

SAUDI PARTS CENTER COMPANY
(A Joint Stock Company)
CONDENSED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
together with the
INDEPENDENT AUDITOR'S REVIEW REPORT

SAUDI PARTS CENTER COMPANY
(A Joint Stock Company)
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
(Amount in Saudi Arabian Riyals)

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KPMG Professional Services

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Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

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

To the Shareholders of Saudi Parts Center Company (A Joint Stock Company)

Introduction

We have reviewed the accompanying 30 June 2022 condensed interim financial statements of Saudi Parts Center Company ("the Company") which comprises:

- the condensed statement of financial position as at 30 June 2022;
- the condensed statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2022;
- the condensed statement of changes in equity for the six-month period ended 30 June 2022;
- the condensed statement of cash flows for the six-month period ended 30 June 2022; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2022 condensed interim financial statements of Saudi Parts Center Company are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia



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

To the Shareholders of Saudi Parts Center Company (A Joint Stock Company) (continued)

Other matter

The condensed interim financial statements of the Company for the six-month period ended 30 June 2021, were reviewed by another auditor who expressed an unmodified conclusion on those condensed interim financial statements on 29 Safar 1443H (corresponding to 6 October 2021).

Furthermore, the financial statements of the Company as at and for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 27 Sha'ban 1443H (corresponding to 30 March 2022).

KPMG Professional Services

Fahad Mubark Aldossari
License No: 469

Riyadh on: 8 Safar 1444H
Corresponding to: 04 September 2022




SAUDI PARTS CENTER COMPANY
(A Joint Stock Company)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022
(Amount in Saudi Arabian Riyals)

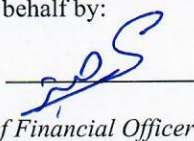
	Note	30 June 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Non-current assets			
Property and equipment	5	8,517,789	8,261,379
Right-of-use assets	6	2,828,121	3,176,659
Total non-current assets		11,345,910	11,438,038
Current assets			
Inventories	7	32,720,359	32,511,960
Prepayment and other receivables	8	3,355,789	1,622,380
Trade receivables	9	7,629,102	5,161,109
Amounts due from related parties	10	247,615	70,169
Cash and cash equivalents	11	5,121,032	5,524,680
Total current assets		49,073,897	44,890,298
Total assets		60,419,807	56,328,336
EQUITY AND LIABILITIES			
Equity			
Share capital	12	30,000,000	30,000,000
Statutory reserve		574,734	574,734
Retained earnings		8,070,351	5,228,946
Actuarial valuation reserve		(1,095,648)	(1,095,648)
Total equity		37,549,437	34,708,032
Non-current liabilities			
Employees end of service benefits	13	7,022,407	6,646,763
Lease liabilities	6	1,451,033	1,748,904
Total non-current liabilities		8,473,440	8,395,667
Current liabilities			
Trade and other payables	14	11,444,457	8,665,666
Amount due to a Shareholder	10	297,949	1,116,879
Amount due to related parties	10	1,167,154	1,549,646
Lease liabilities	6	887,370	897,615
Zakat payable	18	600,000	994,831
Total current liabilities		14,396,930	13,224,637
Total liabilities		22,870,370	21,620,304
Total equity and liabilities		60,419,807	56,328,336

The attached notes 1 to 24 form an integral part of these condensed interim financial statements.

The financial statements appearing on pages (3) to (19) have been approved by Board of Directors on 8 Safar 1444H (corresponding to 04 September 2022) and are signed on their behalf by:


Chairman of Board


Chief Executive Officer


Chief Financial Officer

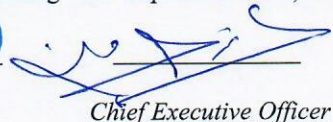
SAUDI PARTS CENTER COMPANY
(A Joint Stock Company)
**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
(Amount in Saudi Arabian Riyals)

