amounts recognized in other comprehensive income is as follows:

	2021	2020
Actuarial (gains) / losses from changes in financial assumptions	**(254,738)**	1,210,263
Experience adjustments	**(46,789)**	(180,047)
	(301,527)	1,030,216

(EXPRESSED IN SAUDI RIYALS)

14. EMPLOYEE BENEFITS (CONTINUED)

Movement in the employee benefits is as follows:

	2021	2020
Balance at the beginning of the year	**17,855,267**	14,967,757
Current year charge	**2,996,516**	3,065,054
Payments during the year	**(1,362,643)**	(1,207,760)
Re-measurement loss on defined benefit plan	**(301,527)**	1,030,216
Balance at the end of the year	**19,187,613**	17,855,267

Sensitivity analysis

The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

	2021	2020
Increase		
Discount rate (+100 bps)	**18,193,398**	16,909,604
Salary (+100 bps)	**20,282,537**	18,896,958
Decrease		
Discount rate (-100 bps)	**20,294,503**	18,910,973
Salary (-100 bps)	**18,184,666**	16,903,427

In presenting the above sensitivity analysis, the above present value of the employees' defined benefit liabilities has been calculated using the projected unit credit method at the end of the reporting period.

The Employee benefits plan exposes the Company to the following risks:

Mortality risk

The risk that the actual mortality rate is different. The effect depends on the beneficiaries' service / age distribution and the benefit.

Final salary risk

The risk that the final salary at the time of cessation of service is greater than what is assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Discount risk

A decrease in the discount rate will increase the plan liability.

Withdrawal risk

Benefits are paid when an employee leaves employment either through resignation or retirement. The rate of withdrawal therefore affects the timing of the payment.

(EXPRESSED IN SAUDI RIYALS)

15. EMPLOYEES' BENEFITS (CONTINUED)

Undiscounted expected total benefit payments as follows:

	2021	2020
2021	**-**	2,879,776
2022	**3,082,625**	2,652,919
2023	**2,790,871**	2,567,885
2024	**2,775,377**	2,562,704
2025	**2,681,116**	2,487,605
2026 and onwards	**29,969,635**	28,632,588

The weighted average duration of the employees' defined benefits liability for the year 2021 is 5 years (2020: 6 years).

The Company makes contributions for a defined contribution retirement benefit plan to the General Organization for Social Insurance in respect of its Saudi employees. The total amount expensed during the year ended 31 December 2021 in respect of this plan was SR 2,398,539 (31 December 2020: SR 1,764,664).

16. TRADE AND OTHER PAYABLES

	2021	2020
Trade payables	**64,776,519**	27,268,783
Letter of credit payable	**-**	126,232,058
	64,776,519	153,500,841

17. ACCRUED EXPENSES AND OTHER LIABILITIES

	2021	2020
Contract liabilities	**19,950,299**	33,601,608
Accrued financial charges	**12,484,315**	13,065,881
Accruals for goods received	**4,607,295**	10,658,738
Accrued employees' related cost	**4,226,906**	4,556,794
Value added tax payable	**7,786,265**	4,123,872
Board remuneration-transactions with related parties	**749,205**	-
Others	**165,230**	160,232
	49,969,515	66,167,125

Contract liabilities represents advance from customers amounting to SR 13,651,309 recognized at the beginning of the period has been recognized as revenue for the year ended 31 December 2021 (31 December 2020: SR 37,068,130).

(EXPRESSED IN SAUDI RIYALS)

18. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include shareholders, parent company, other related parties, directors, and key management personnel of the Company. The terms and conditions of such transactions are approved by the management. Below is the list of company's related parties:

Name	**Relationship**
Al-Qahtani Pipe Coating Industries	Shareholder
Salah Abdullah AbdulHadi Al-Qahtani	Shareholder
Tariq Abdullah AbdulHadi Al-Qahtani	Shareholder
Abdul Hadi Abdullah Al-Qahtani and Sons	Other related party
Eradat Transportation Company	Other related party
Al Hijaz Carton factory Company	Other related party
Al Qahtani Nails & Galvanized Wire Factory	Other related party
Al Hijaz Water Company	Other related party
International Commercial Enterprises Co.	Other related party
Abdel Hadi Al-Qahtani Travel Bureau	Other related party
Arabian Valves Manufacturing Company	Other related party
Al Qahtani Vehicle and Machinery	Other related party
Saudi Gulf Airline Company	Other related party
AHQ Suisse S.A	Other related party
Pipelines Flow Chemicals Company	Other related party
Saudi Arabian Overseas Services	Other related party
International Ceiling Systems	Other related party
Gusinger Beverages and Mineral Water	Other related party
Al Jazeera Water Company	Other related party
Al Qahtani PCK Pipe Company	Other related party
Al Qahtani PCK Steel Pipe	Other related party
Izar for Insurance Brokerage Company	Other related party
Pipe and well Services Company	Other related party
Arabian Commercial Services Company	Other related party
Riyal Investment and Development Company	Other related party
APV Middle East Limited	Other related party

The significant transactions and the related approximate amounts with related parties, not disclosed else were are as follows:

	2021	2020
Affiliates		
Interest income (note 23)	**15,091,105**	11,167,995
Revenue	**310,834**	399,326
Advance received from affiliate	**2,650,000**	-
Insurances services	**1,310,670**	1,999,337
Consultancy services	-	1,577,100
Hire heavy/transportation vehicles	**438,932**	7,495,538
Lease rental related to vehicles	**497,776**	430,967
Purchase of tickets	**856,408**	280,920
Purchase of food items	**-**	18,206
Purchase of pipes and spares	**648,957**	741,552
Others		
Purchase and services	**57,851**	44,157
Other admin expenses	**109,872**	191,459

(EXPRESSED IN SAUDI RIYALS)

18. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

The significant transactions and the related approximate amounts with related parties, not disclosed else were are as follows (continued):

Shareholders

	2021	2020
Payments made on behalf of the shareholders to settle due balance to them	**-**	5,000,000

A) Due from related parties comprised of the following:

	2021	2020
Abdul Hadi Abdullah Al-Qahtani and Sons	**205,048,645**	205,517,056
Al Hijaz Carton Factory Company	**26,313,907**	24,804,940
Al Qahtani Nails & Galvanized Wire Factory	**13,577,848**	12,799,228
Al Hijaz Water Company	**4,222,205**	3,980,083
Al-Qahtani Pipe Coating Industries	**506,344**	850,601
International Commercial Enterprises Co.	**391,305**	394,990
Eradat Transportation Company	**180,988**	180,988
Arabian Valves Manufacturing Company	**151,573**	145,891
Al Qahtani Vehicle and Machinery	**109,681**	278,303
AHQ Drag Reduction Additives (DRA)	**78,429**	-
Saudi Arabian Overseas Services	**3,026**	64,907
Saudi Gulf Airline Company	**-**	107,143
AHQ Suisse S.A.	**-**	70,575
Pipelines Flow Chemicals Company	**-**	75,451
International Ceiling Systems	**-**	30,585
Gusinger Beverages and Mineral Water	**-**	19,104
Al Jazeera Water Company	**-**	3,050
APV Middle East Limited	**-**	234,745
	250,583,951	249,557,640
Less: Provision on receivables from related parties	**(4,500,000)**	-
	246,083,951	249,557,640

The Company is entitled to 6% annual interest on the outstanding balances from Abdul Hadi Abdullah Al-Qahtani and Sons, Eradat Transportation Company, Al Hijaz Carton factory Company, Al Qahtani Nails & Galvanized Wire Factory and Al Hijaz Water Company. During 2020, the Company entered into an agreement with Abdul Hadi Abdullah Al-Qahtani and Sons to settle the due balance on or before 31 December 2021. During the year, the Company signed an addendum to this agreement whereby extending the payment period till 31 December 2022. The amounts due from other related parties are unsecured with no set repayment schedule. However, these are expected to be received within twelve months from the end of the reporting period. During 2021, the Company has recognized the expected credit loss allowance on the amounts owed by related parties amounting to SR 4.5 million (2020: SR nil).

