

ARABIAN PIPES COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE-MONTH PERIOD
ENDED 31 MARCH 2024
AND INDEPENDENT AUDITOR'S REVIEW REPORT

**ARABIAN PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH ENDED 31 MARCH 2024**

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**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 31 March 2024, and the interim condensed statements of profit or loss and the other comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended 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



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



11 Dhual-Qa'dah 1445H
19 May 2024

Arabian Pipes Company
(Saudi Joint Stock Company)

Interim condensed Statement of Financial Position
As at 31 March 2024

	Note	31 March 2024 (Unaudited) SR '000	31 December 2023 (Audited) SR '000
Assets			
Non-current assets			
Property, plant and equipment	4	291,480	297,787
Intangible Assets		3,606	3,954
Right-of-use assets		22,221	22,636
Total non-current assets		317,307	324,377
Current assets			
Inventory	5	290,755	269,811
Trade receivables		91,432	186,874
Contract assets	6	153,702	20,080
Prepayments and other current assets		15,225	12,490
Cash and cash equivalents		77,305	94,081
Total current assets		628,419	583,336
Total assets		945,726	907,713
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	7	100,000	100,000
Statutory reserve	7	15,430	15,430
Other reserve		(3,010)	(3,010)
Retained earnings		175,490	120,699
Total shareholders' equity		287,910	233,119
Liabilities			
Non-current liabilities			
Lease liabilities		23,415	23,125
Long-term loans	8	-	20,649
Government grants		-	122
Employees defined benefit liabilities		22,644	21,806
Total non-current liabilities		46,059	65,702
Current liabilities			
Lease liabilities - current portion		789	778
Bank facilities, short term loans and the current portion of term loan	8	444,592	424,417
Governmental grants - current portion		1,208	1,656
Trade and note payables	9	89,446	79,770
Accrued expenses and other current liabilities	10	64,875	92,089
Zakat provision	11	10,847	10,182
Total current liabilities		611,757	608,892
Total liabilities		657,816	674,594
Total shareholders' equity and liabilities		945,726	907,713



Chief Financial Officer



Chief Executive Officer



Audit Committee Chairman

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 profit or loss and other comprehensive income
For the three-month period ended 31 March 2024

	Note	For the three-month period ended 31 March	
		2024 (Unaudited) SR '000	2023 (Unaudited) (Restated - Note 19) SR '000
Revenue		308,747	214,682
Cost of revenue	13	(213,484)	(186,008)
Gross profit		95,263	28,674
Expenses			
Selling and marketing		(2,091)	(4,438)
General and administrative		(14,892)	(7,931)
Slow-moving inventory provision	5	(14,062)	(2,388)
Total expenses		(31,045)	(14,757)
Profit from operations		64,218	13,917
Finance charges		(8,807)	(6,620)
Other income, net	14	3,449	5,095
Profit before zakat		58,860	12,392
Zakat	11	(4,069)	(894)
Net profit for the period		54,791	11,498
Total comprehensive income for the period		54,791	11,498
Earnings per share			
Basic and diluted earnings per share from net profit for the period	15	5.48	1.15


Chief Financial Officer


Chief Executive Officer


Audit Committee Chairman

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Arabian Pipes Company
(Saudi Joint Stock Company)

Interim condensed statement of changes in equity
For the three-month period ended 31 March 2024

	Share capital SR '000	Statutory reserve SR '000	Other reserves SR '000	Retained earnings SR '000	Total SR '000
As at 1 January 2024 (Audited)	100,000	15,430	(3,010)	120,699	233,119
Net profit for the period	-	-	-	54,791	54,791
Total comprehensive income for the period	-	-	-	54,791	54,791
As at 31 March 2024 (Unaudited)	100,000	15,430	(3,010)	175,490	287,910
As at 31 December 2022 (previously disclosed)	100,000	3,119	(2,713)	14,638	115,044
Restatements (Note 19)	-	(900)	-	(12,833)	(13,733)
Balance as at 1 January 2023 (restated – note 19)	100,000	2,219	(2,713)	1,805	101,311
Net profit for the period (restated – note 19)	-	-	-	11,498	11,498
Total comprehensive income for the period (restated – note 19)	-	-	-	11,498	11,498
As at 31 March 2023 (Unaudited)	100,000	2,219	(2,713)	13,303	112,809


