

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

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022**  
**WITH**  
**INDEPENDENT AUDITOR'S REVIEW REPORT**

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

**CONDENSED INTERIM FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022**  
(EXPRESSED IN SAUDI RIYALS)

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## KPMG Professional Services

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P.O. Box 4803  
Al Khobar, 34412 - 3146  
Kingdom of Saudi Arabia  
Commercial Registration No 2051062328

Headquarters in Riyadh

## كي بي إم جي للاستشارات المهنية

الطابق ١٦، برج البرغاش  
٦١٨٩ طريق الأمير تركي، الكورنيش  
ص.ب. ٤٨٠٣  
الخبر ٣١٤٦ - ٣٤٤١٢  
المملكة العربية السعودية  
سجل تجاري رقم ٢٠٥١٠٦٢٣٢٨

المركز الرئيسي في الرياض

# Independent auditor's report on review of interim financial statements

To the Shareholders of Group Five Pipe Saudi Company

## Introduction

We have reviewed the accompanying 30 June 2022 interim financial statements of **Group Five Pipe Saudi Company**, ("the Company"), which comprises:

- the statement of financial position as at 30 June 2022;
- the statement of income for the six months period ended 30 June 2022;
- the statement of profit or loss and other comprehensive income for the six months period ended 30 June 2022;
- the statement of changes in equity for the six months period ended 30 June 2022;
- the statement of cash flows for the six months period ended 30 June 2022; and
- the notes to the interim financial statements.

Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with International Financial Reporting Standards (IFRS) including the requirements of IAS 34, 'Interim Financial Reporting' that are endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim financial statements based on our review.

## Scope of review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2022 interim financial statements of **Group Five Pipe Saudi Company** do not present fairly, in all material respects, the financial position, financial performance and cash flows of the entity in accordance with IFRS including the requirements of IAS 34, 'Interim Financial Reporting' that are endorsed in the Kingdom of Saudi Arabia.

## KPMG Professional Services



Abdulaziz Abdullah Alnaim

License No: 394



Dated: 3 Safar 1444H

Corresponding to: 30 August 2022G

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (25,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (٢٥,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي للوزان وشركاه محاسبين ومراجعون قانونيين". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لكي بي إم جي العالمية المحدودة، شركة إنجليزية محدودة بضمان. جميع الحقوق محفوظة.

Commercial Registration of the headquarters in Riyadh is 1010425494.


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

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2022**  
(EXPRESSED IN SAUDI RIYALS)

	Note	30 June 2022 (Unaudited)	31 December 2021 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	554,194,094	563,342,958
Right-of-use assets		9,052,822	9,565,756
<b>Total non-current assets</b>		<b>563,246,916</b>	<b>572,908,714</b>
<b>Current assets</b>			
Inventories		148,206,293	173,007,139
Prepayments and other assets		9,248,537	11,771,806
Trade and retention receivables	6	122,188,992	360,770,122
Due from related parties	9 (A)	266,754,479	246,083,951
Cash and cash equivalents		124,147,960	62,979,423
<b>Total current assets</b>		<b>670,546,261</b>	<b>854,612,441</b>
<b>Total assets</b>		<b>1,233,793,177</b>	<b>1,427,521,155</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	1	280,000,000	280,000,000
Statutory reserve		11,872,848	11,872,848
Retained earnings		23,867,430	42,600,606
<b>Total equity</b>		<b>315,740,278</b>	<b>334,473,454</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Term loans	8	192,234,022	222,486,617
Lease liability		8,807,717	9,852,400
Employee benefits		19,347,719	19,187,613
<b>Total non-current liabilities</b>		<b>220,389,458</b>	<b>251,526,630</b>
<b>Current liabilities</b>			
Trade and other payables		56,798,116	64,776,519
Accrued expenses and other liabilities		55,368,947	49,969,515
Term loans	8	71,474,248	69,340,248
Current maturity of lease liability		943,068	759,897
Short term borrowings	7	508,413,195	650,112,732
Due to related parties	9 (B)	2,518,497	4,414,790
Zakat provision	12	2,147,370	2,147,370
<b>Total current liabilities</b>		<b>697,663,441</b>	<b>841,521,071</b>
<b>Total liabilities</b>		<b>918,052,899</b>	<b>1,093,047,701</b>
<b>Total equity and liabilities</b>		<b>1,233,793,177</b>	<b>1,427,521,155</b>

The condensed interim financial statements presented on pages 1 to 13 were approved by the Board of Directors of the Company on 24 August 2022 corresponding to 26 Muharram 1444H and signed on its behalf by:

  
**Salah Abdel Hadi Abdullah Al-Qahtani**  
 Managing Director

  
**Muhammad Adnan Ali**  
 Chief Financial Officer

The accompanying notes (1) through (19) form an integral part of these condensed interim financial statements.