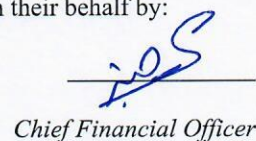
	Note	For the six-month period ended 30 June	
		2022 (Unaudited)	2021 (Unaudited)
Revenue	15	44,352,028	38,323,739
Cost of revenue	7	(28,971,411)	(24,617,489)
Gross profit		15,380,617	13,706,250
Selling and distribution expenses	16	(8,618,039)	(7,005,668)
General and administrative expenses	17	(3,685,439)	(3,310,051)
Impairment reversal on trade receivables	9	350,000	-
Operating profit		3,427,139	3,390,532
Finance cost	6	(32,886)	(46,833)
Other income		47,152	48,668
Profit for the period before zakat		3,441,405	3,392,366
Zakat	18	(600,000)	(572,940)
Profit for the period		2,841,405	2,819,426
Other comprehensive income			
Items that will not to be reclassified subsequently to profit or loss:			
Re-measurement loss on employees end of service benefits	13	-	(225,874)
Total other comprehensive loss		-	(225,874)
Total comprehensive income for the period		2,841,405	2,593,552
<u>Basic and diluted earnings per share:</u>			
Earnings per share	21	0.95	0.94

The attached notes 1 to 24 form an integral part of these condensed interim financial statements.

The financial statements appearing on pages (3) to (19) have been approved by Board of Directors on 8 Safar 1444H (corresponding to 04 September 2022) and are signed on their behalf by:


Chairman of Board


Chief Executive Officer


Chief Financial Officer

SAUDI PARTS CENTER COMPANY
(A Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
(Amount in Saudi Arabian Riyals)

	Capital	Statutory Reserve	Retained Earnings	Actuarial valuation reserve	Total
<u>For the six-month period ended 30 June 2022</u>					
Balance as at 31 December 2021 (Audited)	30,000,000	574,734	5,228,946	(1,095,648)	34,708,032
Profit for the period	-	-	2,841,405	-	2,841,405
Other comprehensive loss for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	2,841,405	-	2,841,405
<hr/>					
Balance as at 30 June 2022 (Unaudited)	30,000,000	574,734	8,070,351	(1,095,648)	37,549,437
<hr/>					
For the six-month period ended 30 June 2021					
As at 31 December 2020 (Audited)	10,000,000	3,000,000	17,056,343	(650,765)	29,405,578
Profit for the period	-	-	2,819,426	-	2,819,426
Other comprehensive loss for the period	-	-	-	(225,874)	(225,874)
Total comprehensive income for the period	-	-	2,819,426	(225,874)	2,593,552
Transferred to capital (note 11)	20,000,000	(3,000,000)	(17,000,000)	-	-
Balance as at 30 June 2021 (Unaudited)	30,000,000	-	2,875,769	(876,639)	31,999,130

The attached notes 1 to 24 form an integral part of these condensed interim financial statements.

SAUDI PARTS CENTER COMPANY
(A Joint Stock Company)
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
(Amount in Saudi Arabian Riyals)

	Note	For the six-month period ended 30	
		June	
		2022	2021
		(Unaudited)	(Unaudited)
Profit for the period after zakat		2,841,405	2,819,426
Adjustments for:			
Depreciation on property and equipment	5	427,209	451,669
Depreciation on right-of-use assets	6	696,503	706,890
Provision for employees end of service benefits	13	464,542	371,462
Provision for slow moving inventory	7	287,636	-
Zakat expense	18	600,000	572,940
Impairment reversal on trade receivables	9	(350,000)	-
Finance cost	6	32,886	46,833
		5,000,181	4,969,220
Changes in operating assets and liabilities:			
Inventories		(496,035)	(5,104,173)
Prepayments and other receivables		(1,733,409)	(904,898)
Trade receivables		(2,117,993)	(586,755)
Trade payables		2,778,791	1,722,475
Amounts due from related parties		(177,446)	(180,898)
Amounts due to related parties		(382,492)	(1,488,604)
Cash flows from operations		2,871,597	(1,573,633)
Finance cost paid	6	(32,886)	-
Zakat paid	18	(994,831)	-
Employees end of service benefits paid	13	(88,898)	(80,278)
Net cash flows generated from/ (used in) operating activities		1,754,982	(1,653,911)
Investing activity			
Purchase of property and equipment	5	(683,619)	(1,210,590)
Net cash flows used in investing activities		(683,619)	(1,210,590)
Financing activities			
Amounts due to a Shareholder	10	(818,930)	(182,655)
Payment of lease liabilities	6	(656,081)	(471,500)
Net cash flows used in financing activities		(1,475,011)	(654,155)
Net decrease in cash and cash equivalents		(403,648)	(3,518,656)
Cash and cash equivalents at the beginning of the period		5,524,680	7,133,674
Cash and cash equivalents at the end of the period		5,121,032	3,615,018
Non-cash transactions			
Re-measurement loss on employees end of service benefits	12	-	225,874
Recognition of lease liabilities and right of use assets	6	347,965	3,330,543