Chief Financial Officer


Chief Executive Officer


Audit Committee Chairman

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Arabian Pipes Company
(Saudi Joint Stock Company)

Interim condensed statement of cash flows
For the three-month period ended 31 March 2024

For the three-month period ended 31 March
2023

	2024 (Unaudited) SR '000	(Unaudited) (Restated – Note 19) SR '000
OPERATING ACTIVITIES		
Profit before Zakat	58,860	12,392
Adjustments for:		
Depreciation of property, plant, and equipment	8,944	7,945
Amortization of intangible assets	347	7
Depreciation of a right-of-use asset	415	418
Finance charges	9,090	6,832
Provided for slow-moving inventory provision	14,062	2,388
Provided for provision for expected credit losses	2,768	-
Governmental grants	(569)	(743)
Employee defined benefit liabilities	724	1,415
	94,641	30,654
Change in operating assets and liabilities:		
Inventory	(35,006)	17,416
Trade receivables	92,675	58,109
Prepayments and other current assets	(5,055)	(9,672)
Contract assets	(133,621)	15,198
Trade and note payables	9,675	18,833
Accrued expenses and other current liabilities	(27,206)	(7,635)
Cash (used in) from operations	(3,897)	122,903
Zakat paid	(3,404)	(1,087)
Finance charges paid	(7,532)	(4,061)
Employee defined benefit obligation paid	(171)	(49)
Net cash (used in) from operating activities	(15,004)	117,706
INVESTING ACTIVITY		
Additions to property, plant, equipment	(2,637)	(3,598)
Net cash used in investing activity	(2,637)	(3,598)
FINANCING ACTIVITIES		
Loans paid	(282,219)	(183,421)
Loans proceeds	283,084	129,958
Net cash from (used in) financing activities	865	(53,463)
Net change in cash and cash equivalents	(16,776)	60,645
Cash and cash equivalent at the beginning of the period	94,081	77,705
Cash and cash equivalents at end of the period	77,305	138,350


Chief Financial Officer


Chief Executive Officer


Audit Committee Chairman

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, bended, 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. 2195 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).

These financial statements include the following branch of the company:

No	Name in branch register	Branch Registration No.	Region	Date
1	Arabian Pipes Company	2055007048	Al-Jubail	21 Rabi’ al-Thani 1426H (Corresponding to: 29 May 2005)

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 2023.

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 BASIS OF PREPARATION (continued)

2-5 Changes in material 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 2023.

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 2024, and which do not have any impact on the Company's interim condensed financial statements:

- Amendments to IAS 1, classification of liabilities into current and non-current.
- An amendment to IFRS 16, Sale and Leaseback Lease Liabilities.
- Disclosures: Amendments to IAS 7 and IFRS 7- Supplier Financing Arrangements

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

IFRS 15 requires management to make judgments about the timing of meeting performance obligations under contracts with customers, which has a material impact on the Company's net income. Accordingly, the Company must evaluate all of its contracts with customers to determine whether performance obligations are being met over a period of time or at a point in time in order to determine the appropriate method for recognizing revenues. For all performance obligations under the contract, the Company determines whether the performance obligation has been fulfilled over time, i.e. transferring control of the service to the customer over time. If a performance obligation is not met over time, the Company then recognizes revenue at a point in time at which control of the service is transferred to the customer. The factors the Company considers in evaluating whether performance obligations have been satisfied at a point in time include evaluating whether (1) the Company has a present right to payment for services, (2) the Company has performed the services, and (3) the Company has accepted Services that the company implemented for the client.

