

GULF BUILDER FOR TRADING AND CONTRACTING COMPANY
(A LIMITED LIABILITY COMPANY)

Financial statements for the year ended December 31, 2019

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GULF BUILDER FOR TRADING AND CONTRACTING CO.
(A LIMITED LIABILITY COMPANY)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019

GULF BUILDER FOR TRADING AND CONTRACTING COMPANY

(A LIMITED LIABILITY COMPANY)

Financial statements for the year ended December 31, 2019

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We have audited the accompanying financial statements of "Gulf Builder for Trading and Contracting Company" (a limited liability company) (the "Company") as at December 31, 2019, which comprise the statement of financial position as at December 31, 2019, and the statements of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material aspects, the financial position of the company as at December 31, 2019, and the financial performance and the cash flows for the year then ended, in accordance with the financial reporting standards for private companies adopted by the company, which are based on the financial reporting standards adopted by the International Federation of Accountants (IFAC).

Notes to the financial statements

We conducted our audit in accordance with the International Standards on Auditing (ISA) issued by the International Federation of Accountants (IFAC) and the local standards issued by the Council for Regulation of Accounting Professions in the State of Kuwait. The latter standards are based on the ISAs. The auditor's responsibility is to express an opinion on the financial statements based on the audit. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the financial statements

Management is responsible for the preparation and the presentation of these financial statements in accordance with the applicable financial reporting standards, for the design and maintenance of internal control systems to support the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for providing the auditor with access to all the information and records required for the audit. Management is also responsible for the preparation of the financial statements in accordance with the applicable financial reporting standards, for the design and maintenance of internal control systems to support the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for providing the auditor with access to all the information and records required for the audit.

The preparation of the financial statements requires management to make judgments about the company's accounting policies, accounting estimates, and disclosures. Management is also responsible for the design and maintenance of internal control systems to support the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for providing the auditor with access to all the information and records required for the audit.

These financial statements are the responsibility of management and the auditor's responsibility is to express an opinion on these financial statements based on the audit.

Management's Responsibility for the Financial Statements

The financial statements are the responsibility of management and the auditor's responsibility is to express an opinion on these financial statements based on the audit. Management is also responsible for the design and maintenance of internal control systems to support the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for providing the auditor with access to all the information and records required for the audit.

INDEPENDENT AUDITOR'S REPORT**TO THE PARTNERS
GULF BUILDER FOR TRADING AND CONTRACTING COMPANY
(A LIMITED LIABILITY COMPANY)
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****Opinion**

We have audited the accompanying financial statements of "Gulf Builder for Trading and Contracting Company" (A Limited Liability Company) (the "company") as at December 31, 2019, which comprise the statement of financial position as at December 31, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the notes 1 to 25 thereon, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at 31st December 2019, and its financial performance and its cash flows for the year then ended, in accordance with international financial reporting standards for small and medium entities approved in Saudi Arabia, and other standards and versions adopted by Saudi Organization for Certified Public Accountants (SOCPA).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") adopted in Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Ethical requirements that are relevant to our audit of the financial statements in Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidences that we have obtained are sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with international financial reporting standards for small and medium entities approved in Saudi Arabia, and other standards and versions adopted by Saudi Organization for Certified Public Accountants (SOCPA), the Companies' Act Provisions 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.

Upon preparation of 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 choice of an appropriate alternative but to do so.

Those charged with governance and the Board of Directors are responsible for overseeing the company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs adopted in Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE PARTNERS

GULF BUILDER FOR TRADING AND CONTRACTING COMPANY

(A LIMITED LIABILITY COMPANY)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Responsibilities of the Management for the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs adopted in Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Al-Khobar: April 27, 2020
Ramadan 04, 1441H



FOR EL SAYED EL AYOUTY & CO.



Mohamed El Sayed El Ayouty
Certified Public Accountant
License No. (211)

GULF BUILDER FOR TRADING AND CONTRACTING COMPANY

(A LIMITED LIABILITY COMPANY)

Statement of financial position

(All amounts in Saudi Riyals unless otherwise stated)

ASSETS	Note	As at December 31,	
		2019	2018
Current assets			
Cash and cash equivalents	4	7,877,191	9,492,756
Trade receivables	5	91,684,625	103,671,935
Inventories	6	5,087,602	-
Prepaid expenses and other receivables	7	16,010,755	6,524,025
Total current assets		120,660,173	119,688,716
Property and equipment – net	8	16,968,238	14,404,397
Leased motor vehicles	9	4,394,378	3,461,533
TOTAL ASSETS		142,022,789	137,554,646
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Bank facilities	10	5,794,588	5,662,741
Obligations for financing leases	11	1,372,369	1,372,315
Trade payables	12	49,972,047	54,145,916
Accrued expenses and other payables	13	1,162,097	3,088,145
Due to partners	14	525,298	76,016
Zakat	15	1,593,286	1,419,798
Total current liabilities		60,419,685	65,764,931
Obligations for financing leases	11	1,444,362	1,190,217
Employees defined benefit obligations	16	4,430,912	3,806,066
Total liabilities		66,294,959	70,761,214
Equity			
Share capital	17	500,000	500,000
Statutory reserve	18	250,000	250,000
Retained earnings		74,977,830	66,043,432
Total equity		75,727,830	66,793,432
TOTAL LIABILITIES AND EQUITY		142,022,789	137,554,646



The accompanying notes from 1 to 25 form an integral part of these financial statements.

