

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

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023
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 2023**
(EXPRESSED IN SAUDI RIYALS)

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Commercial Registration No 2051062328

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

Headquarters in Riyadh

المركز الرئيسي في الرياض

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

To the Shareholders of Group Five Pipe Saudi Company

Introduction

We have reviewed the accompanying 30 June 2023 condensed interim financial statements of **Group Five Pipe Saudi Company** ("the Company") which comprises:

- the condensed statement of financial position as at 30 June 2023;
- the condensed statement of income for the six months period ended 30 June 2023;
- the condensed statement of profit or loss and other comprehensive income for the six months period ended 30 June 2023;
- the condensed statement of changes in equity for the six months period ended 30 June 2023;
- the condensed statement of cash flows for the six months period ended 30 June 2023; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed 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 condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2023 condensed interim financial statements of Group Five Pipe Saudi Company are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Professional Services



Abdullah Oudah Althagafi

License no. 455

Al Khobar,

Date: 2 August 2023

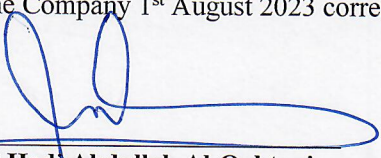
Corresponding to: 15 Muharram 1445H

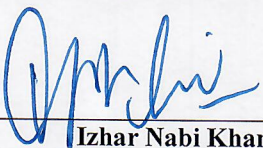
GROUP FIVE PIPE SAUDI COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023
(EXPRESSED IN SAUDI RIYALS)

| | Note | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|--|-------|--------------------------------|----------------------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 535,464,115 | 544,901,130 |
| Right-of-use assets | | 8,288,496 | 8,706,210 |
| Total non-current assets | | 543,752,611 | 553,607,340 |
| Current assets | | | |
| Inventories | | 173,803,347 | 341,177,674 |
| Trade receivables | 6 | 296,722,024 | 182,218,659 |
| Due from related parties | 9 (A) | 189,568,067 | 227,311,208 |
| Prepayments and other current assets | | 8,215,840 | 9,306,558 |
| Cash and cash equivalents | | 23,652,270 | 95,213,479 |
| Total current assets | | 691,961,548 | 855,227,578 |
| Total assets | | 1,235,714,159 | 1,408,834,918 |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 1 | 280,000,000 | 280,000,000 |
| Statutory reserve | | 11,872,848 | 11,872,848 |
| Retained earnings | | 31,080,892 | 21,401,040 |
| Total equity | | 322,953,740 | 313,273,888 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Long term loans | 8 | 117,745,583 | 154,746,994 |
| Lease liabilities | | 8,448,739 | 9,132,225 |
| Employees' benefits | | 18,828,179 | 17,449,270 |
| Total non-current liabilities | | 145,022,501 | 181,328,489 |
| Current liabilities | | | |
| Trade and other payables | | 14,244,823 | 173,546,774 |
| Accrued expenses and other liabilities | | 102,893,243 | 59,688,272 |
| Long term loans – current portion | 8 | 72,940,248 | 82,940,248 |
| Lease liabilities – current portion | | 759,897 | 759,897 |
| Short term borrowings | 7 | 573,253,692 | 591,691,709 |
| Due to related parties | 9 (B) | 3,140,236 | 4,567,503 |
| Zakat provision | 12 | 505,779 | 1,038,138 |
| Total current liabilities | | 767,737,918 | 914,232,541 |
| Total liabilities | | 912,760,419 | 1,095,561,030 |
| Total equity and liabilities | | 1,235,714,159 | 1,408,834,918 |

The condensed interim financial statements presented on pages 1 to 14 were approved by the Board of Directors of the Company 1st August 2023 corresponding to 14th Muharram 1445H and signed on its behalf by:


Salah Abdel Hadi Abdullah Al-Qahtani
Managing Director


Izhar Nabi Khan
Chief Financial Officer

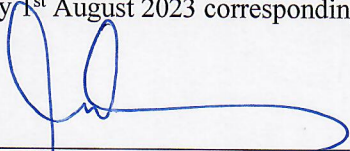
The accompanying notes (1) through (18) form an integral part of these condensed interim financial statements.

