

**ARABIAN PIPES COMPANY**  
**(A Saudi Joint Stock Company)**  
**INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE**  
**THREE-MONTH PERIOD ENDED 31 MARCH 2022**  
**AND INDEPENDENT AUDITOR'S REVIEW REPORT**

**ARABIAN PIPES COMPANY**  
**(A Saudi Joint Stock Company)**  
**INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**

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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)  
 RIYADH, KINGDOM OF SAUDI ARABIA**

**INTRODUCTION**

We have reviewed the accompanying interim statement of financial position of Arabian Pipes Company (the "Company") as of 31 March 2022 and the related interim statements of comprehensive (loss) / income, changes in equity and cash flows for the three-month period then ended and a summary of significant accounting policies and other explanatory notes (the "interim condensed financial statements"). 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 Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**BASIS FOR QUALIFIED CONCLUSION**

The Company incurred a net loss of SR 13.2 million during the period ended March 31, 2022 and its accumulated losses represents 84.50% of the Company's share capital as of that date and the Company's current liabilities exceeded its current assets by SR 228.2 million. The Company is unable to obtain financing through issue of right shares as the shareholders have disapproved the Board's recommendation to increase the Share Capital. The management of the Company is currently under advance stages to secure working capital financing from financial institutions. However as of the date of approval of these interim condensed financial statements, we are unable to ascertain if such financing will be available for the Company in due course. Accordingly, we are unable to ascertain the going concern assumption of the entity to be valid.

**QUALIFIED CONCLUSION**

Based on our review, with the exception of the matter described in the above paragraph, 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 Al-Bassam & Co.

**Ibrahim A. Al-Bassam**

**Certified Public Accountant - License No. 337**

**Riyadh, Kingdom of Saudi Arabia**

**Date: 2 Dhu al-Qi'dah 1443**

**Corresponding to: 1 June 2022**



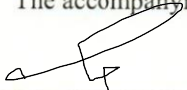
**ARABIAN PIPES COMPANY**  
**(A Saudi Joint Stock Company)**

**INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2022**

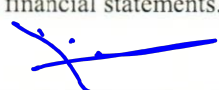
**(All amounts are in Saudi Riyal “000” unless otherwise stated)**

	Note	31 March 2022 (Unaudited)	31 December 2021 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		338,916	345,374
Right-of-use assets		19,893	20,339
<b>Total non-current assets</b>		<b>358,809</b>	<b>365,713</b>
<b>Current assets</b>			
Inventories	5	129,953	167,781
Trade receivables		5,259	13,108
Prepayments and other receivables	6	9,675	5,489
Cash and cash equivalents		15,501	8,529
<b>Total current assets</b>		<b>160,388</b>	<b>194,907</b>
<b>TOTAL ASSETS</b>		<b>519,197</b>	<b>560,620</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital		100,000	400,000
Statutory reserve	7	80,051	120,000
Accumulated losses		(84,502)	(411,238)
Actuarial reserve		(3,062)	(3,062)
<b>TOTAL EQUITY</b>		<b>92,487</b>	<b>105,700</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		18,654	18,654
Long-term borrowings	8	-	-
Employees' post-employment benefits		19,512	19,191
<b>Total non-current liabilities</b>		<b>38,166</b>	<b>36,340</b>
<b>Current liabilities</b>			
Lease liabilities – current portion		1,449	1,210
Long-term borrowings – current portion	8	79,307	78,978
Short-term borrowings	9	167,690	207,322
Due to related parties	10	2,777	3,116
Notes and trade payables	11	72,335	72,665
Accrued and other payables		60,632	49,500
Provision for zakat	12	4,354	4,284
<b>Total current liabilities</b>		<b>388,544</b>	<b>417,075</b>
<b>TOTAL LIABILITIES</b>		<b>426,710</b>	<b>454,920</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>519,197</b>	<b>560,620</b>
Contingent Liabilities	13		

The accompanying notes 1 to 21 form an integral part of these interim condensed financial statements.