Impairment of non-financial assets

A decrease in value occurs when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which represents the higher of fair value less costs of disposal and present value. Fair value less costs of disposal is calculated based on available data from binding sales transactions, which are conducted at arm's length for similar assets or observable market prices less incremental costs to sell the asset. Present value is determined using the discounted cash flow method. Cash flows are estimated based on a five-year forecasted budget and do not include restructuring activities not yet committed to by the company or significant future investments that would enhance the performance of the cash-generating unit subject to impairment testing. The recoverable amount is influenced by the discount rate used in the discounted cash flow method as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Impairment of Inventory

The inventory is shown at cost or market value, whichever is lower. When inventory becomes obsolete or slow-moving, an estimation of its market value is made. For each significant amount individually, this estimation is done for each amount separately. As for insignificant amounts individually but considered obsolete or slow-moving, they are collectively estimated, and a provision is made for slow-moving inventory by type and age or degree of obsolescence based on historical sales prices. These estimates take into account price fluctuations directly related to events occurring after the interim condensed financial position date.

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

The useful life of each item of the company's property, plant and equipment and intangible assets is estimated based on the number of years during which the asset is expected to be available for use. This estimate is based on a collective evaluation of similar business practices, internal technical evaluation, and previous experience with similar assets. At each reporting date, the estimated useful life of property, plant and equipment and intangible assets is reviewed and updated if expectations differ from previous estimates as a result of normal depreciation and amortization of the asset, technical or commercial and technical obsolescence, legal restrictions or other restrictions on the use of the asset. However, it is possible that future results of operations could be materially affected by changes in estimates resulting from changes in the factors mentioned above. The amounts and timing of expenses recorded for any period may be affected by changes in these factors and circumstances.

Any change in the estimated useful life or depreciation pattern is accounted for prospectively.

4 PROPERTY, PLANT AND EQUIPMENT

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

Buildings	33 years or lease term, whichever is less	Furniture and fixtures	3.33-5 years
Machinery and equipment	10-25 years	Computers	3.33-5 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 2024 (Audited)	5,676	91,391	751,411	2,060	3,432	3,019	-	856,989
Additions	-	-	2,252	277	63	45	-	2,637
At 31 March 2024 (Unaudited)	<u>5,676</u>	<u>91,391</u>	<u>753,663</u>	<u>2,337</u>	<u>3,495</u>	<u>3,064</u>	<u>-</u>	<u>859,626</u>
Accumulated depreciation								
At 1 January 2024 (Audited)	-	50,023	501,823	1,816	2,846	2,694	-	559,202
charged for the period	-	897	7,919	45	48	35	-	8,944
At 31 March 2024 (Unaudited)	<u>-</u>	<u>50,920</u>	<u>509,742</u>	<u>1,861</u>	<u>2,894</u>	<u>2,729</u>	<u>-</u>	<u>568,146</u>
Net book value:								
At 31 March 2024 (unaudited)	<u>5,676</u>	<u>40,471</u>	<u>243,921</u>	<u>476</u>	<u>601</u>	<u>335</u>	<u>-</u>	<u>291,480</u>

- 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.
- Capital work in progress as at 31 December 2023 includes machinery and equipment and software with a book value of 8.5 million Saudi riyals. All these assets were transferred when they became ready for their intended purpose to property, machinery and equipment, as well as software (within intangible assets), during the last quarter of 2023.

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	Computers SR '000	Capital works in progress SR '000	Total 2023 SR '000
Cost:								
At 1 January 2023	5,676	90,662	736,863	1,948	2,913	2,873	8,491	849,426
Additions	-	137	8,544	112	480	151	3,157	12,581
Transferred to Property, plant, equipment, and intangible assets	-	592	6,799	-	39	-	(11,610)	(4,180)
Disposals	-	-	(795)	-	-	(5)	(38)	(838)
At 31 December 2023	<u>5,676</u>	<u>91,391</u>	<u>751,411</u>	<u>2,060</u>	<u>3,432</u>	<u>3,019</u>	<u>-</u>	<u>856,989</u>
Accumulated depreciation								
At 1 January 2023	-	46,578	474,030	1,719	2,716	2,572	-	527,615
Charger for the year	-	3,445	28,588	97	130	123	-	32,383
Disposals	-	-	(795)	-	-	(1)	-	(796)
At 31 December 2023	<u>-</u>	<u>50,023</u>	<u>501,823</u>	<u>1,816</u>	<u>2,846</u>	<u>2,694</u>	<u>-</u>	<u>559,202</u>
Net book value								
At 31 December 2023	<u>5,676</u>	<u>41,368</u>	<u>249,588</u>	<u>244</u>	<u>586</u>	<u>325</u>	<u>-</u>	<u>297,787</u>