GULF BUILDER FOR TRADING AND CONTRACTING COMPANY

(A LIMITED LIABILITY COMPANY)

Statement of profit or loss and other comprehensive income

(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31,	
		2019	2018
Revenue		198,413,106	232,807,381
Cost of revenue	19	(154,540,897)	(181,937,972)
Gross profit		43,872,209	50,869,409
Expenses and charges			
General and administrative expenses	20	(25,574,576)	(24,974,515)
Finance cost	21	(5,269,949)	(2,256,481)
Total expenses and charges		(30,844,525)	(27,230,996)
Profit for the year before zakat		13,027,684	23,638,413
Zakat	15	(1,593,286)	(1,419,798)
Income for the year		11,434,398	22,218,615
Other comprehensive income			
Comprehensive income items		-	-
Total comprehensive income		11,434,398	22,218,615



The accompanying notes from 1 to 25 form an integral part of these financial statements.

GULF BUILDER FOR TRADING AND CONTRACTING COMPANY

(A LIMITED LIABILITY COMPANY)

Statement of changes in equity

(All amounts in Saudi Riyals unless otherwise stated)

	Share Capital	Statutory reserve	Retained earnings	Total
Balance as at January 1, 2018	500,000	250,000	50,224,817	50,974,817
Dividends	-	-	(6,400,000)	(6,400,000)
Profit for the year	-	-	22,218,615	22,218,615
Balance as at December 31, 2018	500,000	250,000	66,043,432	66,793,432
Balance as at December 31, 2019	500,000	250,000	66,043,432	66,793,432
Dividends	-	-	(2,500,000)	(2,500,000)
Profit for the year	-	-	11,434,398	11,434,398
Balance as at December 31, 2019	500,000	250,000	74,977,830	75,727,830



The accompanying notes from 1 to 25 form an integral part of these financial statements.

GULF BUILDER FOR TRADING AND CONTRACTING COMPANY

(A LIMITED LIABILITY COMPANY)

Statement of cash flows

(All amounts in Saudi Riyals unless otherwise stated)

	Year ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year before zakat	13,027,684	23,638,413
Adjustments for:		
Depreciation of property, plant and equipment	2,327,405	1,969,464
Depreciation of leased motor vehicles	622,786	799,346
Employees defined benefit cost	1,031,307	943,393
Finance expenses	5,269,949	2,256,481
	<u>22,279,131</u>	<u>29,607,097</u>
Change in:		
Trade receivables	11,987,310	(18,628,029)
Due from related parties	---	2,617,061
Inventories	(5,087,602)	---
Other receivables	(9,486,730)	(1,699,454)
Trade payables	(4,173,869)	358,127
Accrued expenses and other payables	(1,926,048)	2,475,461
Due to partners	(76,016)	(937,785)
Zakat paid	(1,419,798)	(1,040,771)
Employees defined benefits paid	(406,461)	(123,911)
Net cash generated from operating activities	<u>11,689,917</u>	<u>12,627,796</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(4,582,477)	(2,561,681)
Addition to leased motor vehicles	(1,864,400)	(1,740,062)
Net cash (used in) investing activities	<u>(6,446,877)</u>	<u>(4,301,743)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank facilities	131,847	967,466
Obligations for leases financing	254,199	538,674
Dividends paid	(1,974,702)	(6,323,984)
Financing expenses paid	(5,269,949)	(2,256,481)
Net cash (used in) financing activities	<u>(6,858,605)</u>	<u>(7,074,325)</u>
Net (decrease)/ increase in cash and cash equivalents	<u>(1,615,565)</u>	<u>1,251,728</u>
Cash and cash equivalents at the beginning of the year	9,492,756	8,241,028
Cash and cash equivalents at the end of the year	<u>7,877,191</u>	<u>9,492,756</u>
Non-cash transactions:		
Transferred from leased motor vehicle to property and equipment	308,769	345,534
Dividends paid and transferred to partners' accounts	<u>525,298</u>	<u>76,016</u>



The accompanying notes from 1 to 25 form an integral part of these financial statements.

