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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
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 2023

INDEX

KPMG Professional Services
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Kingdom of Saudi Arabia
Commercial Registration No 2051062328

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
الطابق ١٦، برج البرغش
٦١٨٩ طريق الأمير تركي، الكورنيش
ص.ب ٤٨٠٣
الخبر ٣٤٤١٢ - ٣١٤٦
المملكة العربية السعودية
سجل تجاري رقم ٢٠٥١٠٦٢٣٢٨

المركز الرئيسي في 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 2023, 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 material 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 2023, 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).

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 International Code of Ethics for Professional Accountants (including International Independence Standards), that is 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 the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

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 2023, revenue from sale of goods amounted to SR 455.31 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 by the customer 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 overstatement of revenue. 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. • Tested a sample of sales transaction and vouched the transaction to the source documentations. • Performed cut-off procedures to assess 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.

KPMG

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, actions taken to eliminate threats or safeguards applied.

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

For KPMG Professional Services

Abdullah Oudah Althagafi
License No: 455
Al Khobar,
Date: 25 March 2024G
Corresponding to: 15 Ramadan 1445H

Lic No. 46
C.R. 2051062328
K : 1
KPMG Professional Services

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

STATEMENT OF FINACIAL POSITION
AS AT 31 DECEMBER 2023
(EXPRESSED IN SAUDI RIYALS)

	Note	2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment	5	**526,972,450**	544,901,130
Right-of-use assets	6	**8,096,666**	8,706,210
Due from related parties – non-trade	18	**25,000,000**	-
Total non-current assets		**560,069,116**	553,607,340
Current assets			
Inventories	7	**302,939,274**	341,177,674
Trade receivables	9	**184,851,430**	182,218,659
Due from related parties – non-trade	18	**179,837,911**	227,311,208
Prepayments and other current assets	8	**11,371,847**	9,306,558
Restricted bank balance in escrow account	10.1	**28,081,332**	87,237,511
Cash and cash equivalents	10	**13,280,847**	7,975,968
Total current assets		**720,362,641**	855,227,578
TOTAL ASSETS		**1,280,431,757**	1,408,834,918
EQUITY AND LIABILITIES			
Equity			
Share capital	11	**280,000,000**	280,000,000
Statutory reserve	12	**11,872,848**	11,872,848
Retained earnings		**32,201,787**	21,401,040
Total equity		**324,074,635**	313,273,888
Liabilities			
Non-current liabilities			
Long term loans	14	**79,277,156**	154,746,994
Lease liabilities	25	**8,634,569**	9,132,225
Employees' benefits	15	**16,851,127**	17,449,270
Total non-current liabilities		**104,762,852**	181,328,489
Current liabilities			
Trade and other payables	16	**73,854,790**	173,546,774
Accrued expenses and other current liabilities	17	**81,674,226**	59,688,272
Long term loans – current portion	14	**95,206,249**	82,940,248
Lease liabilities – current portion	25	**859,497**	759,897
Short term borrowings	13	**596,846,788**	591,691,709
Due to related parties - non trade	18	**2,750,407**	4,567,503
Zakat provision	24	**402,313**	1,038,138
Total current liabilities		**851,594,270**	914,232,541
Total liabilities		**956,357,122**	1,095,561,030
TOTAL EQUITY AND LIABILITIES		**1,280,431,757**	1,408,834,918

The financial statements presented on pages 1 to 35 were approved by the Board of Directors of the Company on 07 Ramadan 1445H (corresponding to 17 March 2024G) and were signed on their behalf by:

Shaikh Salah Al-Qahtani
Managing Director

Izhar Khan
Chief Financial Officer

The accompanying notes (1) through (31) 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 2023
(EXPRESSED IN SAUDI RIYALS)

	Note	2023	2022
Revenue	19	**455,308,255**	230,540,468
Cost of revenue	20	**(397,903,258)**	(228,361,674)
Gross profit		**57,404,997**	2,178,794
Selling and distribution expenses	21	**(1,784,375)**	(2,061,774)
General and administrative expenses	22	**(12,371,452)**	(12,488,942)
(Charge) / reversal of impairment on due from related parties	18	**(589,472)**	2,396,849
Charge for impairment on trade receivables	9	**(2,262,227)**	(2,009,298)
Other income		**535,255**	444
Operating profit / (loss)		**40,932,726**	(11,983,927)
Finance income	18	**19,269,237**	21,681,377
Financial charges	23	**(48,851,638)**	(33,900,467)
Profit / (loss) before Zakat		**11,350,325**	(24,203,017)
Zakat expense for the year	24	**(1,976,443)**	(175,397)
Profit / (loss) for the year		**9,373,882**	(24,378,414)
Earning / (loss) per share			
Basic and diluted earnings / (loss) per share	30	**0.33**	(0.86)

The accompanying notes (1) through (31) form an integral part of these financial statements.

