

**United Maintenance and Contracting Co
Foreign Limited Liability Company
Riyadh - SAUDI ARABIA**

**THE FINANCIAL STATEMENTS
For the year ended 31 December 2020
WITH INDEPENDENT AUDITOR'S REPORT**

**United Maintenance and Contracting Co
Foreign Limited Liability Company
FINANCIAL STATEMENTS
For the year ended 31 December 2020
Expressed in Saudi Arabian Riyals**

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INDEPENDENT AUDITOR'S REPORT

To the partners

**United Maintenance and Contracting Co
Foreign Limited Liability Company
Riyadh, Kingdom of Saudi Arabia**

Opinion

We have audited the financial statements of United Maintenance and Contracting Co. Foreign Limited Liability Company ("the Company"), which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of cash flows and statement of changes in partners' equity for the year then ended and the notes from (1) to (36) attached within the financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with the International financial reporting standards applicable for Small and medium sized entities as endorsed in Saudi Arabia and in addition with the other releases as approved by the Saudi Organization of Auditors and Accountants.

Basis for Opinion

We conducted our audit in accordance with the International Auditing Standards endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the Code of Conduct and Ethics applicable in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements and we also fulfill our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We refer to note 6 to the financial statements as receivables include SAR 23,117,520 representing the long outstanding balances of customers for whom we could not obtain confirmation for balances as of the date of financial statements. However, the Company has obtained court judgments in respect of receivables amounting to SAR 9,222,937 and is making efforts to collect them.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International financial reporting standards applicable for Small and medium sized entities as endorsed in Saudi Arabia and in addition with the other releases as approved by the Saudi Organization of Auditors and Accountants and the provisions of the Companies Regulations and the Company's Articles of Association and for such internal controls as management determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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.

Those charged with governance, are responsible for overseeing the Company's financial reporting process.

Auditor's 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 auditor's 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 Auditing Standards endorsed in the Kingdom of 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.

As part of an audit in accordance with Auditing Standards endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement 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 that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 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 evidenced 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company 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 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.

Report on other legal and regulatory requirements

In our opinion, these financial statements are in line with the requirements of the Companies Regulations and the Company's Articles of Association regarding the preparation and presentation of financial statements.

Dammam 17 Ramadan 1442 H
29 April 2021 M

BOODAI & Al-OMAR CPA



Adel Abdulaziz Boodi
Certified Accountant
License No. (303)



United Maintenance and Contracting Co
Foreign Limited Liability Company
Statement of financial position
As at 31 December 2020
Expressed in Saudi Arabian Riyals

Assets	Note	2020	2019
Current assets			
Cash and cash equivalents	(5)	22,697,796	51,669,623
Accounts receivables, net	(6)	70,360,175	54,266,631
Inventories		8,469,102	3,572,850
Due from partners	(7)	-	2,441,267
Other financial assets	(8)	2,017,995	2,032,409
Advances, prepayments & other current assets	(9)	42,086,318	51,600,425
Revenue recognized in excess of billings	(10)	43,136,074	47,177,434
Total current assets		188,767,460	212,760,639
Non-current assets			
Property, plant and equipment - net	(11)	57,050,175	28,121,687
Intangible assets, net	(12)	44,803	72,499
Investment property	(13)	3,800,000	3,800,000
Deferred tax assets	(14)	-	441,163
Total assets		249,662,438	245,195,988
Liabilities & partners' equity			
Current liabilities			
Due to banks		2,112,736	2,256,171
Accounts payable	(15)	52,076,384	47,287,049
Short-term borrowing	(16)	13,732,760	19,892,682
Current portion of long term borrowing	(18)	12,843,834	2,112,264
Current portion of finance lease liabilities	(17)	900,048	1,164,903
Current tax provision	(19)	834,232	458,518
Due to partners	(20)	3,443,330	40,691,489
Other current liabilities	(21)	41,052,960	51,436,178
Total current liabilities		126,996,284	165,299,254
Non-current liabilities			
Employee benefits obligation	(22)	5,881,351	5,696,951
Deferred tax liability	(14)	5,603,980	-
Obligation under assets subject to finance lease	(17)	1,680,011	1,208,877
Long-term borrowing	(18)	3,208,517	26,591,829
Total non-current liabilities		16,373,859	33,497,657
Total liabilities		143,370,143	198,796,911
Partners' equity			
Capital	(23)	20,000,000	20,000,000
Statutory reserve		7,095,473	7,095,473
Revaluation Surplus	(24)	26,537,115	-
Partners' additional contributions	(25)	30,000,000	-
Retained Earnings		22,659,707	19,303,604
Total partners' equity		106,292,295	46,399,077
Total liabilities & partners' equity		249,662,438	245,195,988

The notes from (1) to (36) form an integral part of these financial statements.