GULF BUILDER FOR TRADING AND CONTRACTING COMPANY

(LIMITED LIABILITY COMPANY)

Notes to the financial statements for the year ended December 31, 2019

(All amounts in Saudi Riyals unless otherwise stated)

1. Organization and activity

- **Name of the company:** Gulf Builder for Trading and Contracting Company Limited.
- **Legal entity:** The company is registered under the Commercial Registration No. 2051041139 issued from Al-Khobar dated 08.11.1430H valid till 13.08.1444H.
- **Share Capital:** SR 500,000.
- **Manager:** Ali Jassim Umran El-Mizraq.
- **Registered address of the Head Office:** Al-Khobar.
- **VAT No.** 300950259100003
- **Financial Year:** The financial year starts from January 1 and ends on December 31 of each year.
- **Commercial registrations:** No. 2051041139 issued at - Khobar dated 8/11/1430H and valid until 13/8/1444H.

Activity: General construction of residential buildings, non-residential public construction, including (schools, hospitals, hotels, etc.), general construction of buildings for non-residential steel buildings, construction and repair of roads, streets, sidewalks, and road accessories, other electrical installations, installation, maintenance, and repair of solar energy networks and buildings maintenance services activities.

Branch of Gulf Builder for Trading and Contracting Company Limited -Khobar - Commercial Registration No. 2051044496 dated 01/22/1432H and valid until 8/13/1444H and the branch's activity is the installation and maintenance of fire alarm devices and equipment for fire pipes and their maintenance and repair and wholesale of cameras, accessories and installation and maintenance of devices firefighting equipment, installation and maintenance of security devices, according to the letter of the General Directorate of Civil Defense No. (30805) dated 10/10/1435.

Branch of Gulf Builder for Trading and Contracting Company Limited -Khobar - Commercial Registration No. 2051044498, dated 01/22/1432, and valid until 8/13/1444, the branch's activity: wholesale and retail trade in medical equipment and supplies, laboratory equipment, electrical, electronic, and mechanical equipment, automatic control devices, air conditioners, communications, computers, tools, educational equipment, foodstuffs, and vegetables fruits, meat and fish, import and export.

Branch of Gulf Builder for Trading and Contracting Company Limited. - Yanbu - Commercial Registration No. 4700019777, dated 23/3/1437H, and valid until 3/3/1442H, the branch's activity : general contracting of buildings (construction, renovation, demolition - repair), implementation of gypsum and decoration works, maintenance and cleanliness of buildings, electrical and mechanical works, insulation, iron installation and wholesale trade and retail in the medical equipment and supplies, laboratory devices, electrical and mechanical equipment, electronic equipment, computers, air conditioning equipment, communications and road construction.

Branch of Gulf Builder for Trading and Contracting Company Limited - Kuwait - Commercial Registration No. 368153 dated 15/8/2016 and valid until 8/14/2020, the branch's activity: General contracting.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards for Small and Medium-sized Entities ("IFRS for SMEs") issued by the International Accounting Standards Board as endorsed by Saudi Organization for Certified Public Accountants ("SOCPA") in the Kingdom of Saudi Arabia.

2.1. Basis of measurement

These financial statements have been prepared on historical cost basis, using the accrual basis of accounting and the going concern concept.

2.2. Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals (SR) which is the functional and presentation currency of the company.

2.3. Key sources of estimation of uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the company. Such changes are reflected in the assumptions when they occur.

GULF BUILDER FOR TRADING AND CONTRACTING COMPANY

(LIMITED LIABILITY COMPANY)

Notes to the financial statements for the year ended December 31, 2019

(All amounts in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION... (Continued)

2.1. Key sources of estimation of uncertainty...(continued)

(A) Impairment of trade receivables

Provision is made for impairment of accounts receivables trade when there is objective evidence that the company is unable to collect all amounts due under the original terms of the receivables. The company re-evaluates the closing balance at each reporting date based on the age of receivables and detailed analysis of accounts receivable from each client on the possibility of the bankruptcy of the debtor basis or financial restructuring, and is a default or late payment indications there is objective evidence of impairment of trade receivables.

(B) Useful lives of property, plant and equipment

The management determines the estimated useful lives property plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

(C) Revenues of construction contracts

Contract revenue is recognized using the percentage of completion method, which is measured by the actual cost incurred to date to the estimated total cost of each contract. When the contract is in its initial stage and its results cannot be estimated reliably, revenue is recognized to the extent of the costs incurred that are recoverable. Contract costs include all costs of materials, direct labor and indirect costs related to contracts. Changes in cost estimates and losses are recognized in the unfinished contract in the period in which they are determined. The estimated costs and revenues that exceed the amounts invoiced for unexpired contracts are recognized as current assets and the increase in invoices for incurred costs and estimated revenues, if any, is recognized in current liabilities as contract work under construction

(D) Provision for obsolete and slow moving inventory items

Management creates a provision for obsolete and slow moving inventories (if necessary). Estimates of net inventory recoveries are based on the most reliable evidence at the time the estimates were used. These estimates take into account fluctuations in prices or costs directly related to events that occur after the date of the statement of financial position to the extent that confirms that the circumstances of these events exist as at the end of the year.