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023
(EXPRESSED IN SAUDI RIYALS)

	Note	**2023**	2022
Profit / (loss) for the year		**9,373,882**	(24,378,414)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on re-measurements of defined benefit plans	15	**1,426,865**	3,178,848
Total comprehensive income / (loss) for year		**10,800,747**	(21,199,566)

The accompanying notes (1) through (31) 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 2023
(EXPRESSED IN SAUDI RIYALS)

	Share capital	**Statutory reserve**	**Retained earnings**	**Total**
Balance as at 1 January 2022	280,000,000	11,872,848	42,600,606	334,473,454
Total comprehensive loss for the year				
Loss for the year	-	-	(24,378,414)	(24,378,414)
Other comprehensive income for the year	-	-	3,178,848	3,178,848
Total comprehensive loss for year 2022	-	-	(21,199,566)	(21,199,566)
Balance as at 31 December 2022	280,000,000	11,872,848	21,401,040	313,273,888
Balance as at 1 January 2023	**280,000,000**	**11,872,848**	**21,401,040**	**313,273,888**
Total comprehensive income for the year				
Profit for the year	-	-	**9,373,882**	**9,373,882**
Other comprehensive income for the year	-	-	**1,426,865**	**1,426,865**
Total comprehensive income for year 2023	-	-	**10,800,747**	**10,800,747**
Balance as at 31 December 2023	**280,000,000**	**11,872,848**	**32,201,787**	**324,074,635**

The accompanying notes (1) through (31) 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 2023
(EXPRESSED IN SAUDI RIYALS)

	Note	2023	2022
Cash flows from operating activities			
Profit / (loss) for the year		**9,373,882**	(24,378,414)
Adjustments for:			
Depreciation on property, plant, and equipment	5	**20,693,915**	20,533,420
Depreciation on right-of-use assets	6	**880,557**	859,546
Employee's benefit charge for the year	15	**2,389,795**	2,941,649
Finance charges		**48,263,539**	33,326,333
Finance income	18	**(19,269,237)**	(21,681,377)
Financial charges on lease liability		**588,099**	574,134
Charge / (reversal) of impairment loss on due from related parties	18	**589,472**	(2,396,849)
Impairment charge on trade receivables	9	**2,262,227**	2,009,298
Gain on disposal of property, plant and equipment		**(24,478)**	-
Zakat expense	24	**1,976,443**	175,397
		67,724,214	11,963,137
Changes in working capital:			
Inventories		**38,238,400**	(168,170,535)
Prepayments and other assets		**(2,065,289)**	2,465,248
Due from related parties		**(261,021)**	(1,339,202)
Trade receivables		**(4,894,998)**	176,542,165
Trade and other payables		**(99,691,984)**	108,770,255
Due to related parties		**(1,817,096)**	152,713
Accrued expenses and other liabilities		**13,785,861**	(4,004,927)
Cash generated from operations		**11,018,087**	126,378,854
Interest and commission paid		**(40,063,447)**	(19,602,649)
Employee benefits paid	15	**(1,561,073)**	(1,501,144)
Zakat paid	24	**(2,612,268)**	(1,284,629)
Net cash (used) in / generated from operating activities		**(33,218,701)**	103,990,432
Cash flows used in investing activities			
Purchase of property, plant, and equipment	5	**(2,765,235)**	(2,091,592)
Disposal of property, plant, and equipment		**24,478**	-
Due from related parties – non trade		**41,414,083**	44,190,171
Net cash generated from investing activity		**38,673,326**	42,098,579
Cash flows used in financing activities			
Long term loan repaid during the year		**(63,203,837)**	(54,452,613)
Short term borrowing disbursed during the year		**572,286,575**	101,181,850
Short term borrowing repaid during the year		**(565,578,206)**	(159,355,184)
Principal payment of lease liabilities	25	**(669,069)**	(720,175)
Interest payment of lease liabilities	25	**(588,099)**	(574,134)
Movement in restricted cash		**59,156,179**	(87,237,511)
Net cash generated from / (used) in financing activities		**1,403,543**	(201,157,767)
Net increase / (decrease) in cash and cash equivalents		**6,858,168**	(55,068,756)
Cash and cash equivalents at the beginning of the year	10	**6,323,808**	61,392,564
Cash and cash equivalents at the end of the year	10	**13,181,976**	6,323,808
Non-cash transactions:			
SIDF transaction cost amortization		**312,990**	312,990

The accompanying notes (1) through (31) 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 11th March 2001) under commercial registration number 2050037927 as a Limited Liability Company with share capital of SR 30 million. The shareholders of the Company passed a resolution on 19th 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 1st February 2021) providing approval for conversion of legal status of the Company to a closed joint stock company and the change was reflected on the Company's commercial registration number 2050104647 and 2050037927. The Company submitted listing applications to Capital Market Authority ("CMA") and Saudi Stock Exchange in March 2021. The Company received approval for listing from Saudi Stock exchange on 26th May 2021, final approval from CMA was provided on 29th September 2021 and the Company became listed on Nomu Parallel market on 29th November 2021.