  
**Homoud Ali Alhamzah**  
**CFO**

  
**Ahmed Ali Al-Lohidan**  
**CEO**


  
**Saad Al Qahtani**  
**Audit Committee Chairman**

**ARABIAN PIPES COMPANY**  
**(A Saudi Joint Stock Company)**

**INTERIM STATEMENT OF COMPREHENSIVE INCOME / (LOSS)**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**  
**(All amounts are in Saudi Riyal “000” unless otherwise stated)**

	Notes	For the three-month period ended	
		31 March 2022 (Unaudited)	31 March 2021 (Unaudited)
Revenue		63,084	129,339
Cost of revenue		(60,401)	(115,630)
<b>Gross income</b>		<b>2,683</b>	<b>13,709</b>
Selling and distribution expenses		(1,396)	(2,258)
General and administrative expenses	14	(12,604)	(6,289)
Other income		-	1
Finance charges	15	(1,826)	(4,113)
<b>(LOSS) / INCOME BEFORE ZAKAT</b>		<b>(13,143)</b>	<b>1,050</b>
Zakat	12	(70)	(100)
<b>NET (LOSS) / PROFIT FOR THE PERIOD</b>		<b>(13,213)</b>	<b>950</b>
<b>OTHER COMPREHENSIVE (LOSS) / INCOME</b>			
<i>Items that will not be reclassified subsequently to statement of profit or loss</i>			
Actuarial gain / (loss) on employees' post-employment benefits		-	-
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</b>		<b>(13,213)</b>	<b>950</b>
<b>Basic and diluted (loss) / earnings per share</b>	16	<b>(0.330)</b>	<b>0.024</b>

The accompanying notes 1 to 21 form an integral part of these interim condensed financial statements.



**Homoud Ali Alhamzah**  
CFO



**Ahmed Ali Al-Lohidan**  
CEO

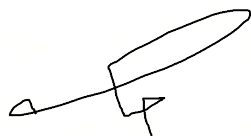


**Saad Al Qahtani**  
Audit Committee Chairman

**ARABIAN PIPES COMPANY**  
**(A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**  
**(All amounts are in Saudi Riyal “000” unless otherwise stated)**

	Note	Share capital	Statutory reserve	Accumulated losses	Actuarial reserve	Total equity
<b>Balance as at 1 January 2021 – (Audited)</b>		400,000	120,000	(351,122)	(2,647)	166,231
Net income for the period		-	-	950	-	950
<b>Balance as at 31 March 2021 - (Unaudited)</b>		400,000	120,000	(350,172)	(2,647)	167,181
<b>Balance as at 1 January 2022 (Audited)</b>		400,000	120,000	(411,238)	(3,062)	105,700
Effect of capital reduction and statutory reserve against accumulated losses	2.3	(300,000)	(39,949)	339,949	-	-
Net loss for the period		-	-	(13,213)	-	(13,213)
<b>Balance as at 31 March 2022 (Unaudited)</b>		<b>100,000</b>	<b>80,051</b>	<b>(84,502)</b>	<b>(3,062)</b>	<b>92,487</b>

The accompanying notes 1 to 21 form an integral part of these interim condensed financial statements.



Homoud Ali Alhamzah  
CFO



Ahmed Ali Al-Lohidan  
CEO



Saad Al Qahtani  
Audit Committee Chairman

**ARABIAN PIPES COMPANY**  
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**INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**  
**(All amounts are in Saudi Riyal “000” unless otherwise stated)**