United Maintenance and Contracting Co
Foreign Limited Liability Company
Statement of Comprehensive income
For the year ended 31 December 2020
Expressed in Saudi Arabian Riyals

	Note	2020	2019
Revenue	(26)	131,944,110	141,416,553
Cost of revenue	(27)	(110,046,119)	(117,167,528)
Gross profit for the year		21,897,991	24,249,025
Operating expenses			
Marketing and selling		(2,915)	(242,615)
General & Administrative	(28)	(12,668,557)	(16,845,854)
Administrative depreciation	(11)	(304,740)	(268,303)
Amortization of intangible assets	(12)	(27,696)	(57,066)
Total operating expenses		(13,003,908)	(17,413,838)
Net operating profit for the year		8,894,083	6,835,187
Other (expenses) and income			
Finance Cost		(6,128,983)	(5,779,744)
Gains and other revenues	(29)	65,106	187,385
Losses and other expenses	(30)	(14,414)	(85,002)
Net profit before Taxation		2,815,792	1,157,826
Taxation	(31)	(120,710)	(246,331)
Net profit for the year		2,695,082	911,495
Other comprehensive income			
<i>Items that will not be subsequently reclassified in profit or loss:</i>			
Actuarial gain (losses) on valuation of employee benefit	(14) & (22)	661,021	986,095
Other comprehensive income		661,021	986,095
Total comprehensive income		3,356,103	1,897,590

The notes from (1) to (36) form an integral part of these financial statements.

United Maintenance and Contracting Co
Foreign Limited Liability Company
Statement of changes in equity
For the year ended 31 December 2020
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	Capital	Statutory reserve	Revaluation Surplus	Partners additional contributions	Retained Earnings	Total partners' equity
Balance as of 1 January 2019	20,000,000	7,095,473	-	-	17,406,014	44,501,487
Net profit for the year	-	-	-	-	911,495	911,495
Other comprehensive income	-	-	-	-	986,095	986,095
Total comprehensive income	-	-	-	-	1,897,590	1,897,590
Balance as of 31 December 2019	20,000,000	7,095,473	-	-	19,303,604	46,399,077
Balance as of 1 January 2020	20,000,000	7,095,473	-	-	19,303,604	46,399,077
Net profit for the year	-	-	-	-	2,695,082	2,695,082
Other comprehensive income	-	-	-	-	661,021	661,021
Total comprehensive income	-	-	-	-	3,356,103	3,356,103
Transfer from Partners' additional conti	-	-	-	30,000,000	-	30,000,000
Revaluation surplus for the year	-	-	26,537,115	-	-	26,537,115
Balance as of 31 December 2020	20,000,000	7,095,473	26,537,115	30,000,000	22,659,707	106,292,295

The notes from (1) to (36) form an integral part of these financial statements.

United Maintenance and Contracting Co
Foreign Limited Liability Company
Statement of cash flows
For the year ended 31 December 2020
Expressed in Saudi Arabian Riyals