The authorized, issued and paid-up share capital of the Company as at 31 December 2023 and 31 December 2022 comprised of 28,000,000 shares of SR 10 per share. The principal activity of the Company is the production of spirally welded pipes. The Company's primary place of business is in the second industrial city, Dammam, Kingdom of Saudi Arabia.

As at 31 December 2023 and 31 December 2022, current liabilities exceeded current assets by SR 131 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.

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 26/6/1444H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the New Companies Law and will amend its Bye Laws for any changes to align the Bye Laws to the provisions of the Law. Consequently, the Company shall present the amended Bye Laws to the shareholders in their Annual General Assembly meeting for their ratification.

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 Method.

2.3 Functional and presentation currency

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The Company has adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of "material", rather than "significant", accounting policies. The amendments also provide guidance on the application of materiality to the disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

<u>Classification of financial assets</u>

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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)
Financial instruments (continued)
Financial assets (continued)

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.

c) 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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)
Financial instruments (continued)
Financial assets (continued)

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 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)
Financial instruments (continued)

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.

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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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).

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.

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 MATERIAL 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.

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.

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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

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.

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

A number of new standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

(a) ***Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants (Amendments to IAS 1)***
The amendments, as issued in 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenants. The amendments apply for annual reporting periods beginning on or after 1 January 2024. As disclosed in Note 13, the Company has secured loans that are subject to specific covenants. The Company is in the process of assessing the potential impact of the amendments on the classification of these liabilities and the related disclosures.

(b) Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
The amendments introduce new disclosures relating to supplier finance arrangements that assist users of the financial statements to assess the effects of these arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk. The amendments apply for annual periods beginning on or after 1 January 2024.

(c) Other standards
The following new and amended standards are not expected to have a significant impact on the Company's financial statements.
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).
- Lack of Exchangeability (Amendments to IAS 21).

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.

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
The Company is subject to Zakat 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 (CONTINUED)

Key sources of estimation uncertainty

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.

(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 2022	619,376,394	134,720,222	1,070,078	5,724,661	6,946,999	767,838,354
Additions	66,032	742,957	65,000	115,697	1,101,906	2,091,592
Transfer	4,171,359	2,206,493	-	19,930	(6,397,782)	-
Balance as at 31 December 2022	623,613,785	137,669,672	1,135,078	5,860,288	1,651,123	769,929,946
Additions	**316,261**	**135,670**	**326,000**	**183,849**	**1,803,455**	**2,765,235**
Transfer	**-**	**718,213**	**-**	**-**	**(718,213)**	**-**
Disposal	**-**	**-**	**(145,500)**	**-**	**-**	**(145,500)**
Balance as at 31 December 2023	**623,930,046**	**138,523,555**	**1,315,578**	**6,044,137**	**2,736,365**	**772,549,681**
Accumulated depreciation						
Balance as at 1 January 2022	174,778,754	24,002,142	866,547	4,847,953	-	204,495,396
Depreciation charge for the year	15,495,857	4,725,942	103,841	207,780	-	20,533,420
Balance as at 31 December 2022	190,274,611	28,728,084	970,388	5,055,733	-	225,028,816
Depreciation charge for the year	**15,629,887**	**4,724,289**	**116,535**	**223,204**	**-**	**20,693,915**
Disposal	**-**	**-**	**(145,500)**	**-**	**-**	**(145,500)**
Balance as at 31 December 2023	**205,904,498**	**33,452,373**	**941,423**	**5,278,937**	**-**	**245,577,231**
Carrying value as at						
31 December 2023	**418,025,548**	**105,071,182**	**374,155**	**765,200**	**2,736,365**	**526,972,450**
31 December 2022	433,339,174	108,941,588	164,690	804,555	1,651,123	544,901,130

(EXPRESSED IN SAUDI RIYALS)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Allocation of depreciation charge is as follows:

	2023	2022
Cost of revenue (note 20)	**20,500,392**	20,334,514
General and administrative expenses (note 22)	**180,491**	182,600
Selling and distribution expenses (note 21)	**13,032**	16,306
	20,693,915	20,533,420

Cost of fully depreciated assets as at 31 December 2023 amounted to SR 36.5 million (2022: SR 36.02 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 for a period to be mutually agreed.

As at 31 December 2023, 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 2024.

6. RIGHT-OF-USE ASSETS

The Company acquired the plot of land on lease from MODON, with lease term of 25 years and two vehicles, one of which is from a related party, Riyal Investment and Development Company, for average lease term of 3 years. The amount of Right of use asset is with respect to lease from a related party is SR 71,017 (2022: SR Nil). Further, the lease liability amounts to SR 72,062 (2022: SR Nil).