	For the three-month period ended	
	31 March 2022	31 March 2021
Note	(Unaudited)	(Unaudited)
<b>Cash flows from operating activities:</b>		
Net (loss) / income before zakat	(13,143)	1,050
<b>Adjustments for non-cash items</b>		
Depreciation of property, plant and equipment	7,367	6,884
Depreciation of right-of-use asset	446	476
Finance charges	15 1,826	4,113
Provision for inventory	5 119	-
Provision for Employees’ post-employment benefits	370	659
	(3,015)	13,182
<b>Movement in working capital</b>		
Inventories	37,709	40,417
Trade receivables	7,849	1,903
Prepayments and other receivables	(4,186)	5,530
Due to related parties	(339)	(31)
Notes and trade payables	13,063	33,876
Accrued and other payables	(1,318)	16,560
Employees’ post-employment benefits paid	(49)	(147)
<b>Net cash generated from operating activities</b>	<b>49,714</b>	<b>111,290</b>
<b>Cash flows from investing activities:</b>		
Additions to property, plant and equipment	(909)	(1,819)
<b>Net cash used in investing activities</b>	<b>(909)</b>	<b>(1,819)</b>
<b>Cash flows from financing activities:</b>		
Bank overdraft	-	4,696
Net repayments of short-term borrowings	(40,502)	(86,275)
Financial charges paid	(1,331)	(2,634)
<b>Net cash used in financing activities</b>	<b>(41,833)</b>	<b>(84,213)</b>
<b>Net change in cash and cash equivalents</b>	<b>6,972</b>	<b>25,258</b>
Cash and cash equivalent at the beginning of the period	8,529	20,046
<b>Cash and cash equivalents at end of the period</b>	<b>15,501</b>	<b>45,304</b>

The accompanying notes 1 to 21 form an integral part of these interim condensed financial statements.



**Homoud Ali Alhamzah**  
CFO



**Ahmed Ali Al-Lohidan**  
CEO



**Saad Al Qahtani**  
Audit Committee Chairman

**ARABIAN PIPES COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**  
**(All amounts are in Saudi Riyal “000” unless otherwise stated)**

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**1. GENERAL INFORMATION**

Arabian Pipes Company is a Saudi Joint Stock Company (“the Company”) was formed according to Ministry of Commerce Decree No. 922 dated 18 Thul-Qi’dah 1411H corresponding to 1 June 1991. The Company is registered in the Kingdom of Saudi Arabia (“KSA”) under Commercial Registration No. 1010085734 and unified number 7018055132 dated 14 Safar 1412H corresponding to 25 August 1991.

The main activities of the Company are the production of steel tubes longitudinally welded for pipelines and for the purposes of construction, trade, marketing, bending and forming a toothing pipe and pipe coating inside and outside and doing the business of buying and selling pipes and fittings and accessories and the implementation of the extension of pipelines.

The Company operates under industrial license for Riyadh plant No. 434 dated 12 Thul-Qi’dah 1405H and amended by industrial license No. 2196 dated 16 Rajab 1436H and industrial license for Jubail plant No. 1109 dated 12 Thul-Qi’dah 1419H and amended by industrial license No. 2195 dated 16 Rajab 1436H and industrial license for coating factory No. 479 dated 26 Safar 1436H.

The accompanying interim condensed financial statements include the accounts of the Company and its branches as follows:

<b>Factory name</b>	<b>CR number</b>	<b>Date</b>
Jubail factory	2055007048	21 Rabi Thani 1426

The Company’s registered office is located at the following address:

P.O Box 42734

Riyadh 11551

Kingdom of Saudi Arabia

**2. BASIS OF PREPARATION**

**2.1. Statement of Compliance**

These Interim Condensed Financial Statements have been prepared in accordance with International Accounting Standard IAS 34 ‘Interim Financial Reporting’ 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”) and should be read in conjunction with the Company’s last annual Financial Statements as at and for the year ended 31 December 2021.

These financial statements do not include all of the information required for a complete set of Financial Statements, however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual Financial Statements.

The results for the three-month period ended 31 March 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.



**ARABIAN PIPES COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**  
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**2. BASIS OF PREPARATION (CONTINUED)**

**2.2. Preparation of the Financial Statements**

These Interim Condensed Financial Statements have been prepared under the historical cost basis.

**2.3. Use of judgment and estimates**

In preparing these Interim Condensed Financial Statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts as assets and liabilities, income and expense. The estimate and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual Financial Statements for the year ended 31 December 2021.