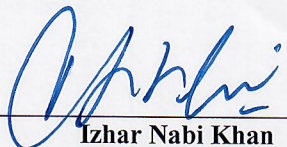
GROUP FIVE PIPE SAUDI COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023
(EXPRESSED IN SAUDI RIYALS)

| | Note | 30 June 2023 (Unaudited) | 30 June 2022 (Unaudited) |
|--|------|-----------------------------|-----------------------------|
| Revenue | 10 | 311,484,245 | 58,396,104 |
| Cost of revenue | 11 | <u>(281,063,815)</u> | <u>(65,502,169)</u> |
| Gross profit / (loss) | | 30,420,430 | (7,106,065) |
| Selling and distribution expenses | | (854,271) | (829,744) |
| General and administrative expenses | | <u>(6,249,436)</u> | <u>(5,197,155)</u> |
| Operating profit / (loss) | | 23,316,723 | (13,132,964) |
| Other income | | 10,529,572 | 7,651,299 |
| Financial charges | | <u>(24,166,443)</u> | <u>(13,251,511)</u> |
| Profit / (loss) before Zakat | | 9,679,852 | (18,733,176) |
| Zakat expense for the period | 12 | - | - |
| Profit / (loss) for the period | | <u>9,679,852</u> | <u>(18,733,176)</u> |
| Earnings / (loss) per share | | | |
| Basic and dilutive earnings / (loss) per share | 13 | <u>0.35</u> | <u>(0.67)</u> |

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Managing Director


Izhar Nabi Khan
Chief Financial Officer

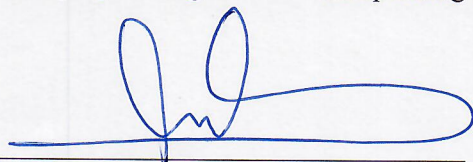
The accompanying notes (1) through (18) form an integral part of these condensed interim financial statements.

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 2023
(EXPRESSED IN SAUDI RIYALS)**

| | 30 June 2023 (Unaudited) | 30 June 2022 (Unaudited) |
|---|---|-----------------------------|
| Profit / (loss) for the period | 9,679,852 | (18,733,176) |
| Other comprehensive income for the period | - | - |
| Total comprehensive income / (loss) for period | 9,679,852 | (18,733,176) |

The condensed interim financial statements presented on pages 1 to 14 were approved by the Board of Directors of the Company 1st August 2023 corresponding to 14th Muharram 1445H and signed on its behalf by:



Salah Abdel Hadi Abdullah Al-Qahtani
Managing Director



Izhar Nabi Khan
Chief Financial Officer

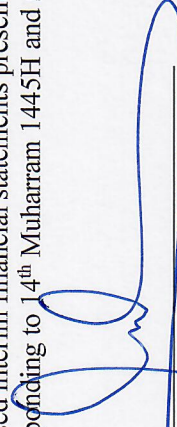
The accompanying notes (1) through (18) form an integral part of these condensed interim financial statements.

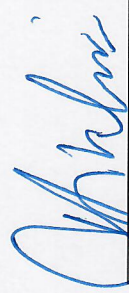
GROUP FIVE PIPE SAUDI COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023
(EXPRESSED IN SAUDI RIYALS)

| | Share capital | Statutory reserve | Retained earnings | Total |
|--|--------------------|-------------------|-------------------|--------------------|
| Balance as at 1 January 2022 (Audited) | 280,000,000 | 11,872,848 | 42,600,606 | 334,473,454 |
| <i>Total comprehensive loss 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) |
| Balance at 30 June 2022 (Unaudited) | 280,000,000 | 11,872,848 | 23,867,430 | 315,740,278 |
| Balance as at 1 January 2023 (Audited) | 280,000,000 | 11,872,848 | 21,401,040 | 313,273,888 |
| <i>Total comprehensive income for the period (Unaudited)</i> | | | | |
| Profit for the period | - | - | 9,679,852 | 9,679,852 |
| Other comprehensive income for the period | - | - | - | - |
| Total comprehensive income for the period | - | - | 9,679,852 | 9,679,852 |
| Balance at 30 June 2023 (Unaudited) | 280,000,000 | 11,872,848 | 31,080,892 | 322,953,740 |

The condensed interim financial statements presented on pages 1 to 14 were approved by the Board of Directors of the Company on 1st August 2023 corresponding to 14th Muharram 1445H and signed on its behalf by:


Salah Abdel Hadi Abdullah Al-Qahtani
Managing Director


Izhar Nabi Khan
Chief Financial Officer

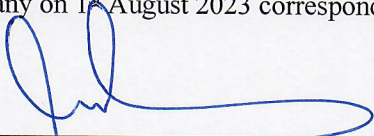
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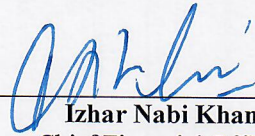
GROUP FIVE PIPE SAUDI COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023
(EXPRESSED IN SAUDI RIYALS)

| | Note | 30 June 2023 (Unaudited) | 30 June 2022 (Unaudited) |
|---|------|-----------------------------|-----------------------------|
| Cash flows from operating activities | | | |
| Profit / (loss) before zakat | | 9,679,852 | (18,733,176) |
| Adjustments for: | | | |
| Depreciation on property, plant and equipment | 5 | 10,354,497 | 10,142,701 |
| Depreciation on right-of-use assets | | 417,714 | 512,934 |
| Employee's defined benefit liabilities | | 1,567,113 | 1,180,444 |
| Financial charges | | <u>24,166,443</u> | <u>13,251,511</u> |
| | | 46,185,619 | 6,354,414 |
| Changes in: | | | |
| Inventories | | 167,374,327 | 24,800,846 |
| Prepayments and other assets | | 1,090,718 | 2,523,269 |
| Due from related parties | | 27,487,010 | (43,964,048) |
| Trade receivables | | (114,503,365) | 238,581,130 |
| Trade and other payables | | (159,301,951) | (7,978,403) |
| Due to related parties | | (1,427,267) | (284,150) |
| Accrued expenses and other liabilities | | <u>35,233,468</u> | <u>8,731,257</u> |
| Cash generated from operations | | 2,138,559 | 228,764,315 |
| Financial charges paid | | (15,901,593) | (15,507,151) |
| Employee benefits paid | | (188,204) | (1,020,338) |
| Zakat paid | 12 | <u>(532,359)</u> | - |
| Net cash (used in) / generated from operating activities | | <u>(14,483,597)</u> | <u>212,236,826</u> |
| Cash flows from investing activity | | | |
| Purchase of property, plant and equipment | 5 | (917,482) | (993,837) |
| Interest income received on due from related parties | | <u>10,256,131</u> | <u>21,681,377</u> |
| Cash generated from investing activity | | <u>9,338,649</u> | <u>20,687,540</u> |
| Cash flows from financing activities | | | |
| Long term loan repaid during the period | | (47,001,411) | (28,275,090) |
| Short term borrowing disbursed during the period | | 285,449,379 | - |
| Short term borrowing repaid during the period | | (303,887,396) | (141,699,537) |
| Principal portion of lease liability paid | | (683,486) | (1,207,068) |
| Interest paid on lease liability | | (293,347) | (574,134) |
| Net cash used in financing activities | | <u>(66,416,261)</u> | <u>(171,755,829)</u> |
| Net (decrease) / increase in cash and cash equivalents | | (71,561,209) | 61,168,537 |
| Cash and cash equivalents at the beginning of the period | | <u>95,213,479</u> | <u>62,979,423</u> |
| Cash and cash equivalents at the end of the period | | <u>23,652,270</u> | <u>124,147,960</u> |
| Non-cash transactions: | | | |
| SIDF transaction cost amortization | | <u>156,495</u> | <u>156,495</u> |

The condensed interim financial statements presented on pages 1 to 14 were approved by the Board of Directors of the Company on 1st August 2023 corresponding to 14th Muharram 1445H and signed on its behalf by:


Salah Abdel Hadi Abdullah Al-Qahtani
Managing Director


Izhar Nabi Khan
Chief Financial Officer

The accompanying notes (1) through (18) 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 2023
(EXPRESSED IN SAUDI RIYALS)

1. GENERAL INFORMATION

Group Five Pipe Saudi Company ("the Company") is a Saudi closed joint stock company registered on 16 Dhul-Hijjah 1421H (corresponding to March 11, 2001) under commercial registration number 2050037927 as Limited Liability Company with share capital of SR 30 million. In 2007, the Company increased its share capital from SR 30 million to SR 90 million for which legal formalities were completed in year 2008. In 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. On 22 Rabi Al-Akhar 1442H (corresponding to 7 December 2020), the Company increased its share capital from SR 125 million to SR 280 million. 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 Saudi 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 Saudi Joint Stock Company and the change was reflected on Company's commercial registration numbers 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 on Nomu-Parallel market.

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.

As at 30 June 2023 and 31 December 2022, current liabilities exceeded current assets by SR 75.78 million (31 December 2022: SR 59 million). In view of the above, the Company's management has prepared an internal assessment, covering cash flow projections for a period of 5 years; this incorporates certain measures, including and not limited to, implementation of more effective business and operational strategies, securing long term contracts and maintaining sufficient amount of cash resources to settle its liabilities. As a result, the management of the Company believes that there are no indications or issues with respect to settling its liabilities when they become due.