2023	**Land**	**Vehicle**	**Total**
Balance at 1 January	**8,706,210**	**-**	**8,706,210**
Additions to right-of-use assets	**-**	**271,013**	**271,013**
Depreciation charge for the year	**(835,428)**	**(45,129)**	**(880,557)**
Balance at 31 December	**7,870,782**	**225,884**	**8,096,666**
2022			
Balance at 1 January	9,553,748	12,008	9,565,756
Depreciation charge for the year	(847,538)	(12,008)	(859,546)
Balance at 31 December	8,706,210	-	8,706,210

7. INVENTORIES

	2023	2022
Finished goods	**175,727,405**	83,590,595
Raw materials	**39,293,804**	212,193,491
Spare and consumables	**17,281,668**	14,618,908
Goods in transit	**73,616,797**	33,755,080
	305,919,674	344,158,074
Less: Allowance for slow-moving and obsolete inventory	**(2,980,400)**	(2,980,400)
	302,939,274	341,177,674

(EXPRESSED IN SAUDI RIYALS)

8. PREPAYMENTS AND OTHER CURRENT ASSETS

	2023	2022
Advance to suppliers	**8,234,911**	5,962,849
Prepaid expenses	**1,973,930**	1,616,794
Employees receivables	**592,808**	719,010
Other receivables	**570,198**	1,007,905
	11,371,847	9,306,558

9. TRADE RECEIVABLES

	2023	2022
Trade receivables	**194,036,135**	189,141,137
Less: allowance for doubtful debts	**(9,184,705)**	(6,922,478)
	184,851,430	182,218,659

Movement in allowance for doubtful debts is as follows:

	2023	2022
Balance at beginning of the year	**6,922,478**	4,913,180
Impairment loss during the year	**2,262,227**	2,009,298
Balance at end of the year	**9,184,705**	6,922,478

The average credit period on sales of goods is from 60 to 90 days (2022: 60 to 90 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.

The aging analysis of these trade receivable are as follows:

	2023			
Ageing	**Weighted average loss rate**	**Gross carrying amount**	**Loss Allowance**	**Credit impaired**
0-90 days	**0.216%**	**176,069,151**	**270,598**	No
91-180 days	-	-	-	-
181-360 days	**0.048%**	**9,057,237**	**4,360**	Yes
More than 1 year	**100%**	**8,909,747**	**8,909,747**	Yes
		194,036,135	**9,184,705**	

	2022			
Ageing	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
0-90 days	0.117%	175,475,609	205,027	No
91-180 days	2.177%	4,755,780	103,549	Yes
181-360 days	45.318%	4,198,568	1,902,722	Yes
More than 1 year	100%	4,711,180	4,711,180	Yes
		189,141,137	6,922,478	

See note 27 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.

(EXPRESSED IN SAUDI RIYALS)

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:

	2023	2022
Cash in hand	**68,348**	109,385
Cash at banks	**41,293,831**	95,104,094
Restricted bank balance in escrow account (Note 10.1)	**(28,081,332)**	(87,237,511)
Cash and cash equivalents in the statement of financial position	**13,280,847**	7,975,968
Bank overdraft (note 13)	**(98,871)**	(1,652,160)
Cash and cash equivalents in the statement of cash flows	**13,181,976**	6,323,808

10.1 Restricted bank balance represents balance held in escrow bank account for specified purposes.

11. SHARE CAPITAL

The authorized, issued and fully paid share capital of the Company is divided into 28 million shares (2022: 28 million shares) of SR 10 each.

12. STATUTORY RESERVE

According to the latest update in the Regulations for Companies in the Kingdom of Saudi Arabia, the mandatory statutory reserve requirement has been abolished.

13. SHORT TERM BORROWINGS

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

	2023	2022
Short term loans	**596,747,917**	590,039,549
Bank overdraft (note 10)	**98,871**	1,652,160
	596,846,788	591,691,709

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.

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

(EXPRESSED IN SAUDI RIYALS)

14. LONG TERM LOANS

	2023	2022
Long term loans as at 1 January	**237,687,242**	292,139,855
Repayments during the year	**(63,203,837)**	(54,452,613)
Long term loans as at 31 December	**174,483,405**	237,687,242
Classified as:		
Current portion classified as current liabilities	**95,206,249**	82,940,248
Non-current portion classified as non-current liabilities	**79,277,156**	154,746,994
	174,483,405	237,687,242

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

	2023	2022
Loan 1	**77,565,432**	98,996,242
Loan 2	**77,000,000**	107,000,000
Loan 3	**19,917,973**	31,691,000
	174,483,405	237,687,242

	2023	2022
Opening balance	**106,321,857**	129,000,000
Repayment made during the year	**(29,321,857)**	(22,000,000)
	77,000,000	107,000,000
Less: SIDF loan evaluation fees	**(365,153)**	(678,143)
Closing balance	**76,634,847**	106,321,857

Loan 1
In 2016, the Company obtained a long-term loan from a local bank amounting to SR 176.03 million. The loan is repayable in 14 equal semi-annual instalments. The loan requires maintenance of certain conditions including financial ratios. As at 31 December 2023 and 31 December 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, accordingly long-term balance of this loan continues to be classified in accordance with the original terms of agreement.