**Going Concern**

As of March 31, 2022, the accumulated losses represent 84.50% (December 31, 2021: 102.81%) of the Company's share capital. As of the same date, the Company's current liabilities exceeded its current assets by SR 228.16 million (December 2021: 222.17 million) mainly on account of reclassification of loans due to breach of covenants as of December 31, 2021 and 2020. These conditions indicate the existence of a material uncertainty that may cast doubt over the Company’s ability to continue as a going concern.

During the period, the Company obtained its shareholders’ approval through Extra Ordinary General Assembly’s Meeting dated February 20, 2022 to restructure its capital by absorbing the accumulated losses with the amount of SR 300 million through reducing its share capital from SR 400 million to SR 100 million;

**ARABIAN PIPES COMPANY**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**  
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**2. BASIS OF PREPARATION (CONTINUED)**

**Going Concern (Continued)**

As per board approval dated February 20, 2022, the Company has adjusted SR 39.9 million of accumulated losses against the statutory reserve which bring accumulated losses to nil as at February, 2022.

Additionally, the Company has obtained approval of Capital Market Authority dated March 17, 2022 for increase in share capital through right-issue of SR 300 million. However, the request of increase in share capital was rejected by the majority shareholders. Also see note 20.

The Company's management conclude on its ability to continue as a going concern and is satisfied that it shall continue its operations in the foreseeable future. Accordingly, the financial statements have been prepared on the going concern basis and do not include any adjustments, which may be required, if the Company is not able to continue as a going concern.

**3. FUNCTIONAL AND PRESENTATION CURRENCY**

These Interim Condensed Financial Statements have been presented in Saudi Riyals, which is the functional and presentation currency of the Company. All figures have been rounded off to the nearest thousand, unless otherwise mentioned.

**4. SIGNIFICANT ACCOUNTING POLICIES**

**4.1. New Standards, Amendment to Standard and Interpretations:**

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2022 and the details of the same has been explained in the annual Financial Statements for the year ended 31 December 2021, but they do not have a material effect on the Company's Interim Condensed Financial Statements.

**5. INVENTORIES**

	<b>31 March 2022 (Unaudited)</b>	<b>31 December 2021 (Audited)</b>
Finished goods	68,504	105,110
Spare parts	44,740	44,688
Work in progress	28,510	16,762
Raw materials	8,742	14,357
Scrap inventory	1,964	2,410
Office supplies	220	166
Goods in transit	98	6,994
	<u>152,778</u>	<u>190,487</u>
Less: provision for inventory	(22,825)	(22,706)
	<u>129,953</u>	<u>167,781</u>

**ARABIAN PIPES COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**  
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**5. INVENTORIES (CONTINUED)**

**Movement in provision for inventory is as follows:**

	<b>For the three- month period ended 31 March 2022 (Unaudited)</b>	<b>For the year ended 31 December 2021 (Audited)</b>
Balance at the beginning of the period / year	22,706	79,372
Provision of Raw material - write-off	-	(55,169)
Provision of Work in progress - write-off	-	(5,377)
Provision made during the period / year	119	3,880
Balance at the end of the period / year	<u>22,825</u>	<u>22,706</u>

**6. PREPAYMENTS AND OTHER RECEIVABLES**

	<b>Note</b>	<b>31 March 2022 (Unaudited)</b>	<b>31 December 2021 (Audited)</b>
Prepaid insurance and other prepaid expenses		1,088	-
Advance payment to suppliers		4,958	3,230
Staff and other receivable	10.3	3,629	2,259
		<u>9,675</u>	<u>5,489</u>

**7. STATUTORY RESERVE**

In accordance with its By-laws and the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net profit for the year to a statutory reserve until such reserve equals 30% of its share capital. This Statutory Reserve is not available for distribution to shareholders. However, it may be used for capital restructuring. Also see note 20.

**8. LONG-TERM BORROWINGS**

	<b>31 March 2022 (Unaudited)</b>	<b>31 December 2021 (Audited)</b>
<b>Saudi Industrial Development Fund (SIDF) – non-profit bearing</b>	<u>79,307</u>	<u>78,978</u>
Current portion	(78,759)	(78,759)
Accrued charge	(548)	(219)
<b>Total current portion</b>	<u>(79,307)</u>	<u>(78,978)</u>
Non-current portion	-	-

- 8.1.** The Company obtained borrowing from the SIDF amounting to SR 113.4 million for the construction of the Jubail Pipe Production Plant. The borrowing is secured by mortgaging the buildings, machinery, and equipment of the Company's factories.

