ARABIAN PIPES COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023
AND INDEPENDENT AUDITOR'S REVIEW REPORT

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

Maham
Audit Zakat & Tax Advisory
مهام
تدقيق حسابات زكاة وضريبة استشارات

Independent auditor's review report on the interim condensed financial statements
To the shareholders of Arabian Pipes Company
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Arabian Pipes Company (A Saudi Joint Stock Company) ("the Company") as at 30 September 2023, and the interim condensed statement of profit or loss and the other comprehensive income for the three-month and nine-month periods ended 30 September 2023, and the interim condensed statements of changes in equity and cash flows for the nine-month period then ended, including a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

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

Conclusion

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

For Maham Company for Professional Services

شركة مهام للاستشارات المهنية
CR 2050240744
1
MAHAM Co. FOR PROFESSIONAL SERVICES

Abdulaziz Saud Al Shabeebi
Certified Public Accountant
License no. (339)

18 Rabi' al-Thani 1445H
2 November 2023

Maham Company for Professional Services (A single shareholder LLC)
Owned by Certified Public Accountant: Abdulaziz Saud AlShabeebi (License No. 339)
CR: 2050240744 Capital: S.R. 1,000,000
4292 King Fahd Bin Abdulaziz Road - Al-Khalidiyah
Ash Shamaliyah, Dammam 32232 - 6140, Kingdom of Saudi Arabia
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شركة مهام للاستشارات المهنية (شركة شخص واحد ذ م م)
مملوكة للمحاسب القانوني: عبدالعزيز سعود الشبيبي (ترخيص رقم ٣٣٩)
السجل التجاري: ٢٠٥٠٢٤٠٧٤٤ رأس المال: ١,٠٠٠,٠٠٠ ريال سعودي
٤٢٩٢ طريق الملك فهد بن عبدالعزيز - الخالدية الشمالية،
الدمام ٣٢٢٣٢-٦١٤٠، المملكة العربية السعودية
الهاتف الأرضي: ٩٦٦-١٣-٨٥٨-٩٠٠٠+ الموقع الإلكتروني: maham.com

Interim condensed Statement of Financial Position
As at 30 September 2023

	Note	**30 September 2023 (Unaudited) SR '000**	31 December 2022 (Audited) SR '000
Assets			
Non-current assets			
Property, plant and equipment	4	**322,127**	342,683
Intangible Assets		**3,887**	-
Right-of-use assets		**17,235**	18,555
Total non-current assets		**343,249**	361,238
Current assets			
Inventory	5	**210,592**	218,643
Trade receivables		**10,553**	100,289
Prepayments and other current assets	6	**20,417**	16,635
Cash and cash equivalents		**202,127**	77,705
Total current assets		**443,689**	413,272
Total assets		**786,938**	774,510
Equity and liabilities			
Equity			
Share capital	**7**	**100,000**	100,000
Statutory reserve		**3,119**	3,119
Other reserve		**(2,713)**	(2,713)
Retained earnings		**106,054**	14,638
Total Equity		**206,460**	115,044
Liabilities			
Non-current liabilities			
Lease liabilities		**16,803**	16,648
Long-term loans	8	**40,000**	55,000
Employees defined benefit liabilities		**22,485**	20,089
Total non-current liabilities		**79,288**	91,737
Current liabilities			
Current portion of leases liabilities		**352**	791
Short term loans and non-current portion of long-term loans	8	**308,635**	353,647
Trade and note payables	9	**130,148**	103,570
Accrued expenses and other current liabilities	10	**51,904**	106,079
Zakat provision	11	**10,151**	3,642
Total current liabilities		**501,190**	567,729
Total liabilities		**580,478**	659,466
Total shareholders' equity and liabilities		**786,938**	774,510

رئيس لجنة المراجعة　　　الرئيس التنفيذي　　　المدير المالي

The accompanying notes from 1 to 22 form an integral part of these interim condensed financial statements.