The attached notes 1 to 24 form an integral part of these condensed interim financial statements.

SAUDI PARTS CENTER COMPANY
(A Joint Stock Company)
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
(Amount in Saudi Arabian Riyals)

1. CORPORATE INFORMATION

Saudi Parts Center Company (A Saudi Joint Stock Company) (the “Company”) formerly owned by a single shareholder as a limited liability Company registered in Riyadh; Kingdom of Saudi Arabia under commercial registration number 1010068658 dated 11 Rajab 1408H (corresponding to 29 February 1988). The registered office is located at Riyadh 11551. The Company is owned 70% by Alkhorayef Group Company (the “Parent Company”) and 30% is owned by other shareholders (please refer note 11). The ultimate Parent Company is Abdullah Ibrahim Alkhorayef Sons Company, a Saudi Joint Stock Company (the “Ultimate Parent Company”) registered in the Kingdom of Saudi Arabia, which has ownership of the Parent Company and thereby ultimate ownership of Saudi Parts Center Company.

The Company is engaged in repair and maintenance of engines, electric generators and steam generators, wholesale, and retail trading of spare parts of truck and heavy transport, agricultural equipment, industrial equipment, construction equipment and machinery.

As per the Owner’s resolution dated 8 Sha’ban 1442H (corresponding to 21 March 2021), the Parent Company decided to convert the legal form of the Company from a Limited Liability Company to a Closed Joint Stock Company. On 26 Sha’ban 1442H (corresponding to 8 April 2021) Ministry of Commerce approved the change in legal form of the Company from a Limited Liability Company to a Closed Joint Stock Company.

During the year ended 31 December 2021, the Company’s Board of Directors approved the plan to list the Company’s ordinary shares in Nomu – Parallel Market which was performed by way of direct listing to existing shareholders. The offering does not constitute an offer to the public in any jurisdiction outside Kingdom of Saudi Arabia. Trading in listed shares on the parallel market is limited to existing shareholders (excluding the company's major shareholders who own (5%) or more of share capital and to whom the prohibition period is applicable), as well as categories of qualified investors. On 29 December 2021, Capital Market Authority (CMA) approved the Company’s application to register its shares for direct listing on Nomu–Parallel Market. During the current period, the Company’s shares were listed on Nomu – Parallel Market on 20 Rajab 1443H (corresponding to 21 February 2022). From the date of listing, the Company has started trading as a Joint Stock Company. The legal procedures of updating the commercial register and other formalities to reflect the change to Joint Stock Company are in process.

The financial statements cover the activities of the Company mentioned above and its branches are mentioned below:

Branch Commercial Registration Number	Branch	Date of Registration
1010433116	Riyadh	9 Rajab 1436H
1115000492	Sajer	4 Jumada II 1409H
2050033974	Dammam	19 Rabi’ II 1419H
3350021174	Hail	27 Jumada I 1429H
3400008522	Sakaka	10 Ramadan 1419H
4030065611	Jeddah	2 Dhul-Qi’dah 1409H
5855017531	Khamis Mushait	22 ajab 1418H

2. BASIS OF PREPARATION

The condensed interim financial statements are prepared under the historical cost convention using the accrual basis of accounting and going concern concept, except for the employees’ terminal benefits that have been measured based on actuarial present value calculations using projected credit unit method.

