

Mas Powermech Arabia
(Mixed Limited Liability Company)
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2020

Mas Powermech Arabia
(A Mixed Limited Liability Company)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
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INDEPENDENT AUDITOR'S REPORT

**To the Partners of Mas Powermech Arabia
(Mixed Limited Liability Company)
Riyadh, Kingdom of Saudi Arabia**

Disclaimer of Opinion

We were engaged to audit the financial statements of Mas Powermech Arabia Company ("the Company"), which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive loss, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

- The company did not provide us with the bank account statement and confirmation of bank balances as on December 31, 2020.
- We were not provided with the necessary supporting documents and endorsements for the trade receivables on the date of the financial statements.
- We were not provided with supporting documents for calculating prepaid expenses and other current assets in addition to accrued expenses and other current liabilities, and we were unable to perform alternative procedures to verify the balance at the date of the financial statements.
- We were not assigned as auditors for the company until after December 31, 2020, and therefore we did not observe the actual inventory count at the beginning and end of the year. We were not able to reach, through alternative means, a conviction about the quantities of inventory held on December 31 2020, which appear in the balance sheet in the amount 261,053 Saudi riyals.
- We were not provided with documents supporting the additions and disposal of property and equipment at the date of the financial statements.
- We were not provided with the necessary supporting documents and endorsements for trade payables on the date of the financial statements.
- Transactions and confirmations are not provided to related parties balances.
- We have not been provided with the calculation of the provision for end of service benefits in accordance with the requirements of Section 28 of the International Financial Reporting Standard for Small and Medium-sized Enterprises.
- We were not provided with the appropriate business, calculations, explanations and supporting documents to verify the revenues for the year ended December 31, 2020. Due to the unavailability of this data, we were not able to verify the recorded revenue. As a result of these matters, we were unable to determine whether any adjustments might have been necessary with respect to the recognized or unrecognized revenue, the components of the comprehensive loss, the statement of cash flows and the statement of changes in equity.
- We were not provided with statements and supporting documents to verify the cost of sales and general and administrative expenses for the year ending on December 31, 2020.
- We were unable to verify the correctness of the opening balances for the year ended December 31, 2020.

As a result of above matters, we were unable to determine whether any adjustments might have been found necessary in respect of these matters, and the elements making up the statement comprehensive loss, statement of changes in equity and statement of cash flows.



Sultan Ahmed Mohammed Alshubaily CPA
سلطان أحمد محمد الشبيلي محاسبون ومراجعون قانونيون



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Partners of Mas Powermech Arabia
(Mixed Limited Liability Company)
Riyadh, Kingdom of Saudi Arabia

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company has accumulated losses of SR 8,430,845 (31 December 2019: SR 2,597,168) which exceeded half of its share capital and current liabilities exceeded current assets by SR 6,899,726 (31 December 2019: SR3,55,701). As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Company for the year ended 31 December 2019, were audited by another auditor who expressed disclaimer of opinion on those statements on 2 March 2021.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standard for Small and Medium- size entities ("IFRS for SMEs") that is endorsed in the Kingdom of Saudi Arabia and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and the Company's Articles of Association, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Management are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Company's financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements.

Report on other regulatory requirements

Paragraph 135 of the Companies Law requires that the auditor includes in his report what might come to his attention with respect to non-compliance of the terms of the Company Law or the terms of the Articles of Association of the Company. During the course of our current audit of the financial statements, we have noted following non-compliances of the Company Law, having no material impact on the financial statements:

1. The shareholders of the Company held a meeting on 31 December 2020 and resolved to continue the operations of the Company and to provide financial support to the Company. This resolution was not yet published as of the date of this report, which is a non-compliance of Companies Law (Article 181) in the Kingdom of Saudi Arabia.
2. The company's financial statements for the year ending December 31, 2020, were not prepared and approved during the period specified in Article (175). This is considered a non-compliance with the Companies Law applicable in the Kingdom of Saudi Arabia.