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 2022 ("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 Credit method.

2.3 Functional and presentation currency

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

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 2023
(EXPRESSED IN SAUDI RIYALS)

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 2022.

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.

- IFRS 17 Insurance contracts (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.
- Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17), effective for annual periods beginning on or after 1 January 2023.

However, these amendments did not have an impact on the condensed interim financial statement of the Company.

3.2 New and revised standards issued but not yet effective

- Classification of liabilities as current or non-current, along with non-current liabilities with covenants (Amendments to IAS 1), effective for annual periods beginning on or after 1 January 2024.
- Lease Liabilities in a Sale and Leaseback (Amendments to IFRS 16) effective for annual periods beginning on or after 1 January 2024.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

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

3.3 New Companies Law

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to 19 January 2023). Management is currently assessing the impact of new Companies regulations.

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
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023
(EXPRESSED IN SAUDI RIYALS)

5. PROPERTY, PLANT AND EQUIPMENT

| | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|---|----------------------------------|
| Cost at the beginning of the period / year | 769,929,946 | 767,838,354 |
| Additions made during the period / year | 917,482 | 2,091,592 |
| Cost at the end of period/ year | <u>770,847,428</u> | <u>769,929,946</u> |
| Accumulated depreciation at the beginning of the period/ year | 225,028,816 | 204,495,396 |
| Depreciation charged during the period/ year | 10,354,497 | 20,533,420 |
| Accumulated depreciation at the end of period/ year | <u>235,383,313</u> | <u>225,028,816</u> |
| Net book value at the end of period/ year | <u>535,464,115</u> | <u>544,901,130</u> |

Allocation of depreciation charge is as follows:

| | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) | 30 June 2022 (Unaudited) |
|-------------------------------------|-------------------------------------|-------------------------------|-----------------------------|
| Cost of revenue | 10,179,536 | 20,334,514 | 10,039,726 |
| General and administrative expenses | 167,970 | 182,600 | 93,661 |
| Selling and distribution expenses | 6,991 | 16,306 | 9,314 |
| | <u>10,354,497</u> | <u>20,533,420</u> | <u>10,142,701</u> |

6. TRADE RECEIVABLES

| | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|------------------------------------|---|----------------------------------|
| Trade receivables | 303,644,502 | 189,141,137 |
| Less: allowance for doubtful debts | <u>(6,922,478)</u> | <u>(6,922,478)</u> |
| | <u>296,722,024</u> | <u>182,218,659</u> |

Movement in allowance for doubtful debts is as follows:

| | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|---|----------------------------------|
| Balance at beginning of the period / year | 6,922,478 | 4,913,180 |
| Impairment loss during the period / year | - | 2,009,298 |
| Balance at end of the period / year | <u>6,922,478</u> | <u>6,922,478</u> |

The average credit period on sales of goods is from 60 to 120 days (2022: 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.

GROUP FIVE PIPE SAUDI COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023
(EXPRESSED IN SAUDI RIYALS)

6. TRADE RECEIVABLES (CONTINUED)

The aging analysis of these trade receivable are as follows:

| | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|------------------|---|----------------------------------|
| Ageing | Gross Carrying Amount | Gross Carrying amount |
| 0-90 days | <u>294,734,754</u> | 175,475,609 |
| 91- 360 days | <u>4,198,568</u> | 8,954,348 |
| More than 1 year | <u>4,711,180</u> | 4,711,180 |
| | <u>303,644,502</u> | <u>189,141,137</u> |

Trade receivables as at 30 June 2023 excluding balance over-due more than one year represent due from a single customer which is a Government entity. The Company considers that the expected loss rate for trade receivables from this customer is insignificant. A full provision has been made for the balances which are over-due more than one year from other customers.