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. The loan is repayable in 9 semi-annual instalments commencing March 2021. The loan requires maintenance of certain conditions including financial ratios. As at 31 December 2023 and 31 December 2022, 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 this loan continues to be classified as per the original repayment term.

(EXPRESSED IN SAUDI RIYALS)

14. LONG TERM LOANS (CONTINUED)

Loan 2 (continued)

The movement in loan appraisal fee is as follows:

	2023	2022
Opening balance	**678,143**	991,133
Amortization during the year	**(312,990)**	(312,990)
Closing balance	**365,153**	678,143

Loan 3

During 2020, the Company obtained a loan amounting to SR 63.96 million for some restructuring of its manufacturing facilities. As of 31 December 2023, the Company has repaid SR 43.86 million.

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

	2023	2022
2023	**-**	82,262,105
2024	**95,206,249**	75,074,248
2025	**42,888,226**	47,121,248
2026	**13,461,023**	22,148,248
2027	**22,927,907**	11,081,393
	174,483,405	237,687,242

15. EMPLOYEES' 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 2023 and 31 December 2022 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:

	2023	2022
Discount rate	**5%**	4.01%
Expected rate of salary increase	**2.50%**	2.50%
Mortality rates	**A 1949-52**	A 1949-52
Rates of employee turnover	**15% per annum**	15% per annum

Amounts recognized in income statement is as follows:

	2023	2022
Current service cost	**1,921,997**	2,491,973
Interest cost	**467,798**	449,676
	2,389,795	2,941,649

(EXPRESSED IN SAUDI RIYALS)

15. EMPLOYEES' BENEFITS (CONTINUED)

Amounts recognized in other comprehensive income is as follows:

	2023	2022
Actuarial gain from changes in financial assumptions	**(1,734,968)**	(1,448,668)
Experience adjustments	**308,103**	(1,730,180)
	(1,426,865)	(3,178,848)

Movement in the employee benefits is as follows:

	2023	2022
Balance at the beginning of the year	**17,449,270**	19,187,613
Current service	**1,921,997**	2,491,973
Interest cost	**467,798**	449,676
Payments during the year	**(1,561,073)**	(1,501,144)
Re-measurement gain on defined benefit plan	**(1,426,865)**	(3,178,848)
Balance at the end of the year	**16,851,127**	17,449,270

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:

	2023	2022
Increase		
Discount rate (+100 bps)	**15,575,570**	16,621,716
Salary (+100 bps)	**18,342,597**	18,334,343
Decrease		
Discount rate (-100 bps)	**18,319,715**	18,329,702
Salary (-100 bps)	**15,534,634**	16,602,598

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:

	2023	2022
2023	**-**	3,061,165
2024	**3,453,075**	2,761,143
2025	**2,643,542**	2,762,189
2026	**2,683,814**	2,918,211
2027 and onwards	**31,627,520**	29,234,366

The weighted average duration of the employees' defined benefits liability for the year 2023 is 5 years (2022: 5 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 2023 in respect of this plan was SR 2,096,556 (31 December 2022: SR 2,716,120).

16. TRADE AND OTHER PAYABLES

	2023	2022
Trade payables	**52,038,145**	169,648,569
Letter of credit payable	**21,816,645**	3,898,205
	73,854,790	173,546,774

17. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2023	2022
Contract liabilities	**39,991,394**	25,852,907
Accrued financial charges	**8,200,093**	13,723,684
Accruals for goods received	**1,407,915**	527,930
Accrued employees' related cost	**9,716,980**	1,151,874
Value added tax payable	**21,153,907**	17,490,883
Board remuneration	**1,187,418**	863,000
Others	**16,519**	77,994
	81,674,226	59,688,272

Contract liabilities of SR 39,991,394 (2022: SR 25,852,907) represents advance from customers, these advances are recognized as revenue when relevant performance obligations with respect to these advances are met. Customers are billed for invoices as per the terms of contract.

During the year ended 31 December 2023, an amount of SR 17,369,914 (2022: SR 9,919,352) was recognized as revenue and adjusted from advances.

18. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include shareholders, parent company, other related parties, directors, and key management personnel of the Company. Other related party are the companies that are members of the same group, i.e. Abdel Hadi Abdullah Al-Qahtani and Sons Co, i.e. under common control. The terms and conditions of such transactions are approved by the management.