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

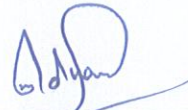
**CONDENSED INTERIM STATEMENT OF INCOME**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022**  
(EXPRESSED IN SAUDI RIYALS)

	Note	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
Revenue	10	58,396,104	477,816,651
Cost of revenue	11	<u>(65,502,169)</u>	<u>(437,432,347)</u>
<b>Gross (loss) / profit</b>		<b>(7,106,065)</b>	<b>40,384,304</b>
Selling and distribution expenses		(829,744)	(775,246)
General and administrative expenses		(5,197,155)	(7,391,438)
Reversal of impairment loss on trade receivables		-	10,054,744
<b>Operating (loss) / profit</b>		<b>(13,132,964)</b>	<b>42,272,364</b>
Other income		7,651,299	8,173,136
Financial charges		<u>(13,251,511)</u>	<u>(20,486,189)</u>
<b>(Loss) / profit before Zakat</b>		<b>(18,733,176)</b>	<b>29,959,311</b>
Zakat expense for the period	12	-	(1,133,323)
<b>(Loss) / profit for the period</b>		<b>(18,733,176)</b>	<b>28,825,988</b>
<b>(Loss) / earnings per share</b>			
Basic and dilutive earnings per share	13	<u>(0.67)</u>	<u>1.03</u>

The condensed interim financial statements presented on pages 1 to 13 were approved by the Board of Directors of the Company on 24 August 2022 corresponding to 26 Muharram 1444H and signed on its behalf by:



**Salah Abdel Hadi Abdullah Al-Qahtani**  
Managing Director



**Muhammad Adnan Ali**  
Chief Financial Officer

The accompanying notes (1) through (19) form an integral part of these condensed interim financial statements.



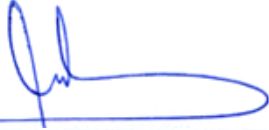
**GROUP FIVE PIPE SAUDI COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022  
(EXPRESSED IN SAUDI RIYALS)**


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	<u>30 June 2022</u> <u>(Unaudited)</u>	<u>30 June 2021</u> <u>(Unaudited)</u>
(Loss) / profit for the period	(18,733,176)	28,825,988
Other comprehensive income for the period	-	-
<b>Total comprehensive (loss) / income for period</b>	<u><u>(18,733,176)</u></u>	<u><u>28,825,988</u></u>

The condensed interim financial statements presented on pages 1 to 13 were approved by the Board of Directors of the Company on 24 August 2022 corresponding to 26 Muharram 1444H and signed on its behalf by:



\_\_\_\_\_  
**Salah Abdel Hadi Abdullah Al-Qahtani**  
Managing Director




\_\_\_\_\_  
**Muhammad Adnan Ali**  
Chief Financial Officer


The accompanying notes (1) through (19) form an integral part of these condensed interim financial statements.

**GROUP FIVE PIPE SAUDI COMPANY**  
(A SAUDI JOINT STOCK COMPANY)  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022**  
(EXPRESSED IN SAUDI RIYALS)

	Share capital	Statutory reserve	Retained earnings	Total
Balance as at 1 January 2021 (Audited)	280,000,000	8,361,351	10,695,602	299,056,953
<i>Total comprehensive income for the period (Unaudited)</i>				
Profit for the period	-	-	28,825,988	28,825,988
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	28,825,988	28,825,988
Balance at 30 June 2021 (Unaudited)	280,000,000	8,361,351	39,521,590	327,882,941
<b>Balance as at 1 January 2022 (Audited)</b>	<b>280,000,000</b>	<b>11,872,848</b>	<b>42,600,606</b>	<b>334,473,454</b>
<i>Total comprehensive income for the period (Unaudited)</i>				
Loss for the period	-	-	(18,733,176)	(18,733,176)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	-	-	(18,733,176)	(18,733,176)
<b>Balance at 30 June 2022 (Unaudited)</b>	<b>280,000,000</b>	<b>11,872,848</b>	<b>23,867,430</b>	<b>315,740,278</b>