(E) Impairment of non-financial assets

Non-financial assets (except the inventory) are reviewed for any impairment losses as events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss (if any) is recognized at the higher of the carrying amount of the asset and its recoverable amount. The recoverable amount of the asset is the higher of the fair value of the asset less costs to sell and residual value in use. Assets are grouped to the lowest level

Where there are identifiable independent cash flows. Non-financial assets that have been impaired are reviewed for possible reversal of impairment at each financial position date. Where the impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, however the carrying amount that has been increased shall not exceed the carrying amount that would have been determined had the impairment loss been recognized in the value of the asset or cash-generating unit in prior years

Reversal of impairment loss is recognized as income directly in the statement of profits or losses comprehensive income.

3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The accounting policies set out below have been applied consistently to all periods presented in the financial statements, unless otherwise stated.

3.1. Property, plant and equipment

Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost includes the purchase price and any costs directly related to getting the assets to the site and the position it needs to be able to operate in the manner intended by the management. The cost of internally constructed assets includes material costs, direct labor, and any other costs directly related to bringing the assets to operating condition with a view to using them as intended, and the costs of dismantling and removing items and restoring the site they are in.

When the useful lives of the significant parts of any item of property, property and equipment are different, they are accounted for as separate items (major components) within property, properties and equipment.

GULF BUILDER FOR TRADING AND CONTRACTING COMPANY

(LIMITED LIABILITY COMPANY)

Notes to the financial statements for the year ended December 31, 2019

(All amounts in Saudi Riyals unless otherwise stated)

3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

Gains/ (losses) on disposal of property, plant and equipment

The gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized at net in statement of income.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits will flow to the Company, and its cost can be measured reliably, the carrying amount of the replaced component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the statement of income as incurred.

Depreciation

Depreciation represents regular provision to consumable assets over their useful lives. The consumable value represents cost of assets or the other alternative value of the cost less its residual value.

Depreciation is charged to the statement of profits and losses and other comprehensive income, using the straight-line method for each item of property, real estate and equipment. Leased assets are depreciated over the term of the lease or their useful lives, whichever is shorter. Land is not depreciated.

The rates used for the depreciation of property and equipment are as follows:

<u>Assets categories</u>	<u>Percentage</u>
a) Buildings	5%
b) Motor vehicles	25%
c) Porta cabins	20%
d) Machinery and equipment	15%
e) Woods	25%
d) Furniture and fixtures	20%

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

3.2. Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated according to the moving average method, which includes the expenditure incurred in bringing the inventory to its current location and condition. Net realizable value is the estimated selling price in the ordinary course of the business, less estimated costs of completion and expenses to complete the sale.

3.3. Financial instruments

Financial assets

Trade and other receivables are recognized at the transaction price. All transactions are carried out on the basis of normal credit terms and interest is not charged. At the end of each reporting period, the carrying amounts of the receivables are reviewed to determine whether there is any objective evidence that there are any non-recoverable amounts. If so, impairment losses are recognized directly in the statement of income and other comprehensive income.

Financial liabilities

Financial liabilities are initially recognized at deal price (including the transaction price). Trade payables are liabilities based on the normal credit terms and they are non-bearing interest. Liabilities calculated at interest are subsequently measured at amortized cost using the effective interest method

3.4. Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, at banks, demand deposits and other short term investments of high liquidity, if any, maturity of which is three months or less and are available to the company without restrictions

3.5. Employees' defined benefit obligations

Short term obligations

Short-term obligations are obligations related to salaries, wages and any other short-term benefits that are expected to be fully settled within 12 months after the end of the financial period in exchange for employees providing their services, and they are measured by the amounts expected to be paid when these obligations are settled. They are presented as employee benefit obligations in the statement of financial position.

GULF BUILDER FOR TRADING AND CONTRACTING COMPANY

(LIMITED LIABILITY COMPANY)

Notes to the financial statements for the year ended December 31, 2019

(All amounts in Saudi Riyals unless otherwise stated)

3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

3.5 Defined benefit...continued

Definition of employee contributions

The company's contribution to pension plans and is recognized as an expense when employees provide the service for which they are entitled to contributions.

Retirement benefits in the GOSI model are a defined contribution plan. The Company has no obligation, except for contributions due to the General Organization for Social Insurance. The Company recognizes contributions payable to the General Organization for Social Insurance as an expense when the employee provides the related service.