	2020	2019
<u>Cash flow from operating activities</u>		
Net profit before Taxation	2,815,792	1,157,826
<u>Adjustments for non-cash items</u>		
Depreciation / impairment of property, plant & equipment	6,686,845	6,532,416
Amortization / impairment of intangible assets	27,696	57,066
Loss (gain) from disposal of property, plant & equipment	-	85,002
Accrued finance charges	6,128,983	5,779,744
Loss (gain) on investments	14,414	(187,385)
<u>Changes in working capital</u>		
Receivables	(16,093,544)	11,922,758
Inventories	(4,896,252)	(23,215)
Advances, prepayments and other current assets	13,555,467	(25,929,344)
Accounts payable	5,103,225	(4,502,232)
Partners' accounts	(4,806,892)	(6,866,566)
Other current liabilities	(10,383,218)	36,004,553
End-of-service-Employee benefits	1,010,676	804,398
Cash generated from operations	(836,808)	24,835,021
Finance cost paid	(6,442,873)	(5,465,854)
Zakat and tax paid	(499,387)	(792,657)
Net cash flows (utilised in) generated from operating activities	(7,779,068)	18,576,510
<u>Cash flow from investing activities</u>		
Additions to property, plant and equipment	(1,812,797)	(2,814,308)
Proceeds from disposal of property, plant and equipment	-	197,901
Additions to Intangible assets	-	(63,453)
Payments for acquisition of investments	-	(1,845,024)
Net cash flows (utilised in) investing activities	(1,812,797)	(4,524,884)
<u>Cash flow from financing activities</u>		
Change in Short-term borrowing	(6,159,922)	12,517,682
Repayment of long term borrowings	(13,542,742)	(1,872,300)
Proceeds from long term borrowings	891,000	26,376,993
Repayment of finance lease liabilities	(424,863)	(2,168,750)
Net cash flows (utilised in) generated from financing activities	(19,236,527)	34,853,625
Net change in cash and cash equivalent	(28,828,392)	48,905,251
Cash and cash equivalents at beginning of the year	49,413,452	508,201
Cash and cash equivalents at end of the year	20,585,060	49,413,452

The notes from (1) to (36) form an integral part of these financial statements.

United Maintenance and Contracting Co
Foreign Limited Liability Company
Notes to financial statements
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1 ESTABLISHMENT AND ACITIVITY

United Maintenance and Contracting Company Limited (UNIMAC) is A FOREIGN LIMITED LIABILITY Company that was incorporated vide the commercial registration No. 1010030427 in City Riyadh dated 04 Jamada II 1400 AH corresponding to April 20, 1980G. The subscribed and paid up capital amounted to SR 20,000,000 divided in to 20,000 share, each share has a par value of SR 1000.

The Company was incorporated in accordance with the companies' regulations issued by the Royal Decree No. M/6 dated 22/3/1385 AH and its amendments based on the Ministerial Resolution No 262 dated Rabi I 18/1408 AH.

The Company is engaged in construction and maintenance of roads, buildings, airport facilities including runways, tracks, and towing courts, agriculture works, landscaping, execution, operations and maintenance of electrical and mechanical work contracts, communicaiton networks and related works, environmental protection and treating in accordance with Saudi Arabian General Authority (SAGIA) license No 102030082726 dated 08 Jamada I 1424AH corosponding to July 08, 2003.

The head office of the company is located in Riyadh city, whereas it can be transferred to any other cities within the Kingdom if decided so by the extraordinary general assembly. The board of directors of the company has the virtue to establish branches, agencies, offices or showrooms inside or outside the Kingdom of Saudi Arabia whenever found to be necessary to serve the company's interest.

The duration of the Company is ten years. The duration of the Company can be prolonged upon agreement of the partners.

The fiscal year of the Company begins in January 1 and ends in December 31 of each year.

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2 BASIS OF ACCOUNTING AND PREPARATION

2-1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) for Small and Medium-sized Entities (SMEs) as endorsed in the Kingdom of Saudi Arabia (KSA) and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (SOCPA) (hereinafter referred to as "IFRS for SME as endorsed in KSA").

2-2 BASIS OF MEASUREMENT

The financial statements of the company are prepared in accordance with the principle of historical cost basis using the accrual basis of accounting.

2-3 FUNCTIONAL AND PRESENTATIONAL CURRENCY

Items included in the financial statements of the Company are recorded at Saudi Riyals (SAR) which is the functional and presentation currency of the Company.

3 USE OF ESTIMATES, JUDGMENTS AND SIGNIFICANT ASSUMPTIONS IN PREPARATION OF FINANCIAL STATEMENTS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision year and future years if the changed estimates affect both current and future years.

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- Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial period include:

A - Impairment of non-financial assets

B - Provisions

C - Long-term assumptions for employee benefits

- Critical judgments

The Company's assets, classified within Property, Plant and Equipment, are depreciated on a straight-line basis over their economic useful lives. When determining the economic useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately. Judgment is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to mother asset, its pattern of consumption and its replacement cycle/maintenance schedule.

4 SIGNIFICANT ACCOUNTING POLICIES

4-1 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position. However, for statement of cash flows purposes it is classified as part of cash and cash equivalents.