The condensed interim financial statements presented on pages 1 to 13 were approved by the Board of Directors of the Company on 24 August 2022 corresponding to 26 Muharram 1444H and signed on its behalf by:

  
**Salah Abdel Hadi Abdullah Al-Qahtani**  
Managing Director

  
**Mubammad Adnan Ali**  
Chief Financial Officer

The accompanying notes (1) through (19) form an integral part of these condensed interim financial statements.

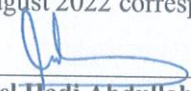


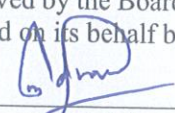
**GROUP FIVE PIPE SAUDI COMPANY**  
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**CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022**  
(EXPRESSED IN SAUDI RIYALS)

	Note	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
<b>Cash flows from operating activities</b>			
(Loss) / profit after zakat		(18,733,176)	28,825,988
<b>Adjustments for:</b>			
Depreciation on property, plant and equipment	5	10,142,701	10,092,302
Depreciation on right-of-use assets		512,934	522,934
Employee's defined benefit liabilities		1,180,444	1,171,696
Financial charges		13,251,511	20,486,189
Property, plant and equipment write off		-	112,925
Reversal of impairment loss on trade receivables		-	(10,054,744)
Zakat charged for the period / year		-	1,133,323
		<u>6,354,414</u>	<u>52,290,613</u>
<b>Changes in:</b>			
Inventories		24,800,846	85,447,365
Prepayments and other assets		2,523,269	12,828,767
Due from related parties		(22,282,671)	(5,786,620)
Trade receivables		238,581,130	(205,897,204)
Trade and other payables		(7,978,403)	(37,901,898)
Due to related parties		(284,150)	(404,336)
Accrued expenses and other liabilities		8,731,257	11,375,993
<b>Cash generated from / (used in) operations</b>		<u>250,445,692</u>	<u>(88,047,320)</u>
Financial charges paid		(16,081,285)	(10,381,175)
Employee benefits paid		(1,020,338)	(809,089)
Zakat paid	12	-	(2,221,265)
<b>Net cash generated from / (used in) operating activities</b>		<u>233,344,069</u>	<u>(101,458,849)</u>
<b>Cash flows from investing activity</b>			
Purchase of property, plant and equipment	5	(993,837)	(1,668,705)
<b>Cash used in investing activity</b>		<u>(993,837)</u>	<u>(1,668,705)</u>
<b>Cash flows from financing activities</b>			
Long term loan repaid during the period		(28,275,090)	(37,140,942)
Short term borrowing disbursed during the period		-	498,457,287
Short term borrowing repaid during the period		(141,699,537)	(352,540,999)
Principal portion of lease liability paid		(1,207,068)	(1,336,962)
<b>Net cash (used in) / generated from financing activities</b>		<u>(171,181,695)</u>	<u>107,438,384</u>
<b>Net increase in cash and cash equivalents</b>		<u>61,168,537</u>	<u>4,310,830</u>
Cash and cash equivalents at the beginning of the period		<u>62,979,423</u>	<u>25,777,086</u>
<b>Cash and cash equivalents at the end of the period</b>		<u>124,147,960</u>	<u>30,087,916</u>
<b>Non-cash transactions:</b>			
SIDF transaction cost amortization		<u>156,495</u>	<u>991,134</u>

The condensed interim financial statements presented on pages 1 to 14 were approved by the Board of Directors of the Company on 24 August 2022 corresponding to 26 Muharram 1444H and signed on its behalf by:

  
Salah Abdel Hadi Abdullah Al-Qahtani  
Managing Director

  
Muhammad Adnan Ali  
Chief Financial Officer

The accompanying notes (1) through (19) form an integral part of these condensed interim financial statements.