Long-term assumptions for employee benefits

Since the management of the company is unable (without unjustified effort and cost) to use the projected credit unit method to measure its liabilities and cost under the defined benefits plan. In measuring the liability related with this benefit the company implements a defined benefit plan for end of service benefits for its employees in accordance with the requirements of the labor law in the Kingdom of Saudi Arabia. Payments under this plan are based on the employees' salaries and final allowances and accumulated years of service on the date that their work ceases. As stated in the conditions mentioned in the labor laws in the Kingdom of Saudi Arabia, the employees' end of service benefits plans are unfunded as the entities concerned fulfill the obligations of benefit payments when they are due.

3.6 Zakat

The Company is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Provision for Zakat for the Company is charged to the statement of profits or losses and comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

3.7 Foreign currency transactions and balances

The company translates transactions in foreign currency upon recognition to the functional currency of the company which is a Saudi Riyal by applying the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rates of exchange at the reporting date. All differences arising on settlement or translation of monetary items are recorded in the statement of profits or losses and comprehensive income.

3.8 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events it is probable that a transfer of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect of time value of money is material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects a current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Reversal of discount is recognized as finance costs.

Provision for onerous contracts

If the total expected costs of contract construction are likely to exceed the total revenue of the construction contract, the expected loss should be immediately recognized as an expense with a provision against the probable loss items.

3.9 Revenue

When the outcomes of a contract can be reliably estimated, revenue or costs is recognized as revenue or expenses by referring to the completion stage of the activities of the contract at the end of the period of the report. The reliable estimate requires existence of an estimate that can be reliable upon the completion stage as well as the future costs and recoverability of billed amounts.

The company is required to determine the completion stage for the transaction or the contract using the method through which completed works can be measured. Revenue of construction contracts are measured using the percentage of completion method (listing the executed works).

The company should recognize the costs related with future activity for the transaction of the contract or the prepaid amounts as an asset if it is likely to recover such cost, and recognize any costs that cannot be recovered as expenses.

3.10 Expenses

General and administrative expenses include direct and indirect costs which are not specifically part of cost of revenue. Distribution between general and administrative expenses and cost of revenue, if necessary, are made on a consistent basis.

GULF BUILDER FOR TRADING AND CONTRACTING COMPANY

(LIMITED LIABILITY COMPANY)

Notes to the financial statements for the year ended December 31, 2019

(All amounts in Saudi Riyals unless otherwise stated)

1. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

1.11. Leases

The lease is classified as a financing lease, if it transfers approximately all the risks and benefits related to the ownership, and the lease is classified as an operating lease, if it does not transfer about approximately all the risks and benefits related to the ownership.

Whether the lease is a finance lease or an operating lease depends on the substance of the transaction and not on the form of the contract.

(A) Financing leases

At the commencement of the lease, the lessee should recognize his rights to use and his obligations under the financing lease as assets and liabilities in the statement of financial position for amounts equal to the fair value of the leased property, and if they are less than that, then in amounts equal to the present value of the minimum lease payments, specified at the time the lease was initiated. Any direct initial costs of the lessee are added to the amount recognized as an asset.

The present value of the minimum lease payments should be calculated using the implicit interest rate in the leases, and if this cannot be determined, the additional borrowing rate of the lessee should be used.

The lessee should divide the minimum lease payments between the finance charge and reduce the existing obligation by using the effective interest method, and the lessee should allocate the finance charge for each period during the lease term in order to produce a fixed periodic interest rate on the remaining balance of the obligation, and the lessee should charge the conditional rents as expenses in the periods in which they are incurred.

Depreciation is calculated on the leased asset under the lease, and if there is no reasonable assurance that the lessee will acquire ownership at the end of the lease term, the entire asset should be depreciated over the term of the lease or its useful life, whichever is shorter.

(B) Operating leases

Operating leases whereby the lessor retains a substantial part of the risks and rewards of ownership are classified as operating leases. Payments made under operating lease contracts (net of any incentives received from the lessor) are charged to the statement of profit, loss and comprehensive income using the straight-line method over the lease term.

GULF BUILDER FOR TRADING AND CONTRACTING COMPANY

LIMITED LIABILITY COMPANY)

Notes to the financial statements for the year ended December 31, 2019

(All amounts in Saudi Riyals unless otherwise stated)

4. Cash and cash equivalents

	2019	2018
Banks – current accounts	7,877,191	9,492,756
	<u>7,877,191</u>	<u>9,492,756</u>

5. Trade receivables

	2019	2018
Clients – works under billings * (note: 5.1)	39,180,633	62,416,288
Clients – Performance bond insurance	31,898,477	25,966,279
Suppliers - advance payment	17,239,014	9,774,478
Contractors - advance payments	3,366,501	5,514,890
	<u>91,684,625</u>	<u>103,671,935</u>

- It includes clients' balances under billings balance amounting to SR 914,410 which represents disputed balance in the Eastern Province Court of Appeals whereby the company claims the client / Al Bandariya International Company Limited to pay an amount of SR. 1,768,707 dated 12.15.2018.
A judgment has been issued in support of the ruling issued by the third commercial department in the Dammam Commercial Court obliging the defendant Al Bandariya International Company Limited to pay the plaintiff Gulf Builder for Trading and Contracting Company an amount of SR. 1,768,707 dated 2.9.1440H from the Court of Appeal in the Eastern Region.