4-2 Accounts receivable

Trade receivables are recognised initially at the transaction price. All sales are made on the basis of normal credit terms, and the receivables do not bear interest. At the end of each reporting period, the carrying amounts of trade receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable according to the original terms. If so, an impairment loss is recognised immediately in profit or loss. Bad debts are written-off in the statement of profit or loss on identification.

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4-3 Inventories

Inventories are stated at the lower of cost (weighted average) or estimated selling price less costs to complete and sale. Cost of inventory for finished goods are determined based on the weighted average of cost of material used and direct labor cost and allocated manufacturing overhead cost method.

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

4-4 Transactions with related parties

Prices and terms of transactions with related parties are determined based on market prices.

4-5 Property, plant and equipment

Property, plant and equipment is stated at historical cost / revaluation less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of property, plant and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Land and capital work in progress are not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows;

- Furniture and fixtures	10%
- Motor vehicles	10%-20%
- Leasehold improvements	5%
- Moveable houses	10%
- Machinery & Equipment	10%
- Generators and Compressors	10%

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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains/(losses) – net' in the statement of comprehensive income.

Any revaluation increase arising on property, plant and equipment is recognised in other comprehensive income and presented as a separate component of equity as "Revaluation surplus", except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of property, plant and equipment is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The revaluation reserve is not available for distribution to the Company's shareholders. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged is transferred to unappropriated profit.

4-6 Investments and other financial assets

Investments property

Investment property, including property under construction for such purposes, is measured initially at its cost, including transaction costs.

Subsequent to initial recognition, investment property whose fair value can be measured reliably without undue cost or effort on an ongoing basis after initial recognition are measured at fair value, at each reporting date. The changes in fair value recognised in the statement of profit or loss.

Any other investment property (whose fair value cannot be measured reliably without undue cost or effort) is measured at cost less accumulated depreciation and any impairment loss.

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Other financial assets

Investments in quoted shares are initially recognised at the transaction price and subsequently measured at fair value, with changes in fair value being recognised in profit or loss. Fair value is determined using the quoted bid price at the reporting date.

Investments in unquoted shares are measured at cost less impairment, since their fair value cannot be measured reliably. If there is an indication of possible impairment, the carrying amount is reduced to management's best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

All other financial assets are measured at amortised cost using the effective interest method.

4-7 Intangible assets

Other intangible assets

Intangible assets, other than goodwill, are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is charged so as to allocate the cost of assets over their estimated useful lives, using the straight-line method at the rates specified in respective notes to the financial statements.

Research and development expenditure is charged to 'administrative expenses' in the statement of profit or loss, as and when incurred.

4-8 Trade & other payables

Trade payables are obligations under normal short-term credit terms. These are measured at the undiscounted amount of cash to be paid.

4-9 Accrued expenses and other liabilities

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

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4-10 Employee benefits - End of service benefits

The Company operates an unfunded defined benefit plan for all employees in accordance with the requirements of Saudi Labour Law. Provisions are made in the financial statements to cover obligations on the basis of actuarial valuations carried out annually. The Company was not able to measure the defined benefit obligations using the "Project Unit Credit Method" without undue cost of effort. Accordingly, such obligation is measured by applying the simplified method state in Section 28.19 of IFRS for SMEs. The most recent valuation was carried as at December 31, 2020.

The amount recognized in statement of financial position represents the present value of the defined benefit obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the year in which they arise. Past service costs are recognized immediately to profit or loss.

4-11 Zakat and Taxation

Current tax

Income tax is computed in accordance with the General Authority of Zakat & Tax ("GAZT") regulations in Saudi Arabia and is accrued and charged to the statement of income according to the Saudi income tax standards issued by the Saudi Organization for Certified Public Accountant (SOCP).

Deferred tax

Deferred tax is provided for using the liability method for all temporary differences between the tax base of the assets and liabilities and their carrying amount as at the reporting date. Deferred tax assets and liabilities are measured at the tax rates expected to be applied to the period in which the asset is realized or the liability is settled.

Temporary differences resulting in deferred tax assets and liabilities are included in the statement of financial position. Deferred tax assets and liabilities are recorded at nominal value.

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4-12 Borrowings

Loans are measured at amortised cost using the effective interest method.