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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022**  
(EXPRESSED IN SAUDI RIYALS)

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**1. GENERAL INFORMATION**

Group Five Pipe Saudi Company ("the Company") is a Saudi closed joint stock company registered on 16 Dhul-Hijjah 1421 H (corresponding to March 11, 2001) under commercial registration number 2050037927 as Limited Liability Company with startup share capital of SR 30 million. 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 has 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 the year 2020, the Company has 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 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 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 condensed interim financial statements ("Interim Financial Statements") have been prepared in accordance with IAS 34 "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA"), and should be read in conjunction with the Company's last annual financial statements as at and for the year ended 31 December 2021 ("Last Annual Financial Statements"). They do not include all of the information required for a complete set of IFRS financial statements.

**2.2 Basis of measurement**

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022**  
(EXPRESSED IN SAUDI RIYALS)

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**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied in these condensed interim financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended 31 December 2021.

**3.1 New and revised standards with no material effect on the condensed interim 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).
- Annual Improvements to IFRS Standards 2018-2020, effective for annual periods beginning on or after 1 January 2022.
- Onerous Contracts Cost of Fulfilling a Contract (Amendments to IAS 37), 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.

**3.2 New and revised standards issued but not yet effective**

- IFRS 17 Insurance Contracts, effective for annual periods beginning on or after 1 January 2023.
- 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, effective for annual periods beginning on or after 1 January 2023.
- 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), optional

The above-mentioned IFRSs are not expected to have a significant impact on the financial statements of the Company.

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the Company's condensed interim 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.

The significant judgements made by the management in applying the accounting policies and the key source of estimation uncertainty were the same as those described in the last annual financial statements. 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.

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022**  
(EXPRESSED IN SAUDI RIYALS)

**5. PROPERTY, PLANT AND EQUIPMENT**

	<b>30 June 2022</b> <b>(Unaudited)</b>	31 December 2021 <b>(Audited)</b>
Cost at the beginning of the period / year	<b>767,838,354</b>	759,643,140
Additions made during the period / year	<b>993,837</b>	8,195,214
Cost at the end of period / year	<b>768,832,191</b>	767,838,354
Accumulated depreciation at the beginning of the period / year	<b>204,495,396</b>	184,101,127
Depreciation charged during the period / year	<b>10,142,701</b>	20,394,269
Accumulated depreciation at the end of period / year	<b>214,638,097</b>	204,495,396
Net book value at the end of period / year	<b>554,194,094</b>	563,342,958

**6. TRADE AND RETENTION RECEIVABLES**

	<b>30 June</b> <b>2022</b> <b>(Unaudited)</b>	31 December 2021 <b>(Audited)</b>
Trade receivables	<b>31,671,285</b>	266,788,303
Retention receivables	<b>95,430,887</b>	98,894,999
	<b>127,102,172</b>	365,683,302
Less: allowance for doubtful debts	<b>(4,913,180)</b>	(4,913,180)
	<b>122,188,992</b>	360,770,122

Movement in allowance for doubtful debts is as follows:

	<b>30 June</b> <b>2022</b> <b>(Unaudited)</b>	31 December 2021 <b>(Audited)</b>
Balance at beginning of the period / year	<b>4,913,180</b>	14,327,924
Impairment loss during the year	-	640,000
Write-off during the period/ year	-	(1,994,700)
Reversal during the period/ year	-	(8,060,044)
Balance at end of the period / year	<b>4,913,180</b>	4,913,180

The average credit period on sales of goods is from 60 to 120 days (2021: 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 Company has concluded that there are no material expected loss rates for trade receivables.

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022**  
(EXPRESSED IN SAUDI RIYALS)

**6. TRADE AND RETENTION RECEIVABLES (CONTINUED)**

The aging analysis of these trade and retention receivables are as follows:

	<b>30 June 2022 (Unaudited)</b>	31 December 2021 (Audited)
<b>Ageing</b>	<b>Gross carrying amount</b>	Gross carrying amount
0-90 days	<b>118,192,427</b>	350,223,609
91- 360 days	<b>4,198,568</b>	10,981,357
More than 1 year	<b>4,711,177</b>	4,478,336
	<b><u>127,102,172</u></b>	<b><u>365,683,302</u></b>

**7. SHORT TERM BORROWINGS**

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

	<b>30 June 2022 (Unaudited)</b>	31 December 2021 (Audited)
Short term loans	<b>506,580,482</b>	648,525,873
Bank overdraft	<b>1,832,713</b>	1,586,859
	<b><u>508,413,195</u></b>	<b><u>650,112,732</u></b>

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 the shareholders.