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

	For the three-month period ended 31 March 2024 (Unaudited) SR '000	31 March 2023 (Unaudited) SR '000
Cost of revenue (note 14)	<u>8,563</u>	7,653
General and administrative expenses	<u>379</u>	292
Selling and marketing	<u>2</u>	-
	<u>8,944</u>	<u>7,945</u>

5 INVENTORIES

	31 March 2024 (Unaudited) SR '000	31 December 2023 (Audited) SR '000
Raw materials	102,120	118,434
Finished goods	113,668	74,996
Work in progress	21,409	40,370
Consumable materials and spare parts	39,915	38,785
Goods in transit	55,426	26,497
Scrap inventory	5,994	4,444
	338,532	303,526
Less: provision for slow moving inventories (note 5.1)	(47,777)	(33,715)
	290,755	269,811

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

	For the three-month period ended 31 March 2024 (Unaudited) SR '000	For the year ended 31 December 2023 (Audited) SR '000
Balance at the beginning of the period / year	33,715	24,165
Provided for during the period / year	14,062	9,550
Balance at the end of the period / year	47,777	33,715

6 CONTRACT ASSETS

Contract assets primarily relates to the Company's right to payment for performance completed to date in respect of completed steel pipe manufacturing contracts (for which revenue is recognized over time) but not invoiced at the reporting date. These amounts will be transferred to trade receivable when invoiced to customers. An amount of SR 84 million, were invoiced subsequent to the date of statement of financial position and are not subject to insignificant risk of impairment.

The movement in the contract assets account was as follows:

	For the three-month period ended 31 March 2024 (Unaudited) SR '000	For the year ended 31 December 2023 (Audited) SR '000
Balance at the beginning of the period / year	20,080	25,627
Invoices issued during the period / year	(20,080)	(25,627)
Revenues recognized during the period / year	153,702	20,080
At the end of the period / year	153,702	20,080

7 SHARE CAPITAL AND STATUTORY RESERVE

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 2023: 10 million shares, the value of each share is 10 Saudi riyals).

During the year ended 31 December 2022, the Company obtained its shareholders approval through Extra Ordinary General Assembly meeting dated 20 February 2022, to restructure its capital by absorbing accumulated losses of SR 300 million through reducing its share capital from SR 400 million to SR 100 million.

On 24 Rabi' al-Thani 1445 H (corresponding to 8 November 2023), the Board of Directors recommended to increase the capital from SR 100 million to SR 150 million by capitalizing a portion of it is retained earnings. This recommendation will be subject to the approval of the Company's Extraordinary General Assembly at its upcoming meeting.

STATUTORY RESERVE

The new Companies Law, issued by Royal Decree M/132 on 30 June 2022, came into effect on 19 January 2023. This law replaces the Companies Regulations issued in 1437H. Any conflicting provisions will be overridden. Existing companies must adjust their status in accordance with the new law within two years from its effective date. Additionally, after updating their bylaws to comply with the new regulations, companies will need to decide whether to retain the balance of the statutory reserve as a general reserve or return it to retained earnings.

8 LOANS AND BANK FACILITIES

The Company obtained bank facilities from several local banks and a short-term loan from the Ministry of Finance. The balance of the bank facilities as of 31 March 2024 amounted to SR 399 million (31 December 2023: SR 393 million). It represents in letters of guarantee and credit, and short-term bank facilities to cover the Company's working capital requirements. The facilities carry a financial charge according to prevailing market prices. These facilities are secured by promissory notes. The facilities agreements include covenants to maintain certain financial ratios, such as financial leverage ratio, and others. According to these facilities agreements, lenders are entitled to demand immediate repayment of loans in cases of non-compliance of these covenants. The company was not in compliance with certain covenants of short-term facilities as of 31 March 2024.