Date: 18 Ramadan 1443H
Corresponding: 19 April 2022



For Sultan Ahmed Mohammed Alshubaily
Certified Public Accountant Company
Riyadh, Kingdom of Saudi Arabia

Sultan Ahmed Alshubaily
Certified Public Accountant - License No. 600

Mas Powermech Arabia
(A Mixed Limited Liability Company)

Balance Sheet

As at 31 December 2020

| | <i>Note</i> | 2020 SR | 2019 SR |
|--|-------------|--------------------------|--------------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 5 | 724,671 | 785,594 |
| Account receivables and other debit balances | 6 | 25,438,886 | 41,631,615 |
| Inventory | | 261,053 | 618,620 |
| TOTAL CURRENT ASSETS | | 26,424,610 | 43,035,829 |
| NON-CURRENT ASSETS | | | |
| Property and equipment | 7 | 1,638,467 | 4,337,669 |
| TOTAL ASSETS | | 28,063,077 | 47,373,498 |
| DEFICIT EQUITY AND LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade payable and other credit balances | 9 | 15,223,705 | 32,791,664 |
| Amount due to related parties | 8 | 16,656,314 | 12,357,549 |
| Zakat and tax | 11 | 1,444,317 | 1,444,317 |
| TOTAL CURRENT LIABILITIES | | 33,324,336 | 46,593,530 |
| NON-CURRENT LIABILITIES | | | |
| Employee benefits obligations | 10 | 458,802 | 666,352 |
| TOTAL LIABILITIES | | 33,783,138 | 47,259,882 |
| EQUITY | | | |
| Capital | 12 | 500,000 | 500,000 |
| Additional Capital | | 1,960,784 | 1,960,784 |
| Statutory Reserve | 13 | 250,000 | 250,000 |
| Accumulated Losses | | (8,430,845) | (2,597,168) |
| TOTAL DEFICIT EQUITY | | (5,720,061) | 113,616 |
| TOTAL LIABILITIES AND DEFICIT EQUITY | | 28,063,077 | 47,373,498 |

The attached notes 1 to 17 form part of these financial statements.

Mas Powermech Arabia
(A Mixed Limited Liability Company)

Statement of Comprehensive loss
For the year ended 31 December 2020

| | Note | 2020 SR | 2019 SR |
|---|------|---------------------|--------------|
| Revenue | | 13,549,468 | 57,517,845 |
| Cost of revenue | 14 | (11,554,031) | (60,169,377) |
| Gross Profit | | 1,995,437 | (2,651,532) |
| Operating Expenses | | | |
| General and administration expenses | 15 | (8,095,915) | (15,602,830) |
| Capital losses | | - | (237,971) |
| Operating losses | | (6,100,478) | (18,492,333) |
| Other income | | 266,801 | 50,405 |
| Loss before income tax and zakat | | (5,833,677) | (18,441,928) |
| Income Tax and Zakat | 11 | - | (14,721) |
| Net Loss | | (5,833,677) | (18,456,649) |
| Other comprehensive income | | | |
| Other comprehensive income | | - | - |
| Comprehensive loss | | (5,833,677) | (18,456,649) |

The attached notes 1 to 17 form part of these financial statements.

**Mas Powermech Arabia
(A Mixed Limited Liability Company)**

**STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020**

| | Share Capital SR | Statutory Reserve SR | Additional Share capital SR | Accumulated Losses SR | Total equity SR |
|-----------------------------|------------------------|----------------------------|-----------------------------------|-----------------------------|-----------------------|
| Balance at 1 January 2019 | 500,000 | 250,000 | 1,960,784 | 15,859,481 | 18,570,265 |
| Net Loss for the year | - | - | - | (18,456,649) | (18,456,649) |
| Other comprehensive loss | - | - | - | - | - |
| Total comprehensive loss | - | - | - | (18,456,649) | (18,456,649) |
| Balance at 31 December 2019 | 500,000 | 250,000 | 1,960,784 | (2,597,168) | 113,616 |
| Net Loss for the year | - | - | - | (5,833,677) | (5,833,677) |
| Other comprehensive loss | - | - | - | - | - |
| Total comprehensive loss | - | - | - | (5,833,677) | (5,833,677) |
| Balance at 31 December 2020 | 500,000 | 250,000 | 1,960,784 | (8,430,845) | (5,720,061) |

The attached notes 1 to 17 form part of these financial statements.