Interim condensed statement of profit or loss and other comprehensive income
For the three-month and nine-month periods ended 30 September 2023

	Note	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2023 (Unaudited) SR '000	2022 (Unaudited) SR '000	**2023 (Unaudited) SR '000**	2022 (Unaudited) SR '000
Revenue		**279,121**	175,424	**774,039**	305,757
Cost of revenue	12	**(211,571)**	(149,636)	**(618,105)**	(286,003)
Gross profit		**67,550**	25,788	**155,934**	19,754
Expenses					
Selling and marketing		**(3,223)**	(2,901)	**(11,104)**	(5,506)
General and administrative		**(8,973)**	(4,632)	**(25,905)**	(29,076)
(Provided for) reversal of slow-moving inventory provision	5	**(5,000)**	-	**(9,110)**	3,843
Total expenses		**(17,196)**	(7,533)	**(46,119)**	(30,739)
Profit (loss) from operations		**50,354**	18,255	**109,815**	(10,985)
Finance costs		**(6,169)**	(8,327)	**(17,318)**	(10,612)
Other income, net	13	**4,218**	15	**11,975**	14,144
Profit (loss) before zakat		**48,403**	9,943	**104,472**	(7,453)
Zakat	11	**(3,558)**	-	**(13,056)**	(70)
Net profit (loss) for the period		**44,845**	9,943	**91,416**	(7,523)
Total comprehensive income (loss) for the period		**44,845**	9,943	**91,416**	(7,523)
Earnings per share					
Basic and diluted earnings (loss) per share	14	**4.48**	0.99	**9.14**	(0.75)

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الرئيس التنفيذي

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The accompanying notes from 1 to 22 form an integral part of these interim condensed financial statements

Interim condensed statement of changes in equity
For the nine-month period ended 30 September 2023

	Share capital SR '000	Statutory reserve SR '000	Other reserves SR '000	Retained earnings (accumulated losses) SR '000	Total SR '000
As at 1 January 2023 (Audited)	100,000	3,119	(2,713)	14,638	115,044
Net profit for the period	-	-	-	91,416	91,416
Total comprehensive income for the period	-	-	-	91,416	91,416
As at 30 September 2023 (Unaudited)	**100,000**	**3,119**	**(2,713)**	**106,054**	**206,460**
As at 1 January 2022 (Audited)	400,000	120,000	(3,062)	(411,238)	105,700
Net loss for the period	-	-	-	(7,523)	(7,523)
Total comprehensive loss for the period	-	-	-	(7,523)	(7,523)
The effect of reducing the capital and the statutory reserve against the accumulated losses	(300,000)	(117,781)	-	417,781	-
As at 30 September 2022 (Unaudited)	100,000	2,219	(3,062)	(980)	98,177

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الرئيس التنفيذي

المدير المالي

The accompanying notes from 1 to 22 form an integral part of these interim condensed financial statements.

Arabian Pipes Company
(Saudi Joint Stock Company)

Interim condensed statement of cash flows
For the nine-month period ended 30 September 2023

	Note	For the nine-month period ended 30 September **2023** **(Unaudited)** **SR '000**	 2022 (Unaudited) SR '000
OPERATING ACTIVITIES			
Profit (loss) before Zakat		**104,472**	(7,453)
Adjustments for:			
Depreciation of property, plant, and equipment	4	**22,931**	22,690
Amortization of intangible assets		**219**	-
Depreciation of a right-of-use asset		**1,475**	1,338
Impairment loss of property, plant, and equipment	4	**649**	-
Finance cost		**17,318**	10,612
Provided for (reversal of) slow moving inventory provision	5	**9,110**	(3,843)
Employee defined benefit liabilities		**3,248**	2,374
		159,422	25,718
Change in operating assets and liabilities			
Inventory		**(1,059)**	(105,910)
Trade receivables		**89,736**	(106,240)
Prepayments and other current assets		**(6,545)**	(11,257)
Trade payables		**26,578**	120,043
Accrued expenses and other current liabilities		**(52,475)**	844
Cash from (used in) operations		**215,657**	(76,802)
Zakat Paid	11	**(6,547)**	(1,342)
Finance cost Paid		**(18,298)**	(4,177)
Employee defined benefit obligation paid		**(852)**	(577)
Net cash from (used in) operating activities		**189,960**	(82,898)
INVESTING ACTIVITIES			
Additions to property, plant, equipment and spare parts	4	**(7,130)**	(1,376)
Net cash used in investing activities		**(7,130)**	(1,376)
FINANCING ACTIVITIES			
Loans paid	8	**(565,760)**	(168,773)
Loans proceeds	8	**508,511**	263,147
Payment of lease liabilities		**(1,159)**	(1,114)
Net cash (used in) from financing activities		**(58,408)**	93,260
Net increase in cash and cash equivalents		**124,422**	8,986
Cash and cash equivalent at the beginning of the period		**77,705**	8,529
Cash and cash equivalents at end of the period		**202,127**	17,515
SIGNIFICANT NON-CASH TRANSACTIONS			
Transfer from property, plant, equipment to intangible assets		**(4,106)**	-

رئيس لجنة المراجعة   الرئيس التنفيذي   المدير المالي

The accompanying notes from 1 to 22 form an integral part of these interim condensed financial statements.