In 2005, the Company obtained a loan from the Saudi Industrial Development Fund ("the Fund") for the purpose of financing the production of welded steel pipes and for the purpose of replacing and old plant machinery and equipment for a total amount of SR 236.5 million. The loan balance as of 31 March 2024 amounted to SR 48 million (2023: SR 49 million) to be paid in semi-annual installments ended on 15 Shaaban 1446 H (corresponding to 14 February 2025). The facilities agreements include covenants to maintain certain financial ratios, such as financial leverage ratio, and others. In accordance with this agreement, the Fund has the right to demand immediate repayment of the loan in cases of non-compliance of these covenants. The Company was in compliance with loan covenants as of 31 March 2024.

	31 March 2024 (Unaudited) SR '000	31 December 2023 (Audited) SR '000
Bank facilities and short-term loans	399,852	392,988
Term loans- current portion	49,286	33,653
Prepaid upfront fees	(4,546)	(2,224)
	444,592	424,417
Non-current portion of long-term loans	-	20,649
	444,592	445,066

8 LOANS AND BANK FACILITIES (CONTINUED)

The loan movement is summarized as follows:

	For the three-month period ended 31 March 2024 (Unaudited) SR '000	For the year ended 31 December 2023 (Audited) SR '000
At the beginning of the period/ year	447,290	405,705
Loans paid	(282,219)	(774,756)
Loans received	283,084	811,134
Financial charges on term loans	983	5,207
	<u>449,138</u>	<u>447,290</u>
Prepaid upfront fees	(4,546)	(2,224)
At the end of the period/ year	<u>444,592</u>	<u>445,066</u>

9 TRADE AND NOTE PAYABLES

	31 March 2024 (Unaudited) SR '000	31 December 2023 (Audited) SR '000
Trade payable	81,028	45,723
Notes payable	8,418	34,047
	<u>89,446</u>	<u>79,770</u>

Notes payable bear financial charges at an annual commission rate in accordance with prevailing market prices.

10 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	31 March 2024 (Unaudited) SR '000	31 December 2023 (Audited) SR '000
Advances from customers	18,669	38,461
Value added tax	4,128	11,599
Accrued employee benefits	11,650	11,474
Accrued financial chargers	10,161	10,170
Accrued expenses	2,652	2,666
Other liabilities	17,615	17,719
	<u>64,875</u>	<u>92,089</u>

11 ZAKAT

The net zakat charge for the period ended on 31 March 2024 amounted to 4.1 million Saudi riyals (2023: 14.1 million Saudi riyals).

11.1 Zakat provision movement

The movements in zakat provision were as follows:

	For the three-month period ended 31 March 2024 (Unaudited) SR '000	For the year ended 31 December 2023 (Audited) SR '000
At the beginning of the period/year	10,182	3,642
Current period/year provision	1,209	4,015
Charged during the period/year (related to prior years) – net	2,860	10,136
Payment during the period/year	(3,404)	(7,611)
At the end of the period/year	10,847	10,182

11.2 Zakat assessments

The Company has submitted its zakat returns to the Zakat, Tax, and Customs Authority ("ZATCA ") for all years up to 2023. The Company has finalized the zakat assessments with ZATCA for all years up to 2018. The Company has not received the zakat assessments for the years from 2021 to 2023.

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 2024 the decision of the Appeal Committee was issued in the favor of the Company and the assessment was revised and reduced to SR 2.35 million. The Company settled the additional dues according to the appeal decision and the surplus was recognized in the interim condensed statement of profit and loss and other comprehensive income.

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 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 3.47 million for which provision has been provided for the full amount. During 2024 the decision of the Appeal Committee was issued in the favor of the Company and the assessment was revised and reduced to SR 1.05 million. The Company settled the additional dues according to the appeal decision and the surplus was recognized in the interim condensed statement of profit and loss and other comprehensive income.