Overdrafts are repayable in full on demand and are initially measured and subsequently stated at face value (the amount of the loan).

In case the loan is interest-free or carries interest below the prevalent market rate, it is initially recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. The difference between the discounted present value and actual receipt is recognised as finance income. Subsequently, the interest-free loan is measured at amortized cost, using the effective Interest rate method, this involves unwinding of discount, such that at the repayment date, the carrying value of obligation equals the amount to be repaid. The unwinding of discount is included in finance costs in the Statement of Comprehensive Income.

4-13 Leases

At its inception, a lease is classified as either a finance lease or an operating lease. Finance leases transfer substantially all the risks and rewards of ownership. All other leases are classified as operating leases.

Finance lease

Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is apportioned between the liability and finance charges using the effective interest method.

4-14 Revenue recognition

Revenue is recognised to the extent the Company has delivered goods or rendered services under an agreement, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

Revenue is measured at the fair value of the consideration received or receivable, exclusive of value added tax, returns, rebates and trade discounts.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer. This is usually at the point that the customer has accepted for the delivery of the goods.

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Rental income

Rental income from investment property that is leased to a third party under an operating lease is recognised in the statement of comprehensive income on a straight-line basis over the lease term.

Dividend income

Dividend income is recognised when the Company's right to receive payment has been established and is shown as 'other income'.

Contract Revenue

Revenue on long term contracts, where the outcome can be estimated reliably, is recognized under the percentage of completion method by reference to the stage of completion of the contract activity. The stage of completion is measured by calculating the proportion that costs incurred to date bear to the estimated total costs of a contract. Where the outcome cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable. When the current estimate of total contract costs and revenues indicate a loss, provision is made for the entire loss on the contract irrespective of the amount of work done.

Revenue recognized in excess of billings represents the excess of contract revenues recognized as earned over the contract performance billed up to the statement of financial position date. Billings in excess of revenue recognized represents the excess of amounts billed over contract performance recognized as earned up to the reporting date.

4-15 Cost of revenue

Cost of revenue includes raw materials and direct labor and operating expenses which are directly or indirectly relates to operations.

4-16 Expenses

Expenses includes selling and distribution expenses and general and administrative expenses and direct and indirect costs which are not specifically related to the cost of revenue and is disclosed based on generally accepted accounting principles.

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4-17 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are

4-18 Impairment of non-financial assets

At each reporting date, non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss. If an impairment loss for a non-financial asset other than goodwill subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4-19 Impairment of financial assets other than trade receivables

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 profit or 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.

4-20 Statutory reserve

In accordance with article 176 of companies' regulation in the Kingdom of Saudi Arabia, the company must set aside 10% of its annual net income to statutory reserve until this reserve equals 30% of the capital.

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4-21 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised and are presented in the income statement on net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

5 Cash and cash equivalents

	2020	2019
Cash in hand and in custody	1,890,554	2,456,571
Cash with banks	20,807,242	49,213,052
Cash - cash equivalent as at 31 December	22,697,796	51,669,623

5-1 For the purpose of the statement of cash flows, cash and cash equivalents include the following;

Cash and cash equivalent (as above)	22,697,796	51,669,623
Less: Due to banks (bank overdrafts)	(2,112,736)	(2,256,171)
	20,585,060	49,413,452

6 Accounts receivables, net

	2020	2019
Trade receivables	70,360,175	54,266,631
Receivables, net 31 December	70,360,175	54,266,631

These include SAR 23,117,520 long outstanding receivables. The court has decided in favour of the company for SAR 9,222,937 and remaining are under litigation with favourable outcome for the company. Further, the partners of the company have guaranteed to compensate in the event of non-recoverability of these receivables.

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7 Due from Partners

Name of partners	2020	2019
1 Fadi Arastu Hatoum	-	2,441,267
Total as of 31 December	-	2,441,267

8 Other financial assets

	2020	2019
Financial assets measured at fair value	2,017,995	2,032,409
Total other financial assets	2,017,995	2,032,409

8-1 It represents investment of 57,657 shares in ARAMCO at SAR 32 per share and quoted market price SAR 35 was used to determine the fair value of financial asset at the year end.

8-2 As stated in note 18, shares/certificates of SAR2,017,995 are given as security against finance facility arranged with a Bank.

The Company do not use any derivative financial instruments.