(EXPRESSED IN SAUDI RIYALS)

18. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

B) Due to related parties comprised of the following:

	2021	2020
Al Qahtani PCK Pipe Company	**2,809,132**	155,510
Izar for Insurance Brokerage Company	**522,810**	866,276
Riyal Investment and Development Company	**418,131**	237,706
Pipe and well Services Company	**205,850**	208,040
Arabian Commercial Services Company	**122,692**	122,692
Abdel Hadi Al-Qahtani Travel Bureau	**336,175**	44,779
	4,414,790	1,635,003

The amounts due to related parties are not subject to interest, are unsecured and do not have specific repayments dates. However, these are expected to be settled within twelve months from the end of the reporting period.

C) Key management personnel compensation

The remuneration of directors and other members of key management personnel during the year was as follows:

	2021	2020
Short-term benefits	**792,220**	1,149,996
Termination benefits	**597,265**	543,544
	1,389,485	1,693,540

19. REVENUE

The Company generates all its revenue locally from sale of goods at point in time:

	2021	2020
Pipe sales	**610,236,461**	864,098,419
Scrap sales and others	**30,862,122**	52,064,921
	641,098,583	916,163,340

20. COST OF REVENUE

	2021	2020
Materials cost	**502,954,866**	650,058,573
Factory overhead	**39,833,516**	108,704,571
Depreciation on property, plant and equipment (note 5)	**20,217,685**	13,191,055
Depreciation on right of use asset (note 6)	**1,045,867**	1,096,193
Direct labor	**13,881,489**	13,352,745
Finished goods write-down to net realizable value	**1,856,180**	-
	579,789,603	786,403,137

(EXPRESSED IN SAUDI RIYALS)

21. SELLING AND DISTRIBUTION EXPENSES

	2021	2020
Employees' salaries and related costs	**1,530,281**	1,425,401
Travelling expense	**30,079**	46,580
Depreciation on property, plant and equipment (note 5)	**7,774**	10,735
Others	**95,335**	99,147
	1,663,469	1,581,863

22. GENERAL AND ADMINSTRATIVE EXPENSES

	2021	2020
Employees' salaries and related costs	**6,226,625**	6,225,630
Legal and professional charges	**529,072**	427,475
Subscription, licenses & membership fee	**173,338**	172,402
Depreciation on property, plant and equipment (note 5)	**168,810**	174,614
Maintenance	**51,035**	426,254
Board remuneration	**749,205**	-
Others	**534,132**	726,412
	8,432,217	8,152,787

23. OTHER INCOME

	2021	2020
Interest income (note 18)	**15,091,105**	11,167,995
Others	**610,073**	243,005
	15,701,178	11,411,000

24. FINANCIAL CHARGES

	2021	2020
Interest and commissions	**30,414,743**	41,034,567
Interest on lease liability (note 27)	**627,886**	658,719
Bank charges	**1,413,937**	3,957,721
	32,456,566	45,651,007

25. ZAKAT

The principal elements of the Zakat base are as follows:

	2021	2020
Non-current assets	**572,908,714**	586,153,637
Non-current liabilities	**251,526,630**	321,379,044
Opening equity	**299,056,953**	216,473,657
Profit before Zakat	**37,377,950**	85,785,546

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

(EXPRESSED IN SAUDI RIYALS)

25. ZAKAT (CONTINUED)

The movement in zakat is as follows:

	2021	2020
Balance at 1 January	**2,105,659**	1,118,571
Provision for the year	**2,262,976**	2,172,034
Zakat paid during the year	**(2,221,265)**	(1,184,946)
Balance at 31 December	**2,147,370**	2,105,659

The charge for the year for zakat is as follows:

	2021	2020
Zakat		
Provision for the year	**2,262,976**	2,105,658
Prior period charge	**-**	66,376
Charged to income statement	**2,262,976**	2,172,034

The Company has submitted its Zakat up to the year ended 31 December 2020 and obtained required certificates which valid till 30 April 2022. Zakat assessments have been finalized ZATCA up to 2010. During 2020, the Company received an assessment order related to Zakat return 2018 from ZATCA claiming an amount of SR 420,214 against which the Company has paid SR 66,376 and has filed an appealed for the remaining amount.