1 GENERAL INFORMATION

Arabian Pipes Company ("the Company") is a Saudi Joint Stock Company formed in accordance with the Companies Regulation and is registered in the Kingdom of Saudi Arabia ("KSA") under the Commercial Registration No. 1010085734 dated 14 Safar 1412H (corresponding to 25 August 1991).

The main activities of the Company are the production and marketing of longitudinally welded steel pipes for pipelines and for construction and commercial purposes, bending, shaping and threading pipes from the outside and inside, carrying out commercial business such as selling and buying pipes, their accessories, carrying out pipeline extension works, manufacturing pipes, hoses, plastic pipes, their connections and accessories, and manufacturing pipes, pipes and shapes hollow iron and steel.

The Company operates under industrial license (Riyadh plant) No. 434 dated 12 Thul-Qi'dah 1405H (corresponding to 30 July 1985) and amended by the industrial license No. 2196 dated 16 Rajab 1436H (corresponding to 5 May 2015) and industrial license for coating factory No. 479 dated 26 Safar 1436H (corresponding to 18 December 2014).

2 BASIS OF PREPARATION

2-1 Statement of compliance

These interim condensed financial statements have been prepared in accordance with International Accounting Standard "Interim Financial Report" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2022.

2-2 Basis of measurement

The interim condensed financial statements have been prepared on the historical cost basis, except for employee benefits liabilities that have been measured using projected unit credit method.

2-3 Functional and presentation currency

These interim condensed financial statements are presented in Saudi Riyals (SAR), which is the Company's functional and presentation currency. All values have been rounded to the nearest thousand Saudi riyals, unless otherwise stated.

2-4 Transactions and Balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognized in the profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate applicable at the date of the initial transactions.

2-5 Changes in significant accounting policies

The accounting policies applied in these interim condensed financial statements are the same policies applied to the Company's annual financial statements as at and for the year ended 31 December 2022.

The Company has applied for the first time the following standards and amendments, which are effective for annual periods beginning on or before 1 January 2023, and which do not have any impact on the Company's interim condensed financial statements:

2 BASIS OF PREPARATION (continued)

2-5 Changes in significant accounting policies (continued)

• Amendments are limited in scope to IAS 1, Practice Statement 2, and IAS 8.
• An amendment to IAS 12 - Deferred Tax relating to assets and liabilities arising from a single transaction.
• International Financial Reporting Standard 17, “Insurance Contracts,” as amended in December 2021.

2-6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The International Accounting Standards Board has issued the following accounting standards and amendments, which are applicable to annual periods beginning after 2023. The Company has elected not to early adopt these standards and pronouncements and they are not expected to have a material impact on the Company's interim condensed financial statements.

• Amendments to International Accounting Standard No. (1) - Classification of liabilities into current and non-current.
• Amendments to IFRS 10 and IAS 28. “Sale or contribution of assets between an investor and his associate or joint venture”.
• Amendment to IFRS 16, Sale and Leaseback Lease Liabilities.
• Amendments to IAS 1, Non-Current Liabilities with Commitments.

3 SIGNIFICANT ASSUMPTIONS AND ESTIMATES

In preparing these interim condensed financial statements, management has made estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and assumptions are continually evaluated. Revisions to estimates are recognized prospectively.

Satisfaction of performance obligations for revenue recognition
The company must evaluate each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue. The Company evaluated this based on the sale agreements it concluded with customers and the provisions of the relevant laws and regulations.

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 of the asset. The value in use calculation is based on Discounted Cash flow model (DCF). The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Employee-defined benefits liabilities
The present value of the employees' end of service benefits liabilities are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed annually.

Provision for slow moving inventory
The Company makes provision for slow moving inventory. These estimates take into account price fluctuations directly related to events that occurred after the date of the interim condensed statement of financial position.