**8. LONG TERM LOANS**

	<b>30 June 2022 (Unaudited)</b>	31 December 2021 (Audited)
Long term loans from commercial banks and SIDF	<b>264,542,908</b>	292,817,998
Less: SIDF loan evaluation fees	<b>(834,638)</b>	(991,133)
	<b><u>263,708,270</u></b>	<b><u>291,826,865</u></b>
<i>Classified as:</i>		
Current portion classified as current liabilities	<b>71,474,248</b>	69,340,248
Non-Current portion classified as non-current liabilities	<b>192,234,022</b>	222,486,617
	<b><u>263,708,270</u></b>	<b><u>291,826,865</u></b>



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**8. LONG TERM LOANS (CONTINUED)**

The loans from the commercial banks and SIDF loan are as follows:

	<b>30 June 2022</b>	31 December 2021
	<b>(Unaudited)</b>	(Audited)
Loan 1	<b>110,748,509</b>	121,815,362
Loan 2	<b>115,165,362</b>	128,008,867
Loan 3	<b>37,794,399</b>	42,002,636
	<b><u>263,708,270</u></b>	<u>291,826,865</u>

**Loan 1**

The Company obtained a long-term loan from Alinma bank. The loan was initially obtained in 2016. The loan is secured by joint and several personal guarantee of Tariq Abdel Hadi Abdullah Al-Qahtani and Salah Abdel Hadi Abdullah 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 30 June 2022 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 noncompliance, the long-term balance of SR 110.75 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 with effect from 2016. The loan is secured by mortgage on the Company's fixed assets and personal and corporate guarantees of the shareholders. The loan requires maintenance of certain conditions including financial ratios. As at 30 June 2022 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, the long-term balance of SR 110.75 million continues to be classified as non-current.

**Loan 3**

During 2020, the refinance loan and short-term loans from Alawwal Bank were converted to long-term loan. 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.

**9. RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties include shareholders, parent company, affiliated companies, directors, and key management personnel of the Company. The terms and conditions of such transactions are approved by the management.

**The significant transactions and the related approximate amounts with related parties are as follows:**

	<b>30 June 2022</b>	30 June 2021
	<b>(Unaudited)</b>	(Unaudited)
<i>Affiliates</i>		
Revenue	<b>37,387</b>	31,550
Insurances services	<b>27,530</b>	1,071,872
Consultancy services	<b>441,000</b>	-
Interest income (note 24)	<b>7,553,229</b>	5,492,457
Funds transferred	<b>14,000,000</b>	-
Hire heavy/transportation vehicles	<b>55,545</b>	-

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**9. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUES)**

	<b>30 June 2022</b>	30 June 2021
	<b>(Unaudited)</b>	(Unaudited)
<i>Affiliates</i>		
Lease rental related to vehicles	<b>215,666</b>	187,425
Other admin services	-	279,075
Purchase of tickets	<b>748,608</b>	137,671
Purchase of food items	<b>9,062</b>	7,120
Purchase of pipes and spares	<b>65,012</b>	361,254
<i>Others</i>		
Purchase and services	<b>528,803</b>	551,927

**A) Due from related parties comprised of the following:**

	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Audited)
Abdel Hadi Abdullah Al-Qahtani and Sons Co.	<b>223,861,683</b>	205,048,645
Al Hijaz Carton factory Company	<b>27,107,710</b>	26,313,907
Al Qahtani Nails & Galvanized Wire Factory	<b>13,987,446</b>	13,577,848
Al Hijaz Water Company	<b>4,349,575</b>	4,222,205
Al-Qahtani Pipe Coating Industries	<b>626,980</b>	506,344
Izar for Insurance Brokerage Company	<b>462,961</b>	-
International Commercial Enterprises Co.	<b>392,637</b>	391,305
Arabian Valves Manufacturing Company	<b>160,144</b>	151,573
Eradat Transportation Company	<b>125,443</b>	180,988
AHQ Drag Reduction Additives (DRA)	<b>80,343</b>	78,429
Al Qahtani Vehicle and Machinery	<b>64,396</b>	109,681
Saudi Arabian Overseas Services	<b>35,161</b>	3,026
	<b>271,254,479</b>	250,583,951
Less: Provision on receivables from related parties	<b>(4,500,000)</b>	(4,500,000)
	<b>266,754,479</b>	246,083,951