Mas Powermech Arabia
(A Mixed Limited Liability Company)
Statement of Cash Flows
For the year ended 31 December 2020

| | Note | 2020 SR | 2019 SR |
|--|------|---------------------------|---------------------------|
| OPERATING ACTIVITIES | | | |
| Loss before zakat and loss tax | | (5,833,677) | (18,441,928) |
| <i>Adjustments for:</i> | | | |
| Depreciation | | 1,581,218 | 1,948,154 |
| Provision for employees' defined benefit liability | | 918,994 | 1,099,645 |
| | | <u>(3,333,465)</u> | <u>(150,394,129)</u> |
| Changes in operating assets and liabilities: | | | |
| Account receivables and other debit balances | | 16,192,729 | (23,081,140) |
| Inventory | | 357,567 | 2,305,388 |
| Trade payable and other credit balances | | <u>(17,567,959)</u> | <u>(16,923,473)</u> |
| Net cash used in operation | | (4,351,128) | (6,931,074) |
| Employees' defined benefit paid | | <u>(1,126,544)</u> | <u>(832,534)</u> |
| Net cash used in operating activities | | <u>(5,477,672)</u> | <u>(7,763,608)</u> |
| INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (246,418) | (430,872) |
| Disposal | | 1,364,402 | 1,749,114 |
| Net cash from investing activities | | <u>1,117,984</u> | <u>1,318,242</u> |
| FINANCING ACTIVITIES | | | |
| Related parties, net | | 4,298,765 | 1,020,884 |
| Net cash from financing activities | | <u>4,298,765</u> | <u>1,020,884</u> |
| (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENT | | | |
| Cash at bank the beginning of the year | | 785,594 | 6,210,076 |
| CASH AT BANK AT THE END OF THE YEAR | | <u>724,671</u> | <u>785,594</u> |

The attached notes 1 to 17 form part of these financial statements.

Mas Powermech Arabia
(A Mixed Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year end 31 December 2020

1- ORGANIZATION AND ACTIVITIES

Mas Powermech Arabia is a mixed limited liability company, with commercial registration number 1010130705 issued by Riyadh city Dated 04/05/1436H corresponding to 23/02/2015. The main activities are presenting the service of operations and installation, testing and maintenance the powerplants, high-pressure adaptors, medium-pressure adaptors, lo-pressure adaptors, under the investment license no. 10204360149794 dated 22/01/1436H issued by Saudi Arabian Investment Authority (SAGIA) service activities.

2- ACCUMULATED LOSSES

As at 31 December 2020, accumulated losses of 8,430,845 which exceeded 50% of the capital. As required by Saudi Arabian Regulation for Companies, the Company has to arrange a meeting with the partners to deciding on the going-concern status of the Company and providing the required support to the company or dissolve it, the company shall dissolve by operation of law. The partners have conducted the meeting on 31 December 2020, and agreed to provide the required finance to the company in order to fulfill its obligations. Hence, these financial statements have been prepared according to the going-concern principle. As of date, announcement has not been made, as it is required by company law.

3- BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

3.2 Basis of measurement

The financial information has been prepared under the historical cost convention, unless it is allowed by the IFRS to be measured at other valuation method.

3.3 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). These financial statements are presented in Saudi Arabian Riyal ("SAR") which is the Company's functional and presentation currency. All financial information has been rounded to nearest Riyal, unless otherwise mentioned.

4- SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and cash at banks. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Trade Receivables

Trade receivables are recognized initially at the transaction price. They are subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

Mas Powermech Arabia
(A Mixed Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year end 31 December 2020

4- SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Repair and maintenance costs are recognized in profit or loss as incurred.