5.1. Ageing

	2019	2018
1 - 30 days	15,723,987	30,512,479
31 - 60 days	12,533,546	16,690,583
61 - 90 days	6,072,628	11,392,861
Over 90 days	4,850,472	3,820,365
	<u>39,180,633</u>	<u>62,416,288</u>

6. Inventories

	2019	2018
Material	5,087,602	----
	<u>5,087,602</u>	<u>----</u>

7. Prepaid expenses and other receivables

	2019	2018
Prepaid:		
Advances to employees	5,265,011	1,681,740
Margin for letters of credit	2,280,608	417,245
Margin for letters of guarantee	7,839,358	4,425,040
Others	625,778	----
	<u>16,010,755</u>	<u>6,524,025</u>

GULF BUILDER FOR TRADING AND CONTRACTING COMPANY

(LIMITED LIABILITY COMPANY)

Notes to the financial statements for the year ended December 31, 2019

(All amounts in Saudi Riyals unless otherwise stated)

8. Property and equipment

	Balance as at 01.01.2019	Additions	Transferred from Leased motor vehicles	Balance as at 31.12.2019
Cost				
Land	3,779,500	----	----	3,779,500
Buildings	3,171,953	----	----	3,171,953
Motor vehicles	7,078,602	90,100	578,664	7,747,366
Porta cabins	1,722,109	91,899	----	1,814,008
Machinery and equipment	4,268,907	3,833,961	----	8,102,868
Limbers	3,944,114	291,401	----	4,235,515
Furniture and fixtures	1,806,568	275,116	----	2,081,684
	25,771,753	4,582,477	578,664	30,932,894
Accumulated depreciation:				
Building	308,944	158,597	----	467,541
Motor vehicles	5,579,091	521,394	269,895	6,370,380
Porta cabins	557,268	320,481	----	877,749
Machinery and equipment	1,708,824	413,178	----	2,122,002
Limbers	2,157,123	688,249	----	2,845,372
Furniture and fixtures	1,056,106	225,506	----	1,281,612
Total depreciation	11,367,356	2,327,405	269,895	13,964,656
Net Book Value	2018			2019
Land	3,779,500			3,779,500
Buildings	2,863,009			2,704,412
Motor vehicles	1,499,511			1,376,986
Porta cabins	1,164,841			936,259
Machinery and equipment	2,560,083			5,980,866
Limbers	1,786,991			1,390,143
Furniture and fixtures	750,462			800,072
	14,404,397			16,968,238

9. Leased assets

	Balance as at 01.01.2019	Additions	Transferred from Leased vehicles	Balance as at 31.12.2019
Cost				
Leased motor vehicles	3,953,725	1,864,400	(578,664)	5,239,461
	3,953,725	1,864,400	(578,664)	5,239,461
Accumulated depreciation:				
Leased motor vehicles	492,192	622,786	(269,895)	845,083
	492,192	622,786	(269,895)	845,083
Net Book Value	2018			2019
Leased motor vehicles	3,461,533			4,394,378
	3,461,533			4,394,378

GULF BUILDER FOR TRADING AND CONTRACTING COMPANY

(LIMITED LIABILITY COMPANY)

Notes to the financial statements for the year ended December 31, 2019

(All amounts in Saudi Riyals unless otherwise stated)

III. Bank facilities

The company has entered into a credit facility agreement with several local banks with varying issuance fees in addition to SIBOR and its definition by the Saudi Arabian Monetary Agency and the following is a statement of the values used from the bank facilities at December 31:

Bank facility	2019	2018
Available limits for deal	74,787,788	63,113,788
Portion used at December 31 (note: 22)	(69,827,482)	(26,929,515)
Unused limits	4,960,306	36,184,273
Commercial facility loans		
Available limits for deal	24,000,000	9,500,000
Portion used at December 31	(5,794,588)	(5,662,741)
Unused limits	18,205,412	3,837,259

Commitments and guarantees

- A favorable waiver in favor of banks of project dues for which letters of guarantee and performance bond or advance or final payment are issued, funded projects, and projects funded under the limits of documentary letter of credits.
- Personal baiment from Mr. Ali Jassim Umran El-Mizraq.
- baiment of solidarity and on individual basis with amount of SR. 39,000,000 by Mr. Ali Jassim Umran El-Mizraq and Mr. Abdulaziz Ali Jassim Umran El-Mizraq.
- A commitment to waive contract revenue and confirmation of the assignment therefrom.
- Assignment of a debt rank.
- The rights of the partners are not less than the amount of SR. 60,000,000.
- The company withdrawals during 2018 shall not exceed 50% of the net income.