SAUDI PARTS CENTER COMPANY
(A Joint Stock Company)
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
(Amount in Saudi Arabian Riyals)

2 BASIS OF PREPARATION (CONTINUED)

These interim condensed financial statements for the six-month period ended 30 June 2022 have been prepared in accordance with International Accounting Standard “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and should be read in conjunction with the Company’s last annual financial statements as at and for the year ended 31 December 2021 (“last annual financial statements”).

These condensed interim financial statements do not include all of information required for complete set of IFRS financial statements. However, 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 Company has prepared the financial statements on the basis that it will continue to operate as a going concern. The Board of Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

These condensed interim financial statements are presented in Saudi Riyals (SR) which is also the functional currency of the Company.

The Company regularly follows the development of the Covid-19 corona virus and evaluates the extent to which this may affect the Company's operations in the short and long term. As the situation has improved in the country and around the global and has resulted in normalization of operations. Due to the nature of operations of the Company and its continuing demand, the Company has assessed the there is no material impact on operating and other activities of the Company.

3 NEW AND AMENDED STANDARDS, FORTHCOMING AND CURRENTLY EFFECTIVE

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2022 and earlier application is permitted; however, the Company has not early adopted them in preparing these condensed interim financial statements. These are not expected to have a significant impact on the condensed interim financial statements of the Company.

New currently effective requirements

1 January 2022	Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)
	Annual Improvements to International Financial Reporting Standards 2018- 2020
	Property, Plant and Equipment: Proceeds before intended use (Amendments to IAS 16)
	Refer to the Conceptual Framework (Amendments to IFRS 3)

SAUDI PARTS CENTER COMPANY
(A Joint Stock Company)
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
(Amount in Saudi Arabian Riyals)

3. NEW AND AMENDED STANDARDS, FORTHCOMING AND CURRENTLY EFFECTIVE (CONTINUED)

Forthcoming requirements

1 January 2023	Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
	Disclosure of Accounting Policies (Amendments to International Accounting Standards No. 1 and Practice Statement IFRS No. 2)
	IFRS 17 Insurance Contracts
	Definition of Accounting Estimates (Amendments to IAS 8)
	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
Available for optional adoption	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

4. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the Company's condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities.

The significant judgments made by management in applying the Company accounting policies and the methods of computation and the key sources of estimation are the same as those that applied to the financial statements for the year ended 31 December 2021.

SAUDI PARTS CENTER COMPANY
(A Joint Stock Company)
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
(Amount in Saudi Arabian Riyals)

5 PROPERTY AND EQUIPMENT

As at 30 June 2022(Unaudited)

	Land	Motor vehicles	Leasehold improvement	Furniture and fixtures	Computers	Total
Cost						
At 1 January 2022	6,193,169	3,989,058	1,205,501	3,965,387	1,946,374	17,299,489
Additions	-	390,360	271,167	-	22,092	683,619
At 30 June 2022	6,193,169	4,379,418	1,476,668	3,965,387	1,968,466	17,983,108
Accumulated depreciation						
At 1 January 2022	-	2,975,778	661,161	3,623,040	1,778,131	9,038,110
Charge for the period	-	172,403	82,360	132,968	39,478	427,209
At 30 June 2022	-	3,148,181	743,521	3,756,008	1,817,609	9,465,319
Net book value						
At 30 June 2022	6,193,169	1,231,237	733,147	209,379	150,857	8,517,789

As at 31December 2021 (Audited)