Below is the list of the Company's related parties:

Name	Relationship
Abdullah Abdel Hadi Abdullah Al-Qahtani	Shareholder
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
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 Drag Reduction Additives	Other related party
Pipelines Flow Chemicals Company	Other related party
Saudi Arabian Overseas Services	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

(EXPRESSED IN SAUDI RIYALS)

18. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

	Transaction value for the year ended 31 December		**Balance outstanding as at 31 December**	
Due from related parties				
Nature of transactions	**2023**	2022	**2023**	2022
Transaction with other related parties				
Finance charges on outstanding receivables	**19,269,255**	21,681,377	**204,508,965**	226,653,811
Purchase of air tickets	**1,134,870**	1,616,899	**150,438**	-
Purchase of spare parts	**137,882**	101,073	**9,091**	78,411
Expenses paid by Company on behalf of other related parties	**160,521**		**2,616,198**	2,468,945
Purchase of heavy equipment	**58,908**	47,732	**79,055**	87,749
Purchase of vehicle insurance and payment made on behalf of related party	**66,154**	515,300	**41,344**	-
Others	**-**	-	**125,443**	125,443
			207,530,534	229,414,359
Provision on receivables from related parties			**(2,692,623)**	(2,103,151)
			204,837,911	227,311,208
Due from related parties – current			**(179,837,911)**	(227,311,208)
Due from related parties – non current			**25,000,000**	-
Due to related parties				
Transaction with Shareholders				
Revenue from sales of welding materials	**240,000**	37,386	**453,764**	1,618,279
Transaction with other related parties				
Lease rental related to vehicles (*)	**463,899**	517,829	**227,603**	690,272
Purchase of air tickets	**1,134,870**	1,616,899	**-**	352,467
Purchase of vehicle insurance and payment made on behalf of related party	**66,154**	515,300	**-**	24,809
Supply of man-power received	**444,698**	-	**102,638**	-
Others	-	-	**1,966,402**	1,881,676
			2,750,407	4,567,503

* The balance due to related party includes lease liability amounting to SR 72,062 (2022: SR Nil).

Key management personnels				
Short-term benefits	**1,648,788**	1,385,581	**123,750**	-
Board remuneration	**890,000**	863,000	**1,187,418**	863,000
End of service benefit	**101,875**	91,850	**67,555**	56,627
	2,640,663	2,340,431	**1,378,723**	919,627

The Company is entitled to 9% annual interest on the outstanding balances from Abdul Hadi Abdullah Al-Qahtani and Sons, 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 respective related parties to settle the due balance on or before 31 December 2021. During 2021, the Company signed an addendum to this agreement whereby extending the payment period till 31 December 2022. Further, during the year, the management signed an addendum to the agreement, whereby the payment period was extended till 31 December 2024 for majority of these outstanding balances. Management has also re-assessed the expected timing of receiving amounts due from certain related parties and based on management's assessment, an amount of SR 25 million (2022: SR nil) is expected to be collected after one year; therefore, these balances are classified as non-current.

An amount of SR 70 million was received from a related party subsequent to the year ended 31 December 2023. (Refer note 29).

(EXPRESSED IN SAUDI RIYALS)

18. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

During 2023, the Company has recognized charge for impairment on the amounts owed by related parties amounting to SR 588,759 (2022: reversal of SR 2.4 million). The amounts due to related parties are not subject to interest, are unsecured and do not have specific repayments dates. However, due to related parties balances are expected to be settled within twelve months from the end of the reporting period.

19. REVENUE

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

	2023	2022
Pipe sales	**441,177,211**	223,515,867
Scrap sales and others	**14,131,044**	7,024,601
	455,308,255	230,540,468

The Company has a single reportable segment:

19.1 Revenue from pipe sales represents 97.23% (2022: 96.95%) of the total revenue of the Company.

19.2 All sales are made locally and more than 30% (2022: 30%) of the revenue of the Company constitutes from two customers.

19.3 All non-current assets of the Company as at 31 December 2023 are located in Kingdom of Saudi Arabia.

During the year, the Company was awarded SWCC- Ras Al Khair project amounting to SR 3.04 billion and Saudi Aramco Master gas project amounting to SR 847 million. Production for Saudi Aramco started in January 2024.

20. COST OF REVENUE

	2023	2022
Materials cost	**317,309,931**	132,490,803
Factory overheads	**43,194,060**	32,504,366
Subcontractor costs	**-**	21,467,508
Depreciation on property, plant and equipment (note 5)	**20,500,392**	20,334,514
Depreciation on right of use asset (note 6)	**835,428**	847,538
Direct labor	**16,063,447**	20,716,945
	397,903,258	228,361,674

21. SELLING AND DISTRIBUTION EXPENSES

	2023	2022
Employees' salaries and related costs	**1,530,685**	1,284,139
Travelling expense	**87,175**	136,616
Depreciation on property, plant and equipment (note 5)	**13,032**	16,306
Others	**153,483**	624,713
	1,784,375	2,061,774

(EXPRESSED IN SAUDI RIYALS)

22. GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
Employees' salaries and related costs	**8,458,431**	8,058,206
Subscription, licenses & membership fee	**341,194**	301,527
Legal and professional charges	**310,181**	406,204
Depreciation on property, plant and equipment (note 5)	**180,491**	182,600
Maintenance	**54,208**	22,659
Board remuneration (note 17)	**872,418**	863,000
Bank charges	**1,465,385**	2,129,918
Depreciation on right of use asset (note 6)	**45,129**	12,008
Others	**644,015**	512,820
	12,371,452	12,488,942

23. FINANCIAL CHARGES

	2023	2022
Interest and commissions	**48,263,539**	33,326,333
Interest on lease liability (note 25)	**588,099**	574,134
	48,851,638	33,900,467

24. ZAKAT PROVISION

The principal elements of the Zakat base are as follows:

	2023	2022
Non-current assets	**560,069,116**	553,607,340
Non-current liabilities	**104,762,852**	181,328,489
Opening equity	**313,273,888**	334,473,454
Profit / (loss) before Zakat	**11,350,325**	(24,203,017)

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

The movement in Zakat is as follows:

	2023	2022
Balance as at 1 January	**1,038,138**	2,147,370
Charge for prior year	**1,574,130**	-
Charge for the year	**402,313**	175,397
Zakat paid during the year	**(2,612,268)**	(1,284,629)
Balance as at 31 December	**402,313**	1,038,138

The Company has submitted its Zakat returns up to the year ended 31 December 2022 and obtained required certificates which are valid till 30 April 2023. During 2020, the Company received an assessment order related to Zakat return of 2018 from ZATCA claiming an amount of SR 420,214 which the Company has paid in full. During 2021, the Company received an assessment order related to Zakat return of 2016 from ZATCA claiming an amount of SR 1,027,914, against which the Company has filed an appeal to the authority. The appeal was decided in the favour of the Company. The Company also received an assessment order related to Zakat return of 2017 from ZATCA claiming an amount of SR 3,442,450 against which the Company paid SR 1,574,130 and has filed an appeal for the remaining amount, the Company is expecting that the decision of the appeal will be in favour of the Company.

(EXPRESSED IN SAUDI RIYALS)

25. LEASE LIABILITY

The Company acquired the land on lease from MODON, average lease term of 20 to 25 years and two vehicles, one of which is from a related party, Riyal Investment and Development Company, for average lease term of 3 years. The lease liability with respect to lease from a related party amounts to SR 72,062 (2022: Nil).

2023	**Land**	**Vehicle**	**Total**
Balance at 1 January	**9,892,122**	**-**	**9,892,122**
Addition	**-**	**271,013**	**271,013**
Unwinding of interest	**579,123**	**8,976**	**588,099**
Payments during the year	**(1,207,068)**	**(50,100)**	**(1,257,168)**
Balance at the end of the year	**9,264,177**	**229,889**	**9,494,066**
Current			**859,497**
Non-current			**8,634,569**

2022	**Land**	**Vehicle**	**Total**
Balance at 1 January	10,599,563	12,734	10,612,297
Unwinding of interest	574,028	106	574,134
Payments during the year	(1,281,469)	(12,840)	(1,294,309)
Balance at the end of the year	9,892,122	-	9,892,122
Current			759,897
Non-current			9,132,225

Amounts recognized in the income statement

	2023	2022
Depreciation expense on right-of-use assets (Note 6)	**880,557**	859,546
Unwinding of interest	**588,099**	574,134
	1,468,656	1,433,680

Amounts recognized in the cash flow

	2023	2022
Principal payment of lease liabilities	**(669,069)**	(720,175)
Interest payment of lease liabilities	**(588,099)**	(574,134)

Maturity analysis:	**2023**	2022
Not later than one year	**859,497**	759,897
Later than 1 year and not later than 5 years	**8,634,569**	5,891,598
Later than 5 years	**-**	3,240,627
	9,494,066	9,892,122

26. CONTINGENCIES AND COMMITMENTS

	2023	2022
Letters of credit (LCs)	**13,343,525**	5,828,771
Letter of guarantee (LGs)	**179,873,810**	156,813,322

Letter of credit and letter of guarantee are issued in the normal course of business by the respective financial institutions on behalf of the Company to its suppliers and customers respectively. With respect to guarantees, keeping in perspective the nature of the business; management believes, that the possibility of any outflow by utilizing or en-cashing such LGs is remote.

27. 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:

	2023	2022
Profit / (loss) before zakat		
Increase by 50 basis points	**(3,904,121)**	(4,146,895)
Decrease by 50 basis points	**3,904,121**	4,146,895

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. As the Saudi Riyal is pegged to the US Dollars, the Company is not exposed to significant foreign currency risk.