Land and buildings are measured at cost, less accumulated depreciation on buildings, and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

| | <u>Percentage</u> |
|-------------------------|-------------------|
| Electric Devices | 10% |
| Furniture and fixtures | 13% |
| Vehicles | 25% |
| Equipment and Machinery | 30% |

Impairment of assets

The financial assets other than those that are carried at fair value are assessed at each reporting date to determine whether there is any objective evidence of their impairment. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

The impairment loss is recognized immediately in the statement of comprehensive loss and the carrying amount of the related financial asset is reduced accordingly. An impairment loss is reversed only if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

Provisions

Provisions are recognized when the Company has an obligation at the reporting date as a result of a past event and it is probable that the Company will be required to transfer economic benefits in settlement and amount of the obligation can be estimated reliably

If the effect of the time value of money is material, provisions are discounted using a current pre-tax and zakat rate reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as part of the finance costs in the profit or loss in the statement of comprehensive loss

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost

Mas Powermech Arabia
(A Mixed Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year end 31 December 2020

4- SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts payable and accruals

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at transaction price and subsequently measured at amortized cost using the effective interest method.

Transactions with related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements.

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
- has control or joint control of the reporting entity;
 - has significant influence over the reporting entity; or
 - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
- The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - Both entities are joint ventures of the same third party.
 - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - The entity is controlled or jointly controlled by a person identified in (a).
 - A person identified in (a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Revenue

Revenue represents the fair value of the consideration received or receivable for goods sold, net of returns, trade discounts, and volume rebates

The Company recognizes revenue when the amount of revenue can be measured reliably, or it is probable that future economic benefits will flow to the entity and specific criteria are met for each of the Company's activities as described below

Employee benefit obligations

Management has adopted certain actuarial assumptions for valuation of present value of employee benefit obligations. For further details see Note 11.

Expenses

General and administrative expenses include direct and indirect costs not specifically part of the cost of sales as required under generally accepted accounting standards. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of loss.

Mas Powermech Arabia
(A Mixed Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year end 31 December 2020

4- SIGNIFICANT ACCOUNTING POLICIES (continued)

Zakat and income tax

Zakat and income tax provision is provided for in accordance with the Saudi Arabian financial regulations. the provision is charged to the statement of comprehensive income.

Value Added Tax

Revenues, expenses and assets are recognized net of the amount of value added tax, except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

- Receivables and payables are stated with the amount of value added tax included

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Operating leases

Operating lease payments are recognized as an expense in the statement of loss on a straight-line basis over the lease term.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

5- Cash and cash equivalents

| | <i>2020</i> | <i>2019</i> |
|--------------|----------------|----------------|
| | <i>SR</i> | <i>SR</i> |
| Cash at bank | <u>662,860</u> | <u>653,086</u> |
| Cash in hand | <u>61,811</u> | <u>132,508</u> |
| | <u>724,671</u> | <u>785,594</u> |

6- Account Receivables and Other Debit Balances

| | <i>2020</i> | <i>2019</i> |
|----------------------|-------------------|-------------------|
| | <i>SR</i> | <i>SR</i> |
| Accounts receivables | <u>10,843,616</u> | <u>18,437,875</u> |
| Accrued revenue | <u>14,125,621</u> | <u>19,610,400</u> |
| Advance to suppliers | <u>420,272</u> | <u>420,272</u> |
| Others | <u>49,377</u> | <u>3,163,068</u> |
| | <u>25,438,886</u> | <u>41,631,615</u> |