9 Advances, prepayments & other current assets

	2020	2019
Prepaid Expenses	6,517,146	7,635,461
Due from employees	1,340,687	1,372,915
Due from GZAT - VAT	-	389,895
Retention with others	15,347,633	20,353,847
Advance to Suppliers	15,192,374	15,167,718
Unfunded Letters of Credit & Letters of Guarantee	3,497,010	6,386,871
Other	191,468	293,718
Total as of 31 December	42,086,318	51,600,425

10 Revenue recognized in excess of billings

	2020	2019
Value of work performed	43,136,074	47,177,434
Total as of 31 December	43,136,074	47,177,434

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11 Property, Plant And Equipment - Net

	Furniture and fixtures	Motor vehicles	Leasehold improvements	Moveable houses	Machinery & Equipment	Generators and Compressors	Total 2020	Total 2019
Cost beginning of the year	4,449,888	52,890,996	1,110,000	5,737,807	93,234,138	7,829,231	165,252,060	161,055,674
Revaluation	-	7,833,371	-	4,240	23,930,986	1,402,797	33,171,394	-
Additions	251,216	1,213,468	-	-	788,255	191,000	2,443,939	4,615,289
Disposals	-	-	-	-	-	-	-	(418,903)
Cost at end of the year	4,701,104	61,937,835	1,110,000	5,742,047	117,953,379	9,423,028	200,867,393	165,252,060
Accumulated depreciation at beginning of the year	4,009,885	43,611,201	231,583	3,805,794	78,791,496	6,680,414	137,130,373	130,733,957
Depreciation expense for the year	179,600	2,305,934	79,500	435,653	3,471,937	214,221	6,686,845	6,532,416
Accumulated depreciation at end of the year	4,189,485	45,917,135	311,083	4,241,447	82,263,433	6,894,635	143,817,218	137,130,373
Net book value								
As at 31 December 2020	511,619	16,020,700	798,917	1,500,600	35,689,946	2,528,393	57,050,175	
As at 31 December 2019	440,003	9,279,795	878,417	1,932,013	14,442,642	1,148,817		28,121,687

- a. The carrying amount of the Company's vehicles includes an amount of SAR. 4,058,723 (2019: SAR. 3,943,771) in respect of assets held under finance lease. The lease finance facility is secured over the vehicles to which they relate.
- b. On December 29, 2020, the Company elected to measure motor vehicles, moveable houses, machinery and equipment and, generators and compressors using the revaluation model. The valuation is based on an open market value and based on current market conditions and recent sales transactions of similar properties. Under the cost model the carrying values of assets were SAR 5,783,356/- which have been revalued to SAR 38,954,750/- resulting in revaluation surplus of SAR 33,171,394/-.
The revaluation has been done by Tadeer Office approved by Saudi Authority for Accredited Valuers (Valuer Name: Hamad Bin Abdullah Alhamad - License No: 4210000008)

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12 Intangible assets

	Computer software	Total 2020	Total 2019
Cost beginning of the year	372,465	372,465	309,012
Additions	-	-	63,453
Cost at end of the year	372,465	372,465	372,465
Accumulated amortization/impairment at beginning of the year	299,966	299,966	242,900
Amortization expense for the year	27,696	27,696	57,066
Accumulated depreciation at end of the year	327,662	327,662	299,966
Net book value			
As at 31 December 2020	44,803	44,803	
As at 31 December 2019	72,499		72,499
Amortization rate per annum (%)	25%		

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13 Investment property

Investment property - at cost	2020
Cost	3,800,000
Closing carrying amount	<u>3,800,000</u>
The carrying amount is aggregate of following;	
Cost	3,800,000
Closing carrying amount	<u>3,800,000</u>

Investment property represents freehold land and building owned by the Company for earning rentals and for capital appreciation. The Company carries this investment property under cost model as its fair value cannot be reliably determined without undue cost or effort as there is no active market for this property and a recent comparable transaction for identical property is also not available.

14 Deferred tax

The deferred tax liabilities or assets arise due to taxable or deductible temporary differences in tax base and carrying amount of the assets and liabilities of the Company.