During March 2024, the Company received the zakat assessment for the year 2019 and 2020 from ZATCA, demanding the company to pay an additional zakat amount of SR 5.63 million Saudi riyals. The Company still in process to study these assessments and will submit an objection to ZATCA on these assessments within the identified timeline, provision has been provided for the full amount.

12 RELATED PARTIES TRANSACTIONS AND THEIR BALANCES

Top management employees are defined as people who have the authority and responsibility to plan, direct and control the Company's activities (directly or indirectly).

Transactions with related parties include salaries, bonuses and allowances of board of directors' members and senior executives that took place during the year between the Company and top management. Transactions with related parties were as follows:

Related parties	Nature of the transaction	For the three-month period ended	
		31 March 2024 (Unaudited) SR '000	31 March 2023 (Unaudited) SR '000
Members of the Board of Directors and other committees	Bonuses and allowances	432	397
Senior executives	Short-term salaries and bonuses	1,600	1,548
	Employees defined benefit liabilities	128	136
		<u>2,160</u>	<u>2,081</u>

13 COST OF REVENUE

	For the three-month period ended	
	31 March 2024 (Unaudited) SR '000	31 March 2023 (Unaudited) (Restated - Note 19) SR '000
Raw materials	194,351	170,408
Depreciation of property, plant and equipment	8,563	7,653
Salaries, wages and related benefits	6,358	4,949
Spare parts and maintenance	2,353	1,217
Utilities	1,306	929
Depreciation of right to use assets	348	350
Others	205	502
	<u>213,484</u>	<u>186,008</u>

14 OTHER INCOME

	For the three-month period ended	
	31 March 2024 (Unaudited) SR '000	31 March 2023 (Unaudited) SR '000
Scrap sales	2,406	3,248
Financing revenues from Governmental grants	569	743
Financing income from short-term Murabaha other	191	483
	283	621
	<u>3,449</u>	<u>5,095</u>

15 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 three-month period ended	
	31 March 2024 (unaudited) SR '000	31 March 2023 (unaudited) SR '000
Profit from operations attributable to shareholders (SR '000)	54,791	11,498
Weighted average number of shares ('000)	10,000	10,000
Basic and diluted earnings per share	5.48	1.15

16 SEGMENT INFORMATION

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

The Company's activities are limited to manufacturing and packaging sector. The Company analyzes the financial information of its operations as a whole. Accordingly, segmental analysis of the statement profit or loss and other comprehensive income and statement of financial position is not presented. The Chief Operating Decision Maker (CODM) considers the Company to be a single operating segment based on the nature of its operations and products as all of the Company's operations relate to one operating sector, and most of the Company's activities are concentrated in the Kingdom of Saudi Arabia. All of the Company's assets and liabilities are concentrated within the Kingdom of Saudi Arabia.

17 COMMITMENTS AND CONTINGENCIES

Contingencies

As at 31 March 2024, the Company has outstanding letters of credit amounting to SR 197.7 million (31 December 2023: SR 196 million).

Capital commitments

As at 31 March 2024, the Company have approved future capital expenditures amounting to SAR nil (31 December 2023: SR 8.5 million) related to capital work in progress.

The Company's banks have issued letter of guarantees with a maximum limit of SR 34.1 million (31 December 2023: SR 104.8 million)

18 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 and contract assets. Financial liabilities include loans, trade payable and note payables and accrued expenses and other current liabilities and lease liabilities.