III. Obligations for financing leases

- Repayment period of commitments From 3 to 4 years
- Obligation payable SR. 2,816,731

	2019	2018
Total obligations under financing leases	3,563,338	3,383,417
Financing interest not due	(746,607)	(820,885)
Obligations under financing leases payable	2,816,731	2,562,532
Distributed as follows:		
Obligations under financing leases - current portion	1,372,369	1,372,315
Obligations under financing leases - non-current portion	1,444,362	1,190,217
	2,816,731	2,562,532
Minimum future lease payments		
Due within one year	1,372,369	1,372,315
Due within two years	1,475,947	1,115,919
Due within three years	658,598	875,881
Due within four years	56,424	19,302
	3,563,338	3,383,417

GULF BUILDER FOR TRADING AND CONTRACTING COMPANY

(LIMITED LIABILITY COMPANY)

Notes to the financial statements for the year ended December 31, 2019

(All amounts in Saudi Riyals unless otherwise stated)

12. Trade creditors

	2019	2018
Suppliers	20,843,814	17,443,541
Sub-contractors	14,272,826	16,283,108
Contractors - retention	4,194,309	5,349,537
Advance from customers	10,661,098	15,069,730
	49,972,047	54,145,916

13. Accrued expenses and other payables

	2019	2018
Salaries and wages	584,147	1,781,235
Value added tax payable	387,971	1,149,244
Other payables	189,979	157,666
	1,162,097	3,088,145

14. Due to partners

	2019	2018
All Jassim Umran Al-Mizraq partner	525,298	76,016
	525,298	76,016

15. Provision for zakat

15.1 Zakat is calculation based on the following:

	2019	2018
Profit for the year	13,027,684	23,638,413
Provision for staff indemnities	624,846	819,482
Adjusted profit	13,652,530	24,457,895

15.2 Zakat base

Partners' equity

- Share capital	500,000	500,000
- Statutory reserve	250,000	250,000
- due to partners	525,298	76,016
- Employees defined benefits obligations	3,806,066	2,986,584
- Obligations for financing leases	2,816,731	2,562,532
- Retained earnings	63,543,432	43,824,817
- Adjusted income	13,652,530	24,457,895

property, plant and equipment-net

	(21,362,614)	(17,865,930)
--	---------------------	---------------------

Zakat base

	63,731,443	56,791,914
--	-------------------	-------------------

Zakat due @ 2.5%

	1,593,286	1,419,798
--	------------------	------------------

15.3 Movements in provision for zakat

	2019	2018
Balance as at January 1,	1,419,798	1,040,771
Paid during the year	(1,419,798)	(1,040,771)
Provided during the year	1,593,286	1,419,798
Balance as at December 31,	1,593,286	1,419,798



شركة المُرَكَّب الخَلِيجِي لِلتَّجَارَةِ وَالْمَقَاوِلَاتِ
Gulf Builder for Trading & Contracting Company

س.ن ٢٠٥١٠٤١١٣٩ C.R 2051041139

GULF BUILDER FOR TRADING AND CONTRACTING COMPANY

(LIMITED LIABILITY COMPANY)

Notes to the financial statements for the year ended December 31, 2019

(All amounts in Saudi Riyals unless otherwise stated)

15. Provision for zakat...continued

15.4 Status of zakat:

- The company has submitted zakat return for the year ended December 31, 2018 and obtained the certificate No. 1040276926 valid until 30.04.2020.
- The company has not received zakat assessment or zakat differences as of the date of the financial statements.

15.5 VAT:

Value added tax returns are filed on regular basis and the tax is paid as per the return in the prescribed legal deadlines.

16. Employees defined benefits obligations

	2019	2018
Opening balance	3,806,066	2,986,584
Payments made during the year	(406,461)	(123,911)
Provided during the year	1,031,307	943,393
	4,430,912	3,806,066

17. Share capital

The capital of the Company is divided into 1,000 shares of SR. 500 each fully paid and distributed as follows:

	Value Per share	No. of shares held	Amount Percentage	Percentage
1. Ali Jassim Umran El-Mizraq	500	600	300,000	60%
2. Abdulaziz Ali Jassim Umran El-Mizraq	500	100	50,000	10%
3. Faisal Ali Jassim Umran El-Mizraq	500	100	50,000	10%
4. Al-Hum Ali Jassim Umran El-Mizraq	500	100	50,000	10%
5. Wadiam Fatima Ali Jassim Umran El-Mizraq	500	100	50,000	10%
		1,000	500,000	100%

18. Statutory reserve

In accordance with Saudi Arabian Companies Law and the Company's Articles of Association, 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals 30% of the share capital. This reserve is not available for distribution to the shareholders.