**Mas Powermech Arabia
(A Mixed Limited Liability Company)**

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year end 31 December 2020

7- PROPERTY AND EQUIPMENT

| | <i>Electric Devices SR</i> | <i>Furniture and fixtures SR</i> | <i>Vehicles SR</i> | <i>Equipment and Machinery SR</i> | <i>Total 2020 SR</i> | <i>Total 2019 SR</i> |
|------------------------------|------------------------------------|--|------------------------|---|------------------------------|------------------------------|
| <i>Cost:</i> | | | | | | |
| At the beginning of the year | 158,061 | 314,451 | 3,270,819 | 5,751,794 | 9,495,125 | 10,913,368 |
| Additions | 12,750 | - | - | 233,668 | 246,418 | 430,872 |
| Disposals | - | - | - | (1,364,402) | (1,364,402) | (1,749,114) |
| At the end of the year | 170,811 | 314,451 | 3,270,819 | 4,621,060 | 8,377,142 | 9,495,126 |
| <i>Depreciation:</i> | | | | | | |
| At the beginning of the year | 105,846 | 183,247 | 1,046,918 | 3,821,446 | 5,157,457 | 3,209,303 |
| Charge for the year | 32,454 | 58,777 | 690,373 | 799,612 | 1,581,216 | 1,948,154 |
| At the end of the year | 138,300 | 242,024 | 1,737,291 | 4,621,058 | 6,738,673 | 5,157,457 |
| Net book amounts: | | | | | | |
| At 31 December 2020 | 32,512 | 72,427 | 1,533,528 | 2 | 1,638,469 | |
| At 31 December 2019 | 82,240 | 298,660 | 2,509,525 | 4,713,640 | - | 4,337,669 |

8- Transaction with Related Parties

| Partner Name | Nature of the Transaction | Balance at the begging of the year | | Movement during the year | | Balance at the end of the year | |
|-----------------------------|--------------------------------------|---|-------------------|---------------------------------|-------------------|---------------------------------------|-------------------|
| | | Debit | Credit | Debit | Credit | Debit | Credit |
| AbdulAziz Alhammad | Finance/Trade | - | 2,492,830 | 852,562 | 1,001,350 | - | 2,641,617 |
| Mas Holding Company | Finance/Trade | - | 8,082,577 | 1,025,868 | 911,159 | - | 7,967,869 |
| Power Mech Projects Limited | Finance | - | 1,782,142 | 4,264,686 | 8,529,372 | - | 6,046,828 |
| | | - | 12,357,549 | 6,143,116 | 10,441,881 | - | 16,656,314 |

Mas Powermech Arabia
(A Mixed Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year end 31 December 2020

9- Account Payable and Other Credit Balances

| | <i>2020</i> | <i>2019</i> |
|-----------------------|-------------------|-------------|
| | <i>SR</i> | <i>SR</i> |
| Account payable | 12,329,825 | 22,259,431 |
| Advance from customer | - | 4,617,018 |
| VAT payable | 993,591 | 1,223,146 |
| Employee accruals | 877,218 | 3,104,760 |
| GOSI Accruals | 170,215 | 103,012 |
| Other payables | 852,856 | 1,484,298 |
| | 15,223,705 | 32,791,664 |

10- Employees Defined Benefit Obligation

| | <i>2020</i> | <i>2019</i> |
|-------------------------------|--------------------|-------------|
| | <i>SR</i> | <i>SR</i> |
| Balance on January 1 | 666,352 | 399,241 |
| Current service cost | 918,994 | 1,099,645 |
| Paid during the year | (1,126,544) | (832,534) |
| Balance on December 31 | 458,802 | 666,352 |

11- Zakat and Income Tax

11-1 Zakat

| | <i>2020</i> |
|---------------------------------|--------------------|
| | <i>SR</i> |
| Capital | 500,000 |
| Accumulated Loss | (5,005,363) |
| Reserve and provisions | 3,849,251 |
| Property and equipment | (1,638,467) |
| Zakat base | (2,294,579) |
| Zakat at 2.5% of the Zakat Base | - |

11-2 Income Tax

| | <i>2020</i> |
|----------------------------------|--------------------|
| | <i>SR</i> |
| Net Loss | (2,506,488) |
| Provision | 468,687 |
| Income Tax Base | (2,037,801) |
| Income Tax at 20% of Income Base | - |