26. PROVISION ON RECEIVABLES

	2021	2020
Provision on receivables from related parties	**4,500,000**	-
Provision on trade receivables	**640,000**	-
	5,100,000	-

(EXPRESSED IN SAUDI RIYALS)

27. LEASE LIABILITY

The Company acquire the land on lease from Saudi Authority for Industrial Cities and Technology Zones ("MODON"), average lease term of 20 to 25 years (2020: 25 years) and the vehicles from a related party, Riyal Investment and Development Company, for average lease term of 3 years (2020: 3 years).

	2021	2020
Balance at 1 January	**11,375,042**	11,536,862
Unwinding of interest	**627,886**	658,719
Payments during the year	**(1,390,631)**	(820,539)
Balance at the end of the year	**10,612,297**	11,375,042
Current	**759,897**	759,897
Non-current	**9,852,400**	10,615,145

Amounts recognized in the income statement

	2021	2020
Depreciation expense on right-of-use assets (Note 6)	**1,045,867**	755,010
Unwinding of interest	**627,886**	658,719
	1,673,753	1,413,729

Amounts recognized in the cash flow

	2021	2020
Total cash outflow for leases	**1,390,631**	820,539

Maturity analysis:	**2021**	2020
Not later than one year	**1,015,944**	759,897
Later than 1 year and not later than 5 years	**5,890,412**	4,364,300
Later than 5 years	**3,705,941**	6,250,845
	10,612,297	11,375,042

28. CONTINGENCIES AND COMMITMENTS

	2021	2020
Capital commitments against property, plant and equipment	**4,200,465**	5,590,874
Letters of credit	**530,801**	106,788,993
Letter of guarantee	**170,280,016**	183,357,716

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's principal financial liabilities comprise borrowings, due to shareholders and related parties, trade payables, accrued expenses and other liabilities and lease liability. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include cash and cash equivalents, due from related parties and trade and other receivables that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management regularly review the policies and procedures to ensure that all the financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The Company does not engage into any hedging activities. The management reviews and agrees policies for managing each of these risks, which are summarized below.

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: commission rate risk, currency risk and other price risk, such as equity price risk and commodity risk.

Commission risk

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Company manages its exposure to commission rate risk by continuously monitoring movements in commission rates.

The following table demonstrates the sensitivity to a reasonably possible change in commission rates on that portion of loans and borrowings affected. With all other variables held constant, the Company's profit before zakat is affected through the impact on floating rate borrowings, as follows:

	2021	2020
Profit before zakat		
Increase by 50 basis points	**(4,714,654)**	(4,520,722)
Decrease by 50 basis points	**4,714,654**	4,520,722

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company deals mainly in foreign currencies like US Dollars, United Arab Emirates Dirham (AED) and Euros. As the Saudi Riyal is pegged to the US Dollars and AED, the Company is not exposed to significant foreign currency risk. Further, exposure to Euro was immaterial.

Commodity risk

The Company is exposed to the impact of market fluctuations of the price of various inputs to production. From time to time, the Company manages some elements of commodity price risk through the use of fixed price contracts.

(EXPRESSED IN SAUDI RIYALS)

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company's gross maximum exposure to credit risk at the reporting date is as follows:

	2021	2020
Trade receivables	**360,770,122**	242,810,315
Other assets	**2,269,126**	14,836,627
Due from related parties	**246,083,951**	249,557,640
Cash at bank	**62,734,526**	25,694,826
	671,857,725	532,899,408

Trade and other receivables
Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. The Company performs credit-vetting procedures which are reviewed and updated on an ongoing basis before granting credit to its customers. The Company's maximum exposure to credit risk for financial assets that are not cash and cash equivalents. The Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Company reviews the recoverable amount of each trade receivable on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the management of the Company consider that the Company's credit risk is significantly reduced. The Company is not significantly exposed to credit risk as majority of the Company's sales are made to Saline Water Conversion Corporation (government entity), which has a strong credit worthiness.