	Land	Motor vehicles	Leasehold improvement	Furniture and fixtures	Computers	Total
Cost						
At 1 January 2021	-	3,340,308	1,135,222	3,951,713	1,941,555	10,368,798
Additions	6,193,169	1,153,500	70,279	13,674	8,051	7,438,673
Disposals	-	(504,750)	-	-	(3,232)	(507,982)
At 31 December 2021	6,193,169	3,989,058	1,205,501	3,965,387	1,946,374	17,299,489
Accumulated depreciation						
At 1 January 2021	-	3,245,434	424,392	3,293,146	1,649,109	8,612,081
Charge for the year	-	235,094	236,769	329,894	132,221	933,978
Disposals	-	(504,750)	-	-	(3,199)	(507,949)
At 31 December 2021	-	2,975,778	661,161	3,623,040	1,778,131	9,038,110
Net book value						
At 31 December 2021	6,193,169	1,013,280	544,340	342,347	168,243	8,261,379

SAUDI PARTS CENTER COMPANY
(A Joint Stock Company)
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
(Amount in Saudi Arabian Riyals)

6 RIGHT-OF-USE ASSETS AND LEASES LIABILITIES

Right-of-use assets

The Company has building lease agreements for offices in various locations. Based on management's assessment the rental lease agreements terms ranges from 2 years to 5 years with renewal and termination options.

Right-of-use assets are being depreciated on a straight-line basis for the lease term period between 2-5 years.

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Cost		
At the beginning of the period/year	4,576,664	737,982
Addition	347,965	4,202,698
Termination of lease agreement	-	(364,016)
	<u>4,924,629</u>	<u>4,576,664</u>
Accumulated depreciation		
At the beginning of the period/year	1,400,005	448,989
Charge for the period/year	696,503	1,275,122
Termination of lease agreement	-	(324,106)
	<u>2,096,508</u>	<u>1,400,005</u>
At the end of the period/year	<u>2,828,121</u>	<u>3,176,659</u>

Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movement during the period/year:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
At the beginning of the period/year	2,646,519	324,661
Addition	347,965	4,202,698
Interest charge	32,886	90,131
Payments	(688,967)	(1,597,426)
Termination of lease agreement	-	(373,545)
At the end of the period/year	<u>2,338,403</u>	<u>2,646,519</u>

Classified as:

Current portion	<u>887,370</u>	<u>897,615</u>
Non-current portion	<u>1,451,033</u>	<u>1,748,904</u>

SAUDI PARTS CENTER COMPANY
(A Joint Stock Company)
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
(Amount in Saudi Arabian Riyals)

7 INVENTORIES

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Goods for sales	<u>34,891,612</u>	<u>34,395,577</u>
Less: Provision for slow moving inventories	<u>(2,171,253)</u>	<u>(1,883,617)</u>
	<u>32,720,359</u>	<u>32,511,960</u>

Movements in the provision for slow moving items are as below:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
At the beginning of the period/year	<u>1,883,617</u>	<u>1,938,613</u>
Charge/(reversal) for the period/year	<u>287,636</u>	<u>(54,996)</u>
At the end of the period/year	<u>2,171,253</u>	<u>1,883,617</u>

During period ended 30 June 2022, SR 28,971,411 (30 June 2021: SR 24,617,489) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

8 PREPAYMENT AND OTHER RECEIVABLES

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Advances to suppliers	<u>2,280,766</u>	<u>1,166,708</u>
Employee receivables	<u>482,418</u>	<u>359,167</u>
Prepaid expenses	<u>458,863</u>	<u>90,818</u>
Others	<u>133,742</u>	<u>5,687</u>
	<u>3,355,789</u>	<u>1,622,380</u>

9 TRADE RECEIVABLES

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Trade receivables	<u>9,669,360</u>	<u>7,921,871</u>
Less: provision for expected credit losses	<u>(2,040,258)</u>	<u>(2,760,762)</u>
	<u>7,629,102</u>	<u>5,161,109</u>

SAUDI PARTS CENTER COMPANY
(A Joint Stock Company)
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
(Amount in Saudi Arabian Riyals)

9 TRADE RECEIVABLES(CONTINUED)

Movement of provisions for expected credit losses of trade receivables:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
At the beginning of the period/year	2,760,762	3,131,068
Write-off during the period/year	(370,504)	(370,306)
Reversals for the period/year	(350,000)	-
At the end of the period/year	2,040,258	2,760,762

Terms and conditions of the above trade receivables:

Trade receivables are non-interest bearing and are generally on terms of 30 days to 90 days. It is not the practice of the Company to obtain collateral over receivables and the vast majority are, therefore, unsecured.