On 9 March 2015, SIDF agreed to reschedule the remaining balance as of that date, amounting to SR 83 million in ten semi-annual instalments.

**ARABIAN PIPES COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**  
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**8. LONG-TERM BORROWINGS (CONTINUED)**

On 9 December 2019, the Company obtained an additional borrowing amounting to SR 7.165 million for a period of 5 years.

On 4 April 2021, the Company obtained an additional loan amounting to SR 1.733 million for a period of 5 year.

During the year 2020, the management of the Company has reached an agreement with SIDF to re-schedule the loan amounting to SR 78.5 million.

These borrowings are interest-free and are repayable in semi-annual instalments over the period of five years.

The facility agreements include covenants which, among other things, require the Company to maintain certain financial ratios. As of 31 December 2021, the Company was not in compliance with certain covenants of the financing agreements accordingly the arrangements were classified as current as of the same date.

**9. SHORT-TERM BORROWINGS**

	<b>Note</b>	<b>31 March 2022 (Unaudited)</b>	<b>31 December 2021 (Audited)</b>
Short-term borrowings	<b>9.1</b>	164,401	204,903
Accrued finance cost		2,346	2,419
		<u>166,747</u>	<u>207,322</u>

**9.1.** The Company has a short-term borrowing from Ministry of Finance amounting to SR 120 million, which is disbursed to the Company through Riyadh Bank. The borrowing is obtained to meet the working capital requirements of the Company. The borrowing is repayable within the period of 360 days from the date of utilization.

**9.2.** The Company has obtained borrowings from local banks for the purpose of financing working capital needs. These bank facilities bear finance cost at market prevailing rates.

**9.3.** The facility agreements include covenants which, among other things, require the Company to maintain certain financial ratios. As of 31 March 2022, the Company was not in compliance with certain covenants of the financing agreements. Also see note 20.

**9.4.** The Company has assigned receivables amounting to SR 784.1 million (31 December 2021: SR 530.2 million) to local commercial banks for obtaining financial facilities. These receivables have not been derecognized from the statement of financial position as the Company retains substantially all the risks and rewards, primarily credit risk.

**ARABIAN PIPES COMPANY**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**  
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**10. RELATED PARTY TRANSACTIONS AND BALANCES**

**10.1. Key management personnel**

Transactions with related parties comprise salaries, remuneration and allowances of directors and senior executives that were made during the period between the Company and the senior management. The principal transactions with related parties and their resulting balances are as follows:

**Compensation of key management personnel of the Company**

Name of related party	Nature of transaction	Three-month period ended	
		31 March 2022 (Unaudited)	31 March 2021 (Unaudited)
Board and other committees' members	Reward and allowances	406	97
Senior executives	Salaries, allowances and bonuses	1,114	1,193

**10.2. Due to related parties**

Significant period-end balances arising from transactions with related parties are as follows:

Related party	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Board of directors	2,777	2,550
Key management personnel	643	566
	<u>3,420</u>	<u>3,116</u>

**10.3. Key management personnel**

Related party	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Advance to staff	112	125
	<u>112</u>	<u>125</u>

**11. NOTES AND TRADE PAYABLES**

	Note	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Notes payable	11.1	57,557	57,557
Trade payables		15,721	16,052
		<u>73,278</u>	<u>73,609</u>

**11.1.** Notes payables include interest payable amounting to SR 0.944 million (31 December 2021: 0.519 million) due under set-off agreement at the rate of 3% per annum on the outstanding amount.

**ARABIAN PIPES COMPANY**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**  
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**12. ZAKAT PAYABLE**

**12.1. Zakat assessment**

The Company is in process of filling 31 December 2021 zakat returns with Zakat, Tax and Customs Authority (“ZATCA”). During 2018, Zakat assessment has been raised by ZATCA for the year 2015 assessing additional Zakat of SR 2.9 million against which the Company has filed an appeal and initially accepted by ZATCA on 21 November 2018. Provision for the same is already held in the books of the Company.