11-3 Movement

| | <i>2020</i> | <i>2019</i> |
|-------------------------------|------------------|-------------|
| | <i>SR</i> | <i>SR</i> |
| Balance on January 1 | 1,444,317 | 1,429,596 |
| Charge for the year | - | 14,721 |
| Paid during the year | - | - |
| Balance on December 31 | 1,444,317 | 1,444,317 |

Mas Powermech Arabia
(A Mixed Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year end 31 December 2020

12- Capital

The company's capital is 500,000 riyals divided into (500) equal shares, where the value of each cash share is (1000) Saudi riyals. Distribution to partners is as follows:

| <u>Partner's Name</u> | <u>Number of shares</u> | <u>Value</u> | <u>Total</u> | <u>Percentage</u> |
|-----------------------------|-------------------------|--------------|----------------|-------------------|
| AbdulAziz Alhammad | 95 | 1,000 | 95,000 | 19% |
| Mas Holding Company | 150 | 1,000 | 150,000 | 30% |
| Power Mech Projects Limited | 255 | 1,000 | 255,000 | 51% |
| | 500 | - | 500,000 | 100% |

13- Statutory Reserve

As required by the Saudi Arabian Regulations for Companies, the company must transfer 10% of the net loss for the year to the statutory reserve till it has built up a reserve equals to 50% of the capital. This having been achieved, the company has resolved to discontinue such transfers. The reserve is not available for distribution.

14- Cost of Revenue

| | <u>2020</u> <u>SR</u> | <u>2019</u> <u>SR</u> |
|-------------------------------|--------------------------|--------------------------|
| Salaries & Wages | 7,060,872 | 26,423,095 |
| Consumables & Spares | 1,471,061 | 6,173,671 |
| Operating Expense | 852,646 | 11,260,767 |
| Equip & Vehicle Hire Expense | 625,468 | 5,790,813 |
| Consultancy Expense | 607,117 | 2,259,334 |
| Rent Expense | 328,954 | 1,530,742 |
| Radiography Charges | 143,950 | 2,299,965 |
| Inspection & Testing Expense | 138,991 | 549,183 |
| Other | 324,972 | 3,881,807 |
| Balance on December 31 | 11,554,031 | 60,169,377 |

15- General and Administrative Expenses

| | <u>2020</u> <u>SR</u> | <u>2019</u> <u>SR</u> |
|----------------------------------|--------------------------|--------------------------|
| Government Expense | 1,917,439 | 2,856,977 |
| Deprecation (note 7) | 1,581,216 | 1,051,192 |
| Salaries and wages | 1,275,604 | 5,284,301 |
| Penalties | 991,586 | 482,948 |
| End of Service | 918,994 | 584,446 |
| Travelling and Transportation | 430,149 | 706,583 |
| GOSI | 345,587 | 937,130 |
| Printing and Stationery | 222,026 | 97,008 |
| Electricity, Telephone, and Post | 188,566 | 569,247 |
| Maintenance and Repair | 103,260 | 954,906 |
| Bank Charges | 23,342 | 284,779 |
| Professional fees | 22,500 | 22,939 |
| Insurance | 12,577 | 381,699 |
| Staff Welfare | - | 1,113,470 |
| Other G&A | 63,069 | 275,205 |
| Balance on December 31 | 8,095,915 | 15,602,830 |

Mas Powermech Arabia
(A Mixed Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year end 31 December 2020

16- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Credit risk

Is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The company has no significant concentration of credit risk. Cash is substantially placed with national banks with sound credit ratings.

Liquidity risk

Is the risk that the company will encounter difficulty in raising funds to meet commitment associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are Available to meet any future commitments.

Currency risk

Is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi riyal and United States dollar. Currency risk is managed on regular basis.

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. As the accompanying financial statements are prepared under the historical cost method, differences may arise between the book values and the fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

17- Approval of The Financial Statements

The company's management agreed to issue the financial statements for the year ending on December 31, 2020 on Ramadan 12, 1443H (April 13, 2022).