3 SIGNIFICANT ASSUMPTIONS AND ESTIMATES (continued)

Provision for expected credit losses on trade receivables
The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type and customer type).

The provision matrix is initially based on the Company's historically observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in specific sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Estimated useful lives and residual values of property, plant and equipment
Any change in the estimated useful life or depreciation pattern is accounted for prospectively.

4 PROPERTY, PLANT AND EQUIPMENT

	30 September 2023 (Unaudited) SR '000	31 December 2022 (Audited) SR '000
Property, plant and equipment	**292,934**	316,380
Spare parts	**29,193**	26,303
	322,127	342,683

The estimated useful lives of assets for calculating depreciation are as follows:

Buildings	33 years or lease term, whichever is less	Furniture and fixtures	3-5 years
Machinery and equipment	10-25 years	Computers	3-5 years
Vehicles	5 years		

	Land SR '000	Buildings SR '000	Machinery and equipment SR '000	Vehicles SR '000	Furniture and fixtures SR '000	Computers SR '000	Capital works in progress SR '000	Total SR '000
Cost:								
At 1 January	5,676	90,661	725,860	1,948	2,913	5,579	9,822	842,459
Additions during the period	-	-	506	112	417	201	3,004	4,240
Transfer from/ to		-	6,799	-	-	-	(10,905)	(4,106)
Impairment loss		-	-	-	-	-	(649)	(649)
At 30 September	5,676	90,661	733,165	2,060	3,330	5,780	1,272	841,944
Accumulated depreciation								
At 1 January	-	46,579	469,854	1,719	2,716	5,211	-	526,079
Depreciation for the period	-	2,572	20,094	69	87	109	-	22,931
At 30 September	-	49,151	489,948	1,788	2,803	5,320	-	549,010
Net book value								
At 30 September 2023 (unaudited)	**5,676**	**41,510**	**243,217**	**272**	**527**	**460**	**1,272**	**292,934**

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land SR '000	Buildings SR '000	Machinery and equipment SR '000	Vehicles SR '000	Furniture and Fixtures SR '000	Computer SR '000	Capital works in Progress SR '000	Total SR '000
<u>Cost</u>:								
At 1 January 2022	5,676	90,661	724,691	1,948	2,901	5,509	9,523	840,909
Additions during the period	-	-	1,169	-	12	70	299	1,550
At 31 December 2022	5,676	90,661	725,860	1,948	2,913	5,579	9,822	842,459
Accumulated Depreciation:								
At 1 January 2022	-	43,405	442,863	1,633	2,599	5,035	-	495,535
Depreciation for the period	-	3,174	26,991	86	117	176	-	30,544
At 31 December 2022	-	46,579	469,854	1,719	2,716	5,211	-	526,079
Net book value:								
At 31 December 2022	5,676	44,082	256,006	229	197	368	9,822	316,380

• The Company's buildings in Riyadh and Jubail include buildings constructed on land leased from government authorities.
• Most of the Company property, plant and equipment are mortgaged to the Saudi Industrial Development Fund against the loan granted by the Fund (Note 8).
• Capital work in progress as at 30 September 2023, includes machinery and equipment with a book value of 1.27 million Saudi riyals (31 December 2022: 9.8 million Saudi riyals). Management expects these assets to be ready for use during 2023.

Depreciation has been charged within the interim condensed statement of profit and loss and other comprehensive income as follows:

	30 September 2023 (Unaudited) SR '000	30 September 2023 (Unaudited) SR '000
Cost of revenue (note 12)	**21,675**	21,583
General and administrative expenses	**1,256**	1,107
	22,931	22,690

5 INVENTORY

	30 September 2023 (Unaudited) SR '000	31 December 2022 (Audited) SR '000
Finished goods	**119,040**	76,474
Raw materials	**68,220**	89,750
Work in progress	**23,434**	45,887
Consumable materials	**19,650**	16,534
Scrap inventory	**4,378**	5,018
	234,722	233,663
Less: provision for slow moving inventories (note 5.1)	**(24,130)**	(15,020)
	210,592	218,643

5.1 The movement of provision for slow moving inventory is as follows:

	For the nine-month period ended 30 September 2023 (Unaudited) SR '000	For the year ended 31 December 2022 (Audited) SR '000
Balance at the beginning of the period / year	**15,020**	22,706
Write-off for provision of raw materials	**-**	(3,576)
Write-off for provision of work in process	**-**	(267)
Provided for (reversal) of provision for slow moving inventory	**9,110**	(3,843)
Balance at the end of the period / year	**24,130**	15,020