**12.2. Zakat movement**

Movements’ summary for the zakat is as follows:

	<b>For the three- month period ended 31 March 2022 (Unaudited)</b>	<b>For the year ended 31 December 2021 (Audited)</b>
Balance at the beginning of the period / year	4,284	3,941
Provision for the period / year	70	343
Payments made during the period / year	-	-
Balance at the end of the period / year	<u>4,354</u>	<u>4,284</u>

**13. CONTINGENT LIABILITIES**

Contingent liabilities are credit letters and letters of guarantee outstanding as at 31 March 2022 amounting to SR 161.236 million (31 December 2021: SR 10.914 million).

**14. GENERAL AND ADMINISTRATION EXPENSES**

	<b>For the three-month period ended</b>	
	<b>31 March 2022 (Unaudited)</b>	<b>31 March 2021 (Unaudited)</b>
Salaries and benefits	3,759	3,576
Overheads relating idle production*	6,160	-
Professional and consultancy	1,080	613
LC / LG charges	734	1,533
Others	871	567
	<u>12,604</u>	<u>6,289</u>

\*Commencing February 2022, the production plant facility (the “facility”) was non-operational due to delays in raw material deliveries. The facility resumed productions during April 2022. Accordingly, overheads relating to idle time during the idle period are expensed and not capitalized in inventory.

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**15. FINANCE CHARGES**

	<b>For the three-month period ended</b>	
	<b>31 March 2022 (Unaudited)</b>	<b>31 March 2021 (Unaudited)</b>
Borrowings	1,587	3,861
Lease liabilities finance charge	239	252
	<b>1,826</b>	<b>4,113</b>

**16. (LOSS) / EARNINGS PER SHARE**

Basic and diluted earnings / (loss) per share are calculated by dividing the profit / (loss) for the period attributable to shareholders by the weighted average number of common shares outstanding at the end of the period amounting to 40 million shares (31 March 2021: 40 million shares).

**17. SEGMENT REPORTS**

**a) Operating segment**

The Company's products are manufactured in Saudi Arabia and have two segments, the steel pipe production segment, and steel pipe packaging segment. The pipe packaging segment has not achieved any of the quantitative limits referred to in IFRS 8 Operating Segments. Accordingly, the segmental operating information has not been disclosed in the accompanying interim condensed financial statements.

**b) Geographic segment**

During the period ended 31 March 2022, approximately 6.77% (31 March 2021: 8.46%) of the Company's sales were export sales to the Gulf and Middle East countries, with approximately 93.23% (31 March 2021: 91.54%) domestic sales. All of the Company's assets and liabilities are in Saudi Arabia.

**18. FAIR VALUE MEASUREMENT**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

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**18. FAIR VALUE MEASUREMENT (CONTINUED)**

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of the Company’s financial instruments is a reasonable approximation of fair value.

**19. RECLASSIFICATION FOR PRIOR YEARS FIGURES**

Certain comparative information has been reclassified to conform the current period presentation.

**20. SUBSEQUENT EVENTS**

Subsequent to the period end, as per board approval dated April 19, 2022, the Company has adjusted SR 77.9 million of accumulated losses against the balance of statutory reserve. The revised accumulated losses represents 6.7% of the Company’s share capital. Furthermore, the shareholders in Extra Ordinary General Assembly’s Meeting dated May 12, 2022 have disapproved the Board’s recommendation to increase the Company’s capital by offering the right issue shares. Currently, the Company is exploring options to convince the shareholders for approval of the increase in share capital.

Further during April 2022, financing facility from Ministry of Finance has been restructured. Under the revised terms, out of total loan amounting to SR 111.9 million, loan amounting to SR 27 million is due in 2022 and the remaining to be repaid in 2023.

**21. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements were approved by the board of directors on 22 Shawwal 1443H (corresponding to 23 May 2022G).