The Company is entitled to 6% annual interest on the outstanding balances from Abdel Hadi Abdullah Al-Qahtani and Sons Co., Al Hijaz Carton factory Company, Al Qahtani Nails & Galvanized Wire Factory and Al Hijaz Water Company.

**B) Due to related parties comprised of the following:**

	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Audited)
Al Qahtani PCK Pipe Company	<b>1,607,532</b>	2,809,132
Riyal Investment & Development Company	<b>633,797</b>	418,131
Arabian Commercial Services Company	<b>122,692</b>	122,692
Abdel Hadi Al-Qahtani Travel Bureau	<b>106,176</b>	336,175
Pipe and Well Services Company	<b>48,300</b>	205,850
Izar for Insurance Brokerage Company	-	522,810
	<b>2,518,497</b>	4,414,790

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.

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**9. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUES)**

**C) Key management personnel compensation**

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

	<b>30 June 2022</b> <b>(Unaudited)</b>	30 June 2021 (Unaudited)
Short-term benefits	<b>674,183</b>	574,998
Termination benefits	<b>27,452</b>	150,149
	<b><u>701,635</u></b>	<u>725,147</u>

**10. REVENUE**

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

	<b>30 June 2022</b> <b>(Unaudited)</b>	30 June 2021 (Unaudited)
Pipe sales	<b>56,307,727</b>	453,357,380
Scrap sales and others	<b>2,088,377</b>	24,459,271
	<b><u>58,396,104</u></b>	<u>477,816,651</u>

**11. COST OF REVENUE**

	<b>30 June 2022</b> <b>(Unaudited)</b>	30 June 2021 (Unaudited)
Material cost	<b>48,076,844</b>	374,539,281
Factory overhead	<b>3,746,905</b>	38,502,072
Direct labor	<b>3,125,761</b>	13,859,816
Depreciation	<b>10,552,659</b>	10,531,178
	<b><u>65,502,169</u></b>	<u>437,432,347</u>

**12. ZAKAT**

Zakat charged for the period is nil (30 June 2021: SR 1.33 million). The Company has submitted its Zakat up to the year ended 31 December 2021 and obtained required certificates which valid till 30 April 2023. Zakat assessments have been finalized with Zakat, Tax and Customs Authority (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 appeal for the remaining amount. The appeal is not finalized yet.

**13. 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.

	<b>30 June 2022</b> <b>(Unaudited)</b>	30 June 2021 (Unaudited)
(Loss) / profit for the period	<b>(18,733,176)</b>	28,825,988
Weighted average number of shares	<b>28,000,000</b>	28,000,000
Basic and dilutive (loss) / earnings per share	<b>(0.67)</b>	1.03

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**14. CONTINGENCIES AND COMMITMENTS**

	<b>30 June 2022 (Unaudited)</b>	31 December 2021 (Audited)
Capital commitments against property, plant and equipment	<u><b>4,200,465</b></u>	<u>4,200,465</u>
Letters of credit	<u>-</u>	<u>530,801</u>
Letter of guarantee	<u><b>157,711,609</b></u>	<u>170,280,016</u>

**15. FINANCIAL INSTRUMENTS**

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 cash and cash equivalents amounting to SR 108.2 million (2021: SR 46. 68 million placed in escrow account for loan repayments. 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.

**16. 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.

**17. EVENT AFTER THE REPORTING PERIOD**

No adjusting event occurred between 30 June 2022 and the date of authorization of the condensed interim financial statements by Board of Directors which may have an impact on these condensed interim financial statements.

**18. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to comply with the current period presentation of the condensed interim financial statements.

**19. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS**

These condensed interim financial statements were approved by the Board of Directors of the Company and authorized for issuance on 24 August 2022 corresponding to 26 Muharram 1444H.