6 PREPAYMENTS AND OTHER CURRENT ASSETS

	30 September 2023 (Unaudited) SR '000	31 December 2022 (Audited) SR '000
Advances to suppliers	**12,126**	12,521
Prepaid expenses	**6,243**	2,146
Employees Advances	**968**	1,044
Margin on letter of guarantees	**638**	28
Other	**442**	896
	20,417	16,635

7 SHARE CAPITAL

The authorized, issued and paid capital of the Company consists of 10 million shares, the value of each share is 10 Saudi riyals (31 December 2022: 10 million shares, the value of each share is 10 Saudi riyals).

8 LOANS

Loans represent Murabaha financing obtained from the Saudi Industrial Development Fund and from local banks. These loans carry finance costs from banks.

	30 September 2023 (Unaudited) SR '000	31 December 2022 (Audited) SR '000
Current portion of term loans	**20,000**	23,000
Short term loans	**291,398**	331,667
Prepaid upfront fees	**(2,763)**	(1,020)
	308,635	353,647
Non-current portion of long term loans	**40,000**	55,000
	348,635	408,647

The loan movement is summarized as follows:

	For the nine-month period ended 30 September 2023 (Unaudited) SR '000	For the year ended 31 December 2022 (Audited) SR '000
At the beginning of the period/ year	**408,647**	305,364
Loans paid during the period/ year	**(565,760)**	(70,890)
Loans obtained during the period/ year	**508,511**	175,193
Prepaid upfront fees	**(2,763)**	(1,020)
At the end of the period/ year	**348,635**	408,647

The Company obtained a long-term loan from the Saudi Industrial Development Fund (the "Fund") to finance the construction of pipes production plant in Jubail. The loan is secured by pledge on the Company's plant buildings, machinery and equipment.

The Company obtained a short-term loan from the Ministry of Finance to finance its working capital requirements.

The Company obtained loans from local banks for the purpose of financing its working capital requirements. These bank facilities carry a financing cost at prevailing market rates.

The facilities agreements include covenants to maintain certain financial ratios, such as financial leverage ratio, total debt to equity ratio, and others. According to these facilities agreements, lenders are entitled to demand immediate repayment of loans in cases of non-fulfilment of these covenants. The Company was not in compliance with certain loan covenants, but has obtained waivers from the relevant banks before the testing period at year end, which exempted the Company from the covenant conditions in this period.

9 TRADE AND NOTE PAYABLES

	30 September 2023 (Unaudited) SR '000	31 December 2022 (Audited) SR '000
Trade payable	**87,650**	46,957
Notes payable	**42,498**	56,613
	130,148	103,570

10 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	30 September 2023 (Unaudited) SR '000	31 December 2022 (Audited) SR '000
Advances from customers	**19,063**	65,485
VAT payable	**2,076**	4,492
Accrued employee benefits	**4,120**	3,275
Accrued financial chargers	**9,589**	10,437
Accrued expenses	**2,720**	4,837
Other liabilities	**14,336**	17,553
	51,904	106,079

11 ZAKAT

11.1 Zakat provision movement

The movements in zakat provision was as follows:

	For the nine-month period ended 30 September 2023 (Unaudited) SR '000	For the year ended 31 December 2022 (Audited) SR '000
At the beginning of the period/year	**3,642**	4,284
Charged during the period/year	**2,920**	700
Charged during the period/year (related to prior years) – net	**10,136**	-
Payments during the period/year	**(6,547)**	(1,342)
At the end of the period/year	**10,151**	3,642

11.2 Zakat assessments

The Company has submitted its zakat returns to the Zakat, Tax, and Customs Authority ("ZATCA ") for all years up to 2022. The Company has finalized the zakat assessments with ZATCA for all years up to 2015. The Company has not received the zakat assessments for the years from 2019 to 2022.

During January 2023, the Company received the zakat assessment for the year 2016 from ZATCA, demanding the Company to pay an additional zakat amount of SR 3.8 million. The Company paid an amount of SR 1.1 million, representing the non-objectionable part of the total additional amount. Further, the Company submitted an appeal to ZATCA on the remaining amount of SR 2.7 million for which provision has been provided for the full amount.