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

18 FAIR VALUE MEASUREMENT (continued)

During the period ended 31 March 2024 and 31 December 2023, 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

	31 March 2024 (unaudited) SR '000	31 December 2023 (Audited) SR '000
Financial assets at amortized cost		
Cash and cash equivalents	77,305	94,081
Trade receivables	112,255	204,929
Contract assets	153,702	20,080
Total financial assets at amortized cost	<u>343,262</u>	<u>319,090</u>

b) financial liabilities

	31 March 2024 (unaudited) SR '000	31 December 2023 (Audited) SR '000
Financial liabilities at amortized cost		
Trade and note payable	89,446	79,770
Bank facilities and term loan	444,592	445,066
Accrued expenses and other current liabilities	64,875	92,089
Lease liabilities	24,204	23,903
Total financial liabilities at amortized cost	<u>623,117</u>	<u>640,828</u>
Total current financial liabilities	599,702	597,054
Total non-current financial liabilities	<u>23,415</u>	<u>43,774</u>
Total financial liabilities at amortized cost	<u>623,117</u>	<u>640,828</u>

19 RESTATEMENTS AND RECLASSIFICATIONS

During the current period, management identified a number of errors in accordance with the requirements of International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors" endorsed in the Kingdom of Saudi Arabia. Correction of the errors mentioned below led to retrospective adjustments to the comparative figures as of 31 March 2023 and 31 December 2022. This is in addition to some reclassifications.

19 RESTATEMENTS AND RECLASSIFICATIONS (continued)

The following table presents the impact on the profit and loss and other comprehensive income for the three-month period ended 31 March 2023:

	Note	Previously reported SR '000	Restatements SR '000	Reclassifica- tions SR '000	Restated balance SR '000
Revenue	a	229,880	(15,198)	-	214,682
Cost of revenue	a,d,e, f	(202,405)	16,109	288	(186,008)
Gross profit		27,475	911	288	28,674
Expenses					
Selling and marketing	f	(4,413)	-	(25)	(4,438)
General and administrative	f	(7,668)	-	(263)	(7,931)
Provision of slow-moving inventory	c	-	(2,388)	-	(2,388)
Total expenses		(12,081)	(2,388)	(288)	(14,757)
Profit from operations		15,394	(1,477)	-	13,917
Financial charges	b,d	(5,548)	(1,072)	-	(6,620)
Other income, net	b	4,352	744	-	5,095
Profit before zakat		14,198	(1,805)	-	12,392
Zakat		(894)	-	-	(894)
Net profit for the period		13,304	(1,805)	-	11,498
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		13,304	(1,805)	-	11,498
Earnings per share:					
Basic and diluted earnings per share from net profit for the period	a,b,c,d	1.33	(0.18)	-	1.15

19 RESTATEMENTS AND RECLASSIFICATIONS(CONTINUED)

The following table shows the impact on the statement of cash flows for the three-month period ended 31 March 2023:

	Note	Previously reported SR '000	Restatements SR '000	Restated amount SR '000
Net cash from (used in)				
Operating activities		121,129	(3,423)	117,706
Investment activities	a,b,c,d,	(2,960)	(638)	(3,598)
Financing activities	e	(57,524)	4,061	(53,463)
Cash and cash equivalents at the beginning of the period		77,705	-	77,705
Cash and cash equivalents at the end of the period		138,350	-	138,350

The following table shows the impact on the statement of change in shareholders equity for the three month period ended 31 March 2023:

	Share capital SR '000	Statutory reserve SR '000	Reserve for remeasurement of employees defined benefit liabilities SR '000	Retained earnings SR '000	Total SR '000
As at 1 January 2023					
Previously reported	100,000	3,119	(2,713)	14,638	115,044
Restatements (a, b, c, d, e,g)	-	(900)	-	(12,833)	(13,733)
Restated balance	100,000	2,219	(2,713)	1,805	101,311

RESTATEMENTS AND RECLASSIFICATIONS:

a) IFRS 15 “Revenue from Contracts with Customers”

During the year ended 31 December 2023, a review of revenue recognition from contracts with customers was completed by management and an external consultant. The review included an evaluation of the extent of compliance of these method with International Financial Reporting Standard (15): revenue from contracts with customers endorsed in the Kingdom of Saudi Arabia. Accordingly, the revenue recognition method was recalculated in accordance with the requirements of International Financial Reporting Standard (15): revenue from contracts with customers endorsed in the Kingdom of Saudi Arabia. It turns out that there are certain contracts that require revenues to be recognized over time and not at a point in time according to the previously followed method. These restatements resulted in a decrease in revenues and cost of revenues in the amount of SR 15.2 million and SR 16.34 million, respectively for the three-month period ended 31 March 2023.