Following is the net deferred tax liability (asset) recognized by the Company on taxable / (deductible) temporary difference as at the year end:

	2020	2019
Opening balance	(441,163)	(506,063)
<u>Charged to profit during the year</u>	-	-
Property, plant and equipment	(552,256)	(23,796)
Post-employment benefit obligation	(202,135)	(173,087)
	(754,391)	(196,883)
<u>Charged to other comprehensive income during the</u>		
Post-employment benefit obligation	165,255	261,783
	165,255	261,783
<u>Charged to revaluation surplus during the year</u>		
Provided during the year	6,634,279	-
	6,634,279	-
Balance as of 31 December	<u>5,603,980</u>	<u>(441,163)</u>

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15 Accounts payable

	2020	2019
Due to suppliers	25,702,147	24,160,510
Due to contractors	10,391,714	13,104,803
Accrued operating expenses	15,982,523	9,707,846
Accrued financing expenses	-	313,890
Accounts payable as of 31 December	52,076,384	47,287,049

16 Short-term borrowing

	2020	2019
Bank borrowings	13,732,760	19,892,682
Total as of 31 December	13,732,760	19,892,682

These short term facilities represent financing discounting of invoices from Riyadh Bank SIBOR+3% with repayment after 270 days from the date of receipt. In addition to these financing of discounting of invoices from SAMBA Bank at from SIBOR+2% to SIBOR+4% for the period of from 180 to 360 days. These loans are secured against personal guarantees of partners.

17 Obligation under assets subject to finance lease

	2020	2019
Lease obligation for acquisition of equipments	2,580,059	2,373,780
Less: Current portion	(900,048)	(1,164,903)
Total as of 31 December	1,680,011	1,208,877

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. Minimum lease payments are due as follows;

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	2020
No later than 01 year	900,048
Later than 01 year but not later 05 years	1,680,011
	2,580,059

18 Long-term borrowing

	2020	2019
From Banking companies	16,052,351	28,704,093
Current of long borrowing	(12,843,834)	(2,112,264)
Long-term as of 31 December	3,208,517	26,591,829

The long term financing is to finance documentary credits from Riyad Bank with interest from SIBOR+3% to SIBOR+4%. Repayment is made in quarterly installments for a period of two years from the grant date and a medium term interest rate of SIBOR+3% to finance the purchase of equipment for the activity and repayment quarterly for a period of three years.

In addition medium term loan to finance subscription to the ARAMCO shares carries interest SIBOR+1.5% with repayment in five year.

These loans are secured against personal guarantees of partners of the company and short term investment as disclosed in note 7.

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19 Tax provision

19-1 Basic elements for taxable income calculation was as follows:

	2020	2019
Accounting net profit	2,815,792	1,157,826
<u>Add positive componants:</u>		
Provisions charged	1,279,681	1,367,828
Depreciation differences	344,693	16,477
	1,624,374	1,384,305
<u>Less negative componants:</u>		
End of service benefits paid	(269,005)	(249,540)
	(269,005)	(249,540)
Taxable profit / (loss)	4,171,161	2,292,591
Provision for tax	834,232	458,518

19-2 The movement in tax provision during the year was as follow:

	2020	2019
Balance beginning of the year	458,518	807,961
Differences in assessment and adj	40,869	(15,304)
Provided during the year	834,232	458,518
Paid during the year	(499,387)	(792,657)
Balance as of 31 December	834,232	458,518

19-3 Status of final assessments

The Company has submitted the tax declarations upto the year 2019, the tax was paid in accordance with these declarations. The Company has received the final assessment from the General Authority for Zakat and Tax upto the year 2017.

Management believes that sufficient provision has been created to meet any possible Tax claims by the General Authority for Zakat and Tax for those years for which the final assessment has not been made.

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20 Due to Partners

Name of partners	2020	2019
1 Nader Aristo Hatoum	3,443,330	40,691,489
Due to Partners as of 31 December	3,443,330	40,691,489

21 Other current liabilities

	2020	2019
Due to employees	501,998	163,233
Advance from customers	32,203,203	46,314,870
Due to GZAT - VAT & Withholding Tax	1,038,120	-
Retention for others	7,309,639	4,958,075
Other current liabilities as of 31 December	41,052,960	51,436,178

22 Employee benefits obligation

	2020	2019
Balance beginning of year	5,696,951	6,140,431
Provision made during the year		
- current service cost	1,098,981	863,585
- interest cost	180,700	190,353
Charged to profit & loss	1,279,681	1,053,938
- actuarial (gain)/loss	(132,579)	137,377
- experience adjustments	(693,697)	(1,385,255)
Charged to other comprehensive income	(826,276)	(1,247,878)
Paid during the year	(269,005)	(249,540)
Balance as of 31 December	5,881,351	5,696,951