During April 2023, the Company received the zakat assessment for the year 2017 from ZATCA, demanding the Company to pay an additional zakat amount of SR 6.8 million. The Company paid an amount of SR 4.1 million, representing the non-objectionable part of the total additional amount. Further, the Company submitted an appeal to ZATCA on the remaining amount of SR 2.7 million for which provision has been provided for the full amount. During September 2023 the decision of the Appeal Committee has found in support of the Company's position and the assessment was revised and reduced to SR 1.1 million. The Company is yet to settle the additional dues according to the appeal decision amounting to SR 1.1 million and the surplus was recognized in the interim condensed statement of profit and loss and other comprehensive income.

11 ZAKAT (continued)

11.2 Zakat assessments (continued)

During July 2023, the Company received the zakat assessment for the year 2018 from ZATCA, demanding the Company to pay an additional zakat amount of SR 4.47 million. The Company paid an amount of SR 1.02 million, representing the non-objectionable part of the total additional amount. Further, the Company submitted an appeal to ZATCA on the remaining amount of SR 3.45 million for which provision has been provided for the full amount.

12 COST OF REVENUE

	For the nine-month period ended	
	30 September 2023 (Unaudited) SR '000	30 September 2022 (Unaudited) SR '000
Raw materials	**564,131**	234,899
Depreciation of property, plant and equipment (note 4)	**21,675**	21,583
Salaries and wages	**17,702**	17,235
Utilities	**6,633**	3,028
Spare parts and maintenance	**2,952**	4,185
Depreciation of right to use assets	**1,340**	1,203
Others	**3,672**	3,870
	618,105	**286,003**

13 OTHER INCOME

	For the nine-month period ended	
	30 September 2023 (Unaudited) SR '000	30 September 2022 (Unaudited) SR '000
Scrap sales	**9,705**	2,806
Reversal of provision for value-added tax penalties (13-1)	**-**	8,660
Storage rental Income	**1,460**	-
Interest income from short-term Murabaha deposit	**1,459**	-
Other	**(649)**	2,678
	11,975	14,144

13-1 During the year 2021, the ZATCA demanded the Company to settle penalties of SR 8.66 million for not filing of value-added tax on within the required deadlines. Further, ZATCA announced the re-launch of an initiative to relief companies from financial penalties for value-added tax for all taxpayers for a period of six months, starting from 1 Jun 2022 to 30 November 2022. During the nine-month period ended on 30 September 2022, the Company obtained a relief from ZATCA for the full amount of financial penalties related to value-added tax.

14 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is the same as basic earnings per share since the Company has no diluted shares issued.

	For the nine-month period ended	
	30 September 2023 (unaudited)	30 September 2022 (unaudited)
Profit/(loss) from operations attributable to shareholders (SR '000)	**91,416**	(7,523)
Weighted average number of shares ('000)	**10,000**	10,000
Basic and diluted earnings (loss) per share	**9.14**	(0.75)

15 SEGMENT REPORTING

Operating segments

The Company's activities are limited to the steel pipe manufacturing and packaging sector, and therefore the segment reporting information is not presented in the accompanying interim condensed financial statements, Moreover, The majority of the Company's activities are conducted in the Kingdom of Saudi Arabia**.**

16 COMMITMENTS AND CONTINGENCIES

Contingencies

As at 30 September 2023, the Company has outstanding letters of guarantee for performance amounting to SR 32 million (31 December 2022: SR 10 million).

Capital commitments

As at 30 September 2023, the Company has entered into capital commitments of SAR 1.27 million (31 December 2022: SR 9.8 million) related to capital work in progress.

17 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 the inability to sell a financial asset quickly at an amount close to its fair value The Company manages its liquidity risk by ensuring that bank facilities are available. The Company's terms of sales require amounts to be paid 30 days from the date of sale. Accounts payable are normally settled within 90 days of the date of purchase. All the liabilities presented in the company's consolidated financial statements, except for the non-current portion of lease liabilities and employee benefit obligations, are contractually due for payment on demand.