7. SHORT TERM BORROWINGS

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

| | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|------------------|---|----------------------------------|
| Short term loans | <u>572,665,775</u> | 590,039,549 |
| Bank overdraft | <u>587,917</u> | 1,652,160 |
| | <u>573,253,692</u> | <u>591,691,709</u> |

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

| | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|---|----------------------------------|
| Long term loans from commercial banks and SIDF | <u>191,207,480</u> | 238,365,385 |
| Less: SIDF loan evaluation fees | <u>(521,649)</u> | (678,143) |
| | <u>190,685,831</u> | <u>237,687,242</u> |
| <i>Classified as:</i> | | |
| Less: Current portion classified as current liabilities | <u>72,940,248</u> | 82,940,248 |
| Non-Current portion classified as non-current liabilities | <u>117,745,583</u> | <u>154,746,994</u> |

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8. LONG TERM LOANS (CONTINUED)

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

| | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|--------|---|----------------------------------|
| Loan 1 | 88,592,991 | 99,674,385 |
| Loan 2 | 77,000,000 | 107,000,000 |
| Loan 3 | 25,614,489 | 31,691,000 |
| | <u>191,207,480</u> | <u>238,365,385</u> |

Loan 1

The Company obtained a long-term loan from a commercial 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 2023 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 66.45 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 2023 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 40 million continues to be classified as non-current.

Loan 3

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 Company's shareholders, parent company, affiliated companies and their shareholders, key management personnel and Board of Directors. The terms and conditions of such transactions are approved by the management.

Below is the list of company's related parties:

| <u>Name</u> | <u>Relationship</u> |
|---|----------------------------|
| Salah Abdel Hadi Abdullah Al-Qahtani | Shareholder |
| Tariq Abdel Hadi Abdullah Al-Qahtani | Shareholder |
| Al-Qahtani Pipe Coating Industries | Shareholder |
| Abdel Hadi Abdullah Al-Qahtani and Sons Co. | Other related party |
| Al Hijaz Carton Factory Company | Other related party |

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9. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

| <u>Name</u> | <u>Relationship</u> |
|---|---------------------|
| 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 |
| APV Middle East | Other related party |
| Saudi Gulf Airline Company | Other related party |
| AHQ Suisse S.A | Other related party |
| AHQ Drag Reduction Additives | 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 |
| Eradat Transportation Company | Other related party |
| Al Qahtani PCK Pipe Company | Other related party |
| Izar for Insurance Brokerage Company | Other related party |
| Pipe and Well Maintenance and Operation Service Company | Other related party |
| Arabian Commercial Services Company | Other related party |
| Riyal Investment & Development Company | Other related party |
| APV Middle East Limited | Other related party |

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

| | | <u>30 June 2023</u> | <u>30 June 2022</u> |
|---|---|---------------------|---------------------|
| | | <u>(Unaudited)</u> | <u>(Unaudited)</u> |
| <u>Nature of transactions</u> | <u>Name of Related Party</u> | | |
| Revenue from sales | Al-Qahtani Pipe Coating Industries | 529 | 37,387 |
| Payment made by other related party | Abdel Hadi Abdullah Al-Qahtani and Sons Co. | 51,229,747 | - |
| | Abdel Hadi Abdullah Al-Qahtani and Sons Co. | 8,098,018 | 7,660,764 |
| Interest income | Al Hijaz Carton Factory Company | 1,287,284 | 977,289 |
| | Al Qahtani Nails & Galvanized Wire Factory | 664,232 | 504,275 |
| | Al Hijaz Water Company | 206,597 | 156,811 |
| Funds transferred | Al-Qahtani Pipe Coating Industries | 859,537 | 14,000,000 |
| Lease rental related to vehicles | Riyal Investment & Development Company | 256,890 | 215,666 |
| Purchase of tickets | Abdel Hadi Al-Qahtani Travel Bureau | 288,040 | 748,608 |
| Payment for letter of guarantee made by other related party | Al Qahtani PCK Pipe Company | 127,878 | - |
| Purchase of pipes and spares | Saudi Arabian Overseas Services | 87,140 | 65,012 |

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9. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

A) Due from related parties comprised of the following:

| | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|---|----------------------------------|
| Abdel Hadi Abdullah Al-Qahtani and Sons Co. (*) | 138,595,434 | 178,961,719 |
| Al Hijaz Carton factory Company | 29,737,241 | 28,448,257 |
| Al Qahtani Nails & Galvanized Wire Factory | 15,343,394 | 14,679,162 |
| Al Hijaz Water Company | 4,771,270 | 4,564,673 |
| Al-Qahtani PCK Pipe Company | 1,961,890 | 1,834,012 |
| International Commercial Enterprises Co. | 393,668 | 392,196 |
| Arabian Valves Manufacturing Company | 170,674 | 161,644 |
| Eradat Transportation Company | 125,443 | 125,443 |
| AHQ Drag Reduction Additives (DRA) | 84,480 | 81,093 |
| Al Qahtani Vehicle and Machinery | 68,722 | 87,749 |
| Saudi Arabian Overseas Services | 45,898 | 78,411 |
| Izar for Insurance Brokerage Company | 60,377 | - |
| Abdul Hadi Al Qahtani Travel Bureau | 309,493 | - |
| APV Middle East Limited | 3,234 | - |
| | 191,671,218 | 229,414,359 |
| Less: Provision on receivables from related parties | (2,103,151) | (2,103,151) |
| | 189,568,067 | 227,311,208 |

The Company is entitled to 8% 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.