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)

27. 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:

	2023	2022
Trade receivables	**184,851,430**	182,218,659
Other assets	**1,163,006**	1,726,916
Due from related parties	**204,837,911**	227,311,208
Cash at bank	**13,212,049**	7,874,971
Restricted cash at bank	**28,081,332**	87,237,511
	432,145,728	506,369,265

The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including accounts with banks. The Company ensures that the cash collection is made within the allowed credit period. Credit limits are established for all customers based on internal rating criteria. Outstanding trade receivables are regularly monitored, and any credit concerns highlighted to senior management. Cash and bank accounts are substantially placed with commercial banks with sound credit worthiness. There are no significant concentrations of credit risk, whether through exposure to individual customers or regions, other than the balances due from related parties.

The carrying amounts of due from related parties includes an amount of SR 152 million (2022: SR 179 million) from a related party which comprise 35.2% (2022: 35.4%) of the total balance outstanding. Management believes that this concentration of credit risk is mitigated as the related party has historically made payments. Further, subsequent to the year end, an amount of SR 70 million was also received from the related party for settling a part of the outstanding balance. (Refer note 29).

Impairment losses on financial assets recognised in profit or loss are as follows:

	2023	2022
Impairment loss on trade receivables	**2,262,227**	2,009,298
Charge / (reversal) of impairment on receivable from related parties	**589,472**	(2,396,849)
	2,851,699	(387,551)

Trade receivables and due from related parties

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry in which customers operates. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, their geographic location, industry, trading history with the Company and existence of previous financial difficulties.

(EXPRESSED IN SAUDI RIYALS)

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

At 31 December 2023, the exposure to credit risk for trade receivables, due from related parties and other financial assets by type of counterparty are as follows:

	2023	2022
Government customers	**146,498,213**	156,064,538
Contractors	**42,705,685**	31,100,253
Wholesale	**152,543,885**	179,049,468
Consumer goods	**18,059,858**	16,594,267
Packaging	**31,044,706**	28,448,257
Banks	**41,293,381**	95,112,482
	432,145,728	506,369,265

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.

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 2023					
Long term loans	**174,483,405**	**111,801,502**	**88,015,153**	**-**	**199,816,655**
Short term borrowings	**596,846,788**	**641,371,558**	**-**	**-**	**641,371,558**
Due to related parties	**2,750,407**	**2,750,407**	**-**	**-**	**2,750,407**
Trade and other payables	**73,854,790**	**73,854,790**	**-**	**-**	**73,854,790**
Lease liability	**9,494,066**	**859,497**	**12,250,866**	**-**	**13,110,363**
Accrued expenses and other liabilities	**20,528,925**	**20,528,925**	**-**	**-**	**20,528,925**
	877,958,381	**851,166,679**	**100,266,019**	**-**	**951,432,698**

(EXPRESSED IN SAUDI RIYALS)

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

c) Liquidity risk (continued)

		Contractual cash flows			
	Carrying value	Less than a year	1 to 5 years	Above 5 years	Total
31 December 2022					
Long term loans	237,687,242	110,040,730	180,432,515	-	290,473,245
Short term borrowings	591,691,709	636,305,263	-	-	636,305,263
Due to related parties	4,567,503	4,567,503	-	-	4,567,503
Trade and other payables	173,546,774	173,546,774	-	-	173,546,774
Lease liability	9,892,122	1,207,068	5,641,128	7,664,106	14,512,302
Accrued expenses and other liabilities	16,344,482	16,344,482	-	-	16,344,482
	1,033,729,832	942,011,820	186,073,643	7,664,106	1,135,749,569

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.

The Company monitors capital using a ratio of 'net debt' to 'equity'. Net debt is calculated as total liabilities less cash and cash equivalents.

The Company policy is to keep the ratio below 3.50. The Company's net debt to equity ratio as at 31 December were as follows:

	2023	2022
Total liabilities	**956,357,122**	1,095,561,030
Less: Cash and cash equivalents	**(13,280,847)**	(7,975,968)
Less: Restricted bank balance in escrow account	**(28,081,332)**	(87,237,511)
Net debt	**914,994,943**	1,000,347,551
Equity	**324,074,635**	313,273,888
Net debt to equity ratio	**2.82**	3.19

(EXPRESSED IN SAUDI RIYALS)

28. 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.

29. EVENT AFTER THE REPORTING PERIOD

Subsequent to year end, company has been awarded two projects from Saudi Aramco worth SAR 36.5 million and SR 34.5 million, respectively. Further, the Company has received SR 70 million from a related party as a consideration for settling balances due from related parties.

There are no other significant subsequent event occurred between 31 December 2023 and the date of approval of these financial statements, which may have material impact on these financial statements.

30. EARNINGS / (LOSS) 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.

	2023	2022
Profit / (loss) for the year	**9,373,882**	(24,378,414)
Weighted average number of shares	**28,000,000**	28,000,000
Basic and dilutive earnings / (loss) per share	**0.33**	(0.86)

31. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors of the Company on 7th Ramadan 1445H corresponding to 17th March 2024G.