Cash and cash equivalents
Credit risk from balances with banks is managed by the Company's treasury department in accordance with the Company's policy. The Company seeks to manage its credit risk with respect to banks by only dealing with reputable banks.

c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to realize financial assets quickly at an amount close to its fair value. The Company limits its liquidity risk by ensuring the bank facilities are available. The Company's term of sales requires amounts to be paid within 60 - 120 days of the date of sale. Trade payables are normally settled within 30 days of date of purchase.

(EXPRESSED IN SAUDI RIYALS)

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

c) Liquidity risk (continued)

The table below summarizes the maturities of the Company's undiscounted financial liabilities based on contractual payment dates and current market interest rates. The Company does not hold financial assets for managing liquidity risk. Hence, these risks have not been considered for maturity analysis.

		Contractual cash flows			
	Carrying value	**Less than a year**	**1 to 5 years**	**Above 5 years**	**Total**
31 December 2021					
Term loans	**941,939,597**	**719,603,803**	**254,428,043**	**11,586,337**	**985,618,184**
Due to related parties	**4,414,790**	**4,187,423**	**-**	**-**	**4,187,423**
Trade and other payables	**64,776,519**	**64,776,519**	**-**	**-**	**64,776,519**
Lease liability	**10,612,297**	**1,015,944**	**5,890,412**	**3,705,941**	**10,612,297**
Accrued expenses and other liabilities	**49,969,515**	**49,969,515**	**-**	**-**	**49,969,515**
	1,071,712,718	**839,780,571**	**260,318,455**	**15,292,278**	**1,115,391,305**
31 December 2020					
Term loans	904,144,391	636,118,024	202,220,742	93,562,619	931,901,385
Due to shareholders and related parties	1,635,003	1,635,003	-	-	1,635,003
Trade and other payables	153,500,841	153,500,841	-	-	153,500,841
Lease liability	11,375,042	803,902	18,468,132	6,986,346	26,258,380
Accrued expenses and other liabilities	32,565,517	32,565,517	-	-	32,565,517
	1,103,220,794	824,623,287	220,688,874	100,548,965	1,145,861,126

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximize the return to stakeholders through the optimization of the debt and equity balance.

The Company's management manage the Company's capital structure and make adjustments to it, in light of changes in economic conditions. The capital structure is reviewed on an ongoing basis. Based on recommendations of the management, the Company balances its overall capital structure through the payments of dividends and new share issues.

The capital structure of the Company consists of equity comprising share capital, statutory reserve and retained earnings.

(EXPRESSED IN SAUDI RIYALS)

30. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Company's financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

31. EVENT AFTER THE REPORTING PERIOD

No adjusting event occurred between 31 December 2021 and the date of authorization of the financial statements by Board of Directors which may have an impact on these financial statements.

32. EARNINGS PER SHARE

Basic earnings per share for profit attributable to ordinary shares holders for the year are computed based on the weighted average number of shares outstanding during such years.

The diluted earnings per share are the same as the basic earnings per share because the Company does not have any dilutive instruments in issue.

	2021	2020
Profit for the year	**35,114,974**	83,613,512
Weighted average number of shares	**28,000,000**	28,000,000
Basic and dilutive earnings per share	**1.25**	2.99

33. COVID - 19 ASSESSEMENT

The outbreak of novel coronavirus ("COVID-19") since early 2020 and its spread across mainland China and then globally caused disruptions to businesses and economic activities including the KSA. The World Health Organization qualified COVID-19 as a pandemic, with governments issuing strict regulations and guidance for its populations and companies. It necessitated the Company to re-assess its judgments and the key sources of estimation applied to the annual financial statements for the year ended 31 December 2020.

During the year ended 31 December 2021, management has assessed the overall impact on the Company's operations and business aspects, and considered factors like market demand, prices of the services offered. Based on this assessment, no significant adjustments were required in the financial statements for the year ended 31 December 2021. However, in view of the ongoing uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and/or liabilities in future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

34. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors of the Company and authorized for issue on 20 Shaban 1443H corresponding to 23 March 2022G.