GULF BUILDER FOR TRADING AND CONTRACTING COMPANY

(LIMITED LIABILITY COMPANY)

Notes to the financial statements for the year ended December 31, 2019

(All amounts in Saudi Riyals unless otherwise stated)

18. Cost of revenue

	2019	2018
Raw material	86,462,245	122,499,340
Salaries and wages	48,805,006	44,100,199
Lease of equipment	9,283,619	6,946,992
Technical and consultancy fee	1,151,414	693,058
Insurance premium	89,715	141,435
Communication expenses	126,195	65,006
Food and accommodation	1,670,089	1,730,713
Transportation, loading and unloading	784,721	688,302
Rent	239,446	213,556
Repair and maintenance	442,619	246,637
Fuel, oil and lubricants	354,367	277,675
Water and electricity	1,098,116	794,773
Printing and stationery	256,818	189,359
Advertisement	127,113	74,685
Site cleaning and installation	258,282	216,249
Employees defined benefit obligations	825,045	754,714
Depreciation on property, plant and equipment and leased motor vehicles	2,566,087	2,305,279
	154,540,897	181,937,972

19. General and administrative expenses

	2019	2018
Salaries and wages	7,142,030	6,096,084
Bonus and incentives	853,481	2,187,186
Social insurance	1,144,005	947,148
Air-tickets	776,324	828,302
Housing allowances	2,207,579	2,501,996
Medication and medicines	9,932	44,002
Passport and iqama	4,351,617	4,231,063
Repair and maintenance	407,304	413,628
Vehicles running expenses	1,294,286	1,042,230
Insurance premium	1,700,467	1,562,131
Transportation and rent a car	538,951	370,552
Government and subscriptions fee	349,172	350,738
Rent	618,224	564,355
Water and electricity	353,819	153,920
Postage and telephone	733,597	736,261
Printing and stationery	352,873	299,645
Advertisement	72,802	234,006
Accommodation and food expenses	1,373,585	1,173,940
Hospitality	491,382	477,418
Bidding fees	144,000	76,500
Professional and consultants fees	68,780	31,200
Employees defined benefits obligations	206,262	188,679
Depreciation on property, plant and equipment and leased motor vehicles	384,104	463,531
	25,574,576	24,974,515

20. Finance cost

	2019	2018
Bank charges	4,637,687	1,879,878
Interest for financing leases	632,262	376,603
	5,269,949	2,256,481

GULF BUILDER FOR TRADING AND CONTRACTING COMPANY

(LIMITED LIABILITY COMPANY)

Notes to the financial statements for the year ended December 31, 2019

(All amounts in Saudi Riyals unless otherwise stated)

32. Contingencies

Bank facilities

	2019	2018
Used deal limits at 31 December (note: 10)	69,827,482	26,929,515
Cash cover (note: 7)	(10,119,966)	(4,842,285)
Used deal limits – uncovered at 31 December	59,707,516	22,087,230

33. Subsequent event

The existence of novel coronavirus (Covid-19) was confirmed in early 2020, causing disruptions to businesses and economic activities and financial effects in all jurisdictions of the world. Kingdom of Saudi Arabia has taken many precautionary procedures that may have economic impact on business operations, assets and liabilities etc. Further, company's impact could be reduced based on the various stimulus packages announced by the Government of Saudi Arabia for various industries.

The company considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the company.

The financial impact of this outbreak will be considered into the Company's estimates in 2020.

34. Financial instruments and risk management

34.1. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

The Company's financial liabilities include trade payables, due to related parties and certain other liabilities. All these financial liabilities are expected to be settled within 12 months of the reporting date and the Company expects to have adequate funds available to do so.

34.2. Credit risk

Credit risk is the risk that one party to a financial instrument will be unable to meet its obligations and cause the other party to incur a financial loss. The company does not have a significant concentration of credit risk. Cash is deposited with banks with a high credit rating. The company seeks to limit its credit risks with regard to customers by setting credit limits, monitoring existing debts on the history of the financial position and creating a provision against doubtful balances that are based on the customer's file and prepaid payment dates. The receivables of existing customers are monitored regularly, and to meet credit risk from debtors.

34.3. Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether these changes are caused by specific factors of the individual instrument or its source, or factors that affect all instruments traded in the market and are subject to price risks.

Interest rate risk (commission)

Interest rate risk (commissions) represent risks related to fluctuations due to changes in the market interest rates on the statement of financial position and its cash flows.

34.4. Currency risk

The risk of change in the value of financial instruments due to changes in foreign exchange rates which affects payments and receipts in foreign currencies, as well as an assessment of assets and liabilities in foreign currencies. The principal transactions of the company are in Saudi Riyals. Other transactions in foreign currencies are immaterial.

The company's exposure to foreign currency risk is mainly restricted to transactions in Euros and US dollars

35. Approval of the financial statements

These financial statements have been approved by the company's management on Ramadan 04, 1441H (Corresponding to April 27, 2020).