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Principal actuarial assumptions used were as follows;

Discount rate	3.00%	3.10%
Expected rate of increase in salary	4%	2%
Rates of employee turnover	10%	15%

23 Capital

Capital of the Company is 20000000 divided into 20000 shares of SR 1000 each and it is distributed among the partners as follows;

<u>Name of partner</u>	<u>No. of shares</u>	<u>Total</u>
1 Nader Aristo Hatoum	15,000	15,000,000
2 Fadi Aristo Hatoum	5,000	5,000,000
Total	20,000	20,000,000

24 Revaluation Surplus

	<u>2020</u>	<u>2019</u>
Surplus on revaluation on:		
Surplus arisen of revaluation during the year	33,171,394	-
	<u>33,171,394</u>	<u>-</u>
Related to deferred tax liability on:		
Deferred tax provide during the year	(6,634,279)	-
	<u>(6,634,279)</u>	<u>-</u>
Balance as of 31 December	<u>26,537,115</u>	<u>-</u>

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25 Partners' additional contributions

<u>Name of partner</u>	<u>2020</u>	<u>2019</u>
1 Nader Aristo Hatoum	22,500,000	-
2 Fadi Aristo Hatoum	7,500,000	-
Balance as of 31 December	30,000,000	-

26 Revenue

Sale of Goods	6,484,997	5,196,857
Construction revenue	125,459,113	136,219,696
Total revenue	131,944,110	141,416,553

27 Cost of revenue

	<u>2020</u>	<u>2019</u>
Operating materials used	11,753,414	16,322,540
Operating salaries and allowances	19,705,974	19,288,651
Operating depreciations	6,382,105	6,264,113
Subcontractor cost	33,448,105	43,015,777
Equipment rental	2,400,531	3,288,413
Maintenance	6,409,081	6,799,598
Oil and fuel	5,376,781	5,714,145
Food and other consumables	3,267,131	3,399,693
Insurance	1,154,208	1,145,550
Annual tickets and leave salaries	1,738,038	1,480,392
Other operating expenses	18,410,751	10,448,656
Total	110,046,119	117,167,528

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28 General and administrative expenses

	2020	2019
Administrative salaries and allowances	6,468,576	8,908,701
Rent and housing allowance	732,944	1,189,050
Government fees	775,042	1,354,792
Maintenance	213,628	245,193
Traveling	20,717	153,050
Telephone, electricity and water	280,932	300,144
Insurance	260,319	290,436
Consulting and professional fees	1,065,471	683,173
Oil and fuel	60,069	107,060
Printing and stationary	99,200	143,285
GOSI expenses	820,548	830,421
Annual tickets and leave salaries	483,987	1,100,702
Employee benefits (End of Service Indemnity)	1,279,681	1,053,938
Other	107,443	485,909
Total	12,668,557	16,845,854

29 Gains and other revenues

	2020	2019
Income from investments	-	187,385
Dividend received	65,106	-
Total	65,106	187,385

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30 Losses and other expenses

	2020	2019
Loss of investments	14,414	-
Loss of disposal of property, plant and equipment	-	85,002
Total	14,414	85,002

31 Approval of financial statements

These financial statements were approved by the management of the Company on April 29, 2021.

32 Zakat and tax for the year

	2020	2019
Current tax for the year	834,232	458,518
Differences in assessment relating to prior years	40,869	(15,304)
	875,101	443,214
Deferred taxation for year	(754,391)	(196,883)
Net charge for the year	120,710	246,331

33 Contingent liabilities

The contingent liabilities of the Company against documentary credits and letters of guarantee as at 31 December 2019 amounted to SAR 64,448,202 (2019: 58,765,733).

34 Financial commitments

There are no financial commitments that the Company has to declare as of December 31, 2020 (2019: nil).

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35 Subsequent events

Management believes that no significant events occurred after the year end date that may have impact on the financial position of the Company.

36 General

- The numbers shown in the financial statements are rounded to the nearest Saudi Riyal.
- Certain comparative figures for the previous year have been reclassified to conform to the current year classification.