10 RELATED PARTIES TRANSACTIONS AND BALANCES

10.1 Related party transactions

Related parties represent shareholders, associated companies, directors, and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

The following are the details of major related party transactions.

<u>Related parties</u>	<u>Relationship</u>	<u>Nature of Transactions</u>	<u>Amount of transactions for the period ended</u>	
			30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
Alkhorayef Group Company	Shareholder	Finance cost allocated	-	11,337
		Bank Transfers	(7,478,921)	(6,200,000)
		Rent	334,530	334,851
		Shared Service	659,669	203,905
		Expenses paid on behalf of the Company	5,665,792	5,467,252
Alkhorayef for Sale, Maintenance & Repair of Oil Production Equipment Company	Subsidiary of the Parent Company	Sales	136,334	1,298,610
Alkhorayef Water & Power Technology	Subsidiary of the Parent Company	Sales	44,197	65,918
Alkhorayef Agriculture Project Company	Subsidiary of the Ultimate Parent Company	Sales	61,957	13,286
Alkhorayef Commercial Company	Subsidiary of Parent Company	Sales	17,837	-
		Purchases	2,793,145	1,318,127

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10. RELATED PARTIES TRANSACTIONS AND BALANCES (CONTINUED)

10.1 Related party balances

Sales to and purchases from related parties are made on mutually agreed terms.

The breakdown of amounts due from related parties are as follows:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
i) Amounts due from related parties		
Alkhorayef for Sale, Maintenance and Repair of Oil Production Equipment Company	136,393	41,842
Alkhorayef Agriculture Project Company	61,569	4,587
Alkhorayef Water & Power Technologies Company	33,766	-
Alkhorayef Commercial Company	15,887	23,740
	247,615	70,169

The above balance is unsecured, interest free and settled within 12 months. The management estimate the allowance on due from related parties balance at the reporting date at an amount equal to lifetime ECL. No receivable balance from related parties at the reporting date are past due. Taking into consideration, the historical default experience and the future prospects of the industries in which the related parties operate, the management considers that related party balances are not impaired. There has been no change in estimation techniques or significant assumptions made during the current reporting period in assessing the allowances for balances due from related parties.

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
ii) Amounts due to related parties		
Alkhorayef Commercial Company	1,071,962	1,549,646
Alkhorayef Industries Company	95,192	-
	1,167,154	1,549,646
iii) Amounts due to a Shareholder		
Alkhorayef Group Company	297,949	1,116,879
	297,949	1,116,879

Terms and conditions of the above payable amounts:

These amounts are generally payable upon demand.

10.2 Key management personnel compensation

Key management personnel of the Company comprise of key members of the management having authority and responsibility for planning, directing, and controlling the activities of the Company. The compensation to key management is shown below:

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10. RELATED PARTIES TRANSACTIONS AND BALANCES (CONTINUED)

10.3 Key management personnel compensation (Continued)

	For the six-month period ended	
	30 June 2022	30 June 2021
	(Unaudited)	(Unaudited)
Short-term employee benefits	401,250	479,404
Employees end of service benefits	534,684	14,980
	935,934	494,384

11. CASH AND CASH EQUIVALENTS

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
Cash at banks	4,851,433	5,500,689
Cash in hand	269,599	23,991
	5,121,032	5,524,680

12. SHARE CAPITAL

As per the shareholders agreements and the Owner's resolution dated 8 Sha'ban 1442 H (corresponding to 21 March 2021), Alkhorayef Group Company transferred 25,000 shares and 5,000 shares at SR 100 per share to individual shareholders and Nama Alkhorayef Company, respectively. Also, as per the shareholders agreement the Company has sub-divided the equity shares of the Company from the nominal value of SR 100 to the nominal value of SR 10 each.