* With respect to the balance receivable from Abdel Hadi Abdullah Al-Qahtani and Sons Co., refer note 17.

B) Due to related parties comprised of the following:

| | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|---|----------------------------------|
| Abdul Hadi Abdullah Al-Qahtani and Sons | 1,758,984 | 1,758,984 |
| Izar for Insurance Brokerage Company | - | 24,809 |
| Riyal Investment & Development Company | 459,061 | 690,272 |
| Arabian Commercial Services Company | 122,692 | 122,692 |
| Abdel Hadi Al-Qahtani Travel Bureau | - | 352,467 |
| Al-Qahtani Pipe Coating Industries | 799,499 | 1,618,279 |
| | 3,140,236 | 4,567,503 |

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 (CONTINUED)

C) Key management personnel compensation

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

| | 30 June 2023 (Unaudited) | 30 June 2022 (Unaudited) |
|---------------------------------|---|------------------------------------|
| Short-term benefits | 862,874 | 674,183 |
| Long term benefits | 35,258 | 27,452 |
| Board of directors remuneration | 431,500 | 424,000 |
| | <u>1,329,632</u> | <u>1,125,635</u> |

10. REVENUE

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

| | 30 June 2023 (Unaudited) | 30 June 2022 (Unaudited) |
|------------------------|---|------------------------------------|
| Pipe sales | 305,348,294 | 56,307,727 |
| Scrap sales and others | 6,135,951 | 2,088,377 |
| | <u>311,484,245</u> | <u>58,396,104</u> |

11. COST OF REVENUE

| | 30 June 2023 (Unaudited) | 30 June 2022 (Unaudited) |
|------------------|---|------------------------------------|
| Material cost | 238,289,491 | 48,076,844 |
| Factory overhead | 21,013,224 | 3,746,905 |
| Direct labor | 11,581,564 | 3,125,761 |
| Depreciation | 10,179,536 | 10,552,659 |
| | <u>281,063,815</u> | <u>65,502,169</u> |

12. ZAKAT

Zakat charged for the period is SR nil (30 June 2022: SR nil). The Company has submitted its Zakat up to the year ended 31 December 2022 and obtained required certificates which valid till 30 April 2024. Zakat assessments have been finalized by ZATCA up to 2016. During 2020, the Company received an assessment order related to Zakat return of 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. Further, ZATCA opened assessment for the year 2017. However, till now Company has not yet received final assessment order.

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.

| | 30 June 2023 (Unaudited) | 30 June 2022 (Unaudited) |
|--|---|------------------------------------|
| Profit / (loss) for the period | 9,679,852 | (18,733,176) |
| Weighted average number of shares | 28,000,000 | 28,000,000 |
| Basic and dilutive earnings / (loss) per share | 0.35 | (0.67) |

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14. CONTINGENCIES AND COMMITMENTS

| | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|---------------------|---|---|
| Letter of credit | <u>-</u> | <u>5,828,711</u> |
| Letter of guarantee | <u>164,873,810</u> | <u>156,813,322</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 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

Subsequent to the current period ended 30 June 2023; on 2 July 2023, the Company entered into an agreement with Abdel Hadi Abdullah AlQahtani and Sons Company, hereinafter referred to as ("AHQ") to settle its receivable balance amounting to SR 138 million by closing date i.e. 31 December 2023. (Refer to note 9A).

Considering the terms and conditions of the agreement, if the balance remains outstanding and is not settled by the closing date, AHQ will settle the balance by transferring a percentage of its shareholding in Al Qahtani PCK Pipe Company (PCK Pipe) to Group Five Pipe Saudi Company (GFPS). The value of Al Qahtani PCK Pipe Company's shares will be determined by an independent evaluator using fair market principals. The maximum value of shares to be transferred to GFPS is SR 125 million, which will determine the Company's ownership in PCK Pipe when compared with its total fair value.

No other event occurred between 30 June 2023 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. 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 1st August 2023 corresponding to 14th Muharram 1445H.