19 RESTATEMENTS AND RECLASSIFICATIONS(CONTINUED)

b) **IAS 20 “Accounting for Governmental grants and Disclosure of Government assistance”:**

The Company obtained a loan from the Saudi Industrial Development Fund for the purpose of producing welded steel pipes and for the purpose of replacing and renewing Plant machinery and equipment. The Company have not previously accounted for the loan in accordance with the requirements of International Accounting Standard (20), which stipulated that the benefit of a governmental loan at a below-market rate of interest is treated as a government grant. The loan shall be recognized and measured in accordance with IFRS 9 Financial Instruments. The benefit of an interest rate below the market interest rate should be measured as the difference between the initial carrying amount of the loan determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with this standard. Accordingly, the recalculation was carried out in accordance with the requirements of the standard, and these restatements resulted in increase in grants revenue by an amount of SR 744 thousand and increase in finance cost by an amount of SR 978 thousand for the three-month period ended 31 March 2023.

c) **Provision for slow moving inventory:**

The Company has not accounted for an allowance for slow-moving inventory during the past years for both consumable items and general spare parts. Therefore, an allowance for slow-moving inventory was recalculated and created based on the ageing of the inventory and the approved policy by the Company. These restatements resulted in an increase in the allowance for slow-moving inventory and a decrease in retained earnings for the three-month period ended 31 March 2023 by an amount of SR 2.4 million.

d) **Right-of-use assets and lease liabilities:**

During the year ended at 31 December 2023, management determined that the useful lives of certain leased lands were not consistent with the lease terms specified in accordance with IFRS 16 - Leases as endorsed in the Kingdom of Saudi Arabia. In a number of cases, lease terms have been found to be significantly shorter than the expected useful life of the underlining buildings constructed on leased land and other assets. Management has a strong intention to use the assets in the course of the Company's business until the end of their useful lives. Accordingly, the Company has significant economic incentives to renew or extend lease contracts either by taking advantage of extension options or by negotiating a new lease term.

After careful examination of each lease contract and historical experience, and also the applicable laws and regulations endorsed by the Government of the Kingdom of Saudi Arabia, the Company has concluded that it will have a practical ability and is reasonably certain to either exercise the extension option to extend the lease term. The ability to exercise an option to extend the lease term was present at the date of adoption of IFRS 16 on 1 January 2019 and should have been considered when determining the lease term for the respective contracts.

The management reassessed the lease term for the relevant contracts starting from the 1 January 2019 to realign them with the requirements of IFRS and where required the Lease liabilities was adjusted accordingly.

These restatements resulted in a decrease in depreciation expense by an amount of SR 28 thousand, and increase in finance charges on lease liabilities by an amount of SR 94 thousand for the three-month period ended on 31 March 2023.

19 RESTATEMENTS AND RECLASSIFICATIONS(CONTINUED)

e) Property, plant and equipment and capital spare parts:

The Company has not recognized depreciation for the critical spare parts reported under property, plant and equipment during the past years, and therefore depreciation was recalculated based on the useful lives of the critical spare parts and the Company's policy. These restatements resulted in an increase in depreciation by an amount of SR 254 thousand for the three-month period ended 31 March 2023.

Reclassification of comparative information

- f) Certain Amounts related to the cost of revenues, general and administrative expenses and selling and marketing have been reclassified to conform with the current period presentation.
- g) The transfer from retained earnings to the statutory reserve that took place during the year 2022 has been reversed due to the total comprehensive loss for the year 2022.

20 INTERIM RESULTS

The results of operations for the three-month period ended 31 March 2024 are not necessarily indicative of the annual results of the Company's operations.

21 SUBSEQUENT EVENTS

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

22 APPROVALS OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved by the board of directors on 3 Dhual-Qa'dah 1445H (11 May 2024).