On 8 Shawwal 1442H (corresponding to 20 May 2021), the Board of Directors of the Company decided to increase the Company's share capital from SR 10,000,000 to SR 30,000,000 through the transfer of SR 20,000,000 from the retained earnings and statutory reserve account for the proposed increase in share capital. On 21 Shawwal 1442H (corresponding to 2 June 2021), the shareholders in their extraordinary general assembly meeting approved the decision to increase the Company's share capital. The legal formalities relating to such increase of the capital were completed in 2021.

Capital is divided into 3,000,000 shares (31 December 2021: 3,000,000) of SR 10 each. Capital is distributed as follows.

	30 June 2022			31 December 2021		
	(Unaudited)			(Audited)		
	Number of shares	Capital	Share holding	Number of Shares	Capital	Share Holding
Alkhorayef Group Company	2,100,000	21,000,000	70%	2,100,000	21,000,000	70%
Individual shareholders	750,000	7,500,000	25%	750,000	7,500,000	25%
Nama Alkhorayef Company	150,000	1,500,000	5%	150,000	1,500,000	5%
	3,000,000	30,000,000	100%	3,000,000	30,000,000	100%

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13. EMPLOYEES END OF SERVICE BENEFITS

Changes in the present value of the defined benefit obligation:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
At the beginning of the period/year	6,646,763	6,010,298
Interest cost	79,207	65,918
Current service cost	385,335	682,177
Benefits paid	(88,898)	(556,513)
Remeasurement losses in OCI	-	444,883
	<u>7,022,407</u>	<u>6,646,763</u>

14. TRADE AND OTHER PAYABLES

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Trade payables	7,309,656	5,310,348
Accrued expenses	3,002,882	2,488,070
Value added tax	1,091,484	851,602
Advance from customers	40,435	15,646
	<u>11,444,457</u>	<u>8,665,666</u>

15. REVENUE

Disaggregated revenue information

Set out below is the disaggregation of the Company's revenue:

	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
Types of spare parts products		
Heavy Equipment Spare Parts Sales Sector	27,462,268	26,953,435
Truck Spare Parts Sales Sector	11,058,249	6,028,209
Turbocharger Sales and Maintenance Sector	5,831,511	5,342,095
	<u>44,352,028</u>	<u>38,323,739</u>

Geographical markets

The Company operates exclusively in the Kingdom of Saudi Arabia and therefore no additional geographical market information is presented in these interim condensed financial statements.

Timing of revenue recognition

	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
Revenue recognized at a point in time	<u>44,352,028</u>	<u>38,323,739</u>

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15. REVENUE (CONTINUED)

Revenue per type of customer:

	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
Revenue		
Private customers	43,988,142	35,937,718
Related party	260,325	1,377,814
Government	103,561	1,008,207
	44,352,028	38,323,739

16. SELLING AND DISTRIBUTION EXPENSES

	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
Employee related costs	5,202,641	4,339,827
Communication and courier	1,107,521	545,332
Depreciation on right-of-use assets	696,503	711,939
Sales commission	640,796	300,366
Depreciation	406,716	419,434
Repairs and maintenance	133,780	45,580
Professional fees	76,337	168,923
Insurance	55,879	47,242
Advertising and promotional	39,996	25,274
Travel and transportation	23,978	16,676
Rent	16,527	91,623
Others	217,365	293,452
	8,618,039	7,005,668

17. GENERAL AND ADMINISTRATIVE EXPENSES

	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
Employee related costs	2,237,874	2,573,655
Communication and courier	449,373	154,247
Rent	322,938	323,228
Professional fees	307,116	113,133
Bank charges	285,626	64,746
Repairs and maintenance	27,654	9,868
Depreciation	20,493	32,235
Travel and transportation	12,876	13,715
Insurance	2,182	1,984
Others	19,307	23,240
	3,685,439	3,310,051

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18. ZAKAT

During the period ended 30 June 2022, the Company zakat charge was SR 600,000 (30 June 2021: SR 572,940).