The interim condensed financial statements as at 30 September 2023 indicates that the Company's current liabilities have exceeded its current assets by SR 57. 5 million (31 Dec 2022: SR 154.4 million). The Company has taken certain steps to manage the shortage in working capital requirements, as follows:

- The Company achieved a net profit of SAR 91.4 million for the nine-month period ended 30 September 2023 (30 September 2022: a net loss of 7.52 million Saudi riyals). The Company was also able to achieve positive cash flows from its operating activities and achieved SAR 189.9 million for the nine-month period ended 30 September 2023 (30 September 2022: negative cash flows in the amount of SAR 82.9 million). The management believes that the company will be able to achieve positive net profit and cash flows in the 12 months following the date of the interim condensed statement of financial position.

17 LIQUIDITY RISK (continued)

- The Company was able to settle all its outstanding loans on their original maturity date during the nine months of the year 2023, which amounted to SAR 565 million.

- The Company was able to renew all bank facilities, and although the Company did not comply with loan covenants in relation to maintaining certain financial ratios, it obtained waivers from the concerned banks before the end of the year, which will support the company's ability to use the available facilities after the date of interim condensed statement of financial position.

- The Company was able to obtain new supply contracts with Saudi Aramco, and the total value of the unexecuted contracts was SAR 1,319 million as at 30 September 2023.

- The Board of Directors has approved a strategic business plan for the Company for the five years (2023-2027). As per the plan, the Board of Directors expects to improve the Company's business results and performance indicators.

18 INTERIM RESULTS

The results of operations for the nine-month period ended 30 September 2023 are not necessarily indicative of the annual results of the Company's operations.

19 SUBSEQUENT EVENTS

The management is not aware of any significant subsequent events that would have a material impact on the interim condensed financial statements.

20 FAIR VALUE MEASUREMENT

Fair value is the value at which assets are exchanged or liabilities are settled between willing parties in an arm's length transaction. Financial instruments consist of financial assets and financial liabilities. Financial assets include trade receivables and cash and cash equivalents. Financial liabilities include loans, trade payable and lease liabilities.

The management has assessed that the fair value of cash and cash equivalents, trade receivables, loans, trade payable and lease liabilities approximates their carrying amounts. This is mainly due to the short-term maturity of these instruments.

During the period ended 30 September 2023 and 31 December 2022, there were no transfers between Level 1 and Level 2 of fair value measurement hierarchy, and there were no transfers to or from Level 3 of fair value measurement hierarchy.

a) Financial assets

	30 September 2023 (unaudited) SR '000	31 December 2022 (Audited) SR '000
Financial assets at amortized cost		
Cash and cash equivalents	**202,127**	77,705
Trade receivables	**10,553**	100,289
Total financial assets at amortized cost	**212,680**	177,994

20 FAIR VALUE MEASUREMENT (CONTINUED)

b) Financial liabilities

	30 September 2023 (unaudited) SR '000	31 December 2022 (Audited) SR '000
Financial liabilities at amortized cost		
Trade payables	**130,148**	103,570
Loans	**351,398**	409,667
Lease liabilities	**17,155**	17,439
Total financial liabilities at amortized cost	**499,721**	530,676
Total current financial liabilities	**442,918**	459,028
Total non-current financial liabilities	**56,803**	71,648
Total financial liabilities at amortized cost	**499,721**	530,676

21 RECLASSIFICATIONS OF COMPARATIVE INFORMAITON

the Company reassessed the presentations of certain items in the interim condensed financial statements to ensure that the proposed presentations were consistent with the requirements of IAS 1"Presentation of financial statements" as endorsed in the Kingdom of Saudi Arabia. Details of the reclassifications are given below:

a) During the period, management noticed that prepaid bank charges of SR 1 million were incorrectly included under prepaid expenses and other current assets, the prepaid bank charges as at 31 December 2022 were reclassified from prepaid expenses and other current assets into loans.

b) Management determined that the credit notes issued by a customer with a value of SR 9.5 million as at 31 December 2022 were offset with the balance due from that customer, as the Company did not have a legally enforceable right to set off or net settlement receivables with payables. The amount under trade receivables has been reclassified to accrued expenses and other current liabilities.

c) During the period, management noticed that scrap sales of SR 2.8 million for the nine month period ended 30 September 2022 were incorrectly included in revenue. Therefore, scrap sales were reclassified from revenue to other income.

d) During the period, management noticed that scrap inventory of SR 1.1 million as at 31 December 2022 had been incorrectly included under prepaid expenses and other current assets, the scrap inventory was reclassified from prepaid expenses and other current assets into inventory.

22 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved by the board of directors on 31 October 2023 (16 Rabi' al-Thani 1445H).