Until the year ended 31 December 2020, zakat provision was being calculated and provided for by Abdullah Ibrahim Alkhorayef Sons Company (the “Ultimate Parent Company”) on a consolidated basis including its subsidiaries in accordance with Saudi Arabian fiscal regulations. The zakat declaration was being made on consolidated basis at the Ultimate Parent Company level. The zakat charge for the year ended December 2021 consists of the provision amount of SR 994,831 and which has been paid subsequently.

Status of zakat assessment

The Zakat return for the financial year 2021 has been filed by the Company with the Zakat, Tax and Customs Authority (“ZATCA”). No assessment has been received for the year ended 31 December 2021. The Information declarations for all the years up to 2020 has been filed by the Company with the Zakat, Tax and Customs Authority (“ZATCA”).

19. EARNING PER SHARE

Basic and diluted earnings per share (“EPS”) is calculated by dividing the net income for the period 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 the basic earnings per share as the Company does not have any convertible securities or diluted instruments to exercise.

The following table reflects the income for the period attributable to ordinary equity holders and weighted average number of ordinary share outstanding during the period used in the basic and diluted EPS computations:

Basic and diluted earnings per share from total income.

	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
Profit for the period	2,841,405	2,819,426
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share	3,000,000	3,000,000
Basic and diluted earnings per share of profit for the period	0.95	0.94

There has been no item of dilution affecting the weighted average number of shares.

20. CONTINGENCIES

There were no significant contingencies and commitments as at 30 June 2022 and 31 December 2021.

21. FAIR VALUES OF FINANCIAL INSTRUMENTS

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability; the principal or the most advantageous market must be accessible to the Company.

The Company’s financial assets consist of cash and cash equivalents, trade and other receivables and amount due from related parties and its financial liabilities consist of trade payables, lease

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21. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

liabilities, accruals, amount due to shareholder and amounts due to a related parties.

There is no change in the Company's financial risk management objectives and policies since the last annual financial statements. The fair values of the financial instruments have been assessed by management to be approximate to their carrying amounts due to their short-term nature.

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Financial assets		
Amortized cost		
Cash and cash equivalents	5,121,032	5,524,680
Trade receivables	7,629,102	5,161,109
Prepayment and other receivables	616,160	364,854
Amounts due from related parties	<u>247,615</u>	<u>70,169</u>
Financial liabilities		
Amortized cost		
Trade and other payables	10,352,974	7,814,065
Amount due to a Shareholder	297,949	1,116,879
Amount due to related parties	1,167,154	1,549,646
Lease liabilities	<u>2,338,403</u>	<u>2,646,519</u>

22. EVENTS AFTER THE REPORTING PERIOD

No events have occurred subsequent to the reporting date and before the issuance of these condensed interim financial statements which require adjustment or disclosure in these condensed interim financial statements.

23. OPERATING SEGMENT

The Company is solely engaged in trading of spare parts within the Kingdom of Saudi Arabia. The Company has considered the principles of IFRS 8 'Operating segments' and concluded that the Company has one operating segment, i.e., sale of spare parts. Chief Operating Decision Maker ("CODM") is determined to be the Chief Executive Officer and key internal reports received by the CODM, primarily the management accounts, focus on the performance of the Company as a whole.

The operations of all elements of the business have fundamentally the same economic characteristics. All the operational decisions made are focused on the performance and growth of the spare parts business as one unit and no separate segmental information is reviewed in the decision making. Performance is measured by the CODM based on profit as reported in the management accounts. Management believes that this measure is the most relevant in evaluating the results of the Company. As such, assets and segment liabilities are neither included in the internal management reports nor provided regularly to the management.

24. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These condensed interim financial statements were approved and authorized to issue by the Board of Directors of the Company on 8 Safar 1444H (corresponding to 04 September 2022).