

THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Joint Stock Company)
UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS AND REVIEW REPORT
FOR THE THREE-MONTH AND SIX-MONTH
PERIODS ENDED JUNE 30, 2021

THE SAUDI ARABIAN AMIANTIT COMPANY

(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2021**

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the shareholders

The Saudi Arabian Amiantit Company

(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of The Saudi Arabian Amiantit Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as at June 30, 2021, and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three-month and six-month periods then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the six-month period ended June 30, 2021, and notes, comprising significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 'Interim Financial Reporting' ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at June 30, 2021, its financial performance for the three-month and six-month periods then ended, and its cash flows for the six-month period ended June 30, 2021 in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Material Uncertainty Related to Going Concern

We draw attention to note 4 to the accompanying interim condensed consolidated financial statements, which indicates that the Group is in breach of certain financial covenants stated in credit facility agreements and that the Group's current liabilities as at June 30, 2021 exceed its current assets by SR 605.7 million (December 31, 2020 SR 582.5 million). As stated in note 4, the Group's ability to continue as a going concern depends to a large extent on the success of Group's management in raising the Company's capital and rescheduling its bank borrowings. Our conclusion is not modified in respect of this matter.

AlKharashi & Co.


Suleiman A. AL-Kharashi

License No. 91

Riyadh:

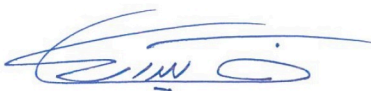
August 18, 2021

Muharram 10, 1443H



THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	<i>Note</i>	<i>June 30, 2021</i>	<i>December 31, 2020</i>
		<i>SR '000</i>	<i>SR '000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
ASSETS			
Current assets			
Cash and cash equivalents		80,770	53,255
Trade receivables	8	302,772	343,852
Contract assets	8	388,255	372,358
Prepayments and other receivables		96,291	202,731
Inventories	13	258,752	271,551
		<u>1,126,840</u>	<u>1,243,747</u>
Non-current assets			
Non-current receivables	8	341,118	345,371
Equity accounted investments	9	424,000	429,692
Property, plant and equipment	10	202,069	217,319
Other non-current assets		16,760	16,779
		<u>983,947</u>	<u>1,009,161</u>
TOTAL ASSETS		<u><u>2,110,787</u></u>	<u><u>2,252,908</u></u>
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings	11	1,136,089	1,142,730
Accounts payable		227,758	325,047
Accrued expenses and other liabilities		77,309	87,296
Contract liabilities	12	90,842	81,901
Current maturity of lease liabilities		92	1,039
Zakat and foreign taxes payable		200,453	188,195
		<u>1,732,543</u>	<u>1,826,208</u>
Non-current liabilities			
Employees' termination benefits		66,298	66,558
Warranty provision		5,130	8,896
Provisions for onerous contracts		196,130	175,145
Lease liabilities		7,269	7,343
Other non-current liabilities		2,282	-
		<u>277,109</u>	<u>257,942</u>
Total liabilities		<u><u>2,009,652</u></u>	<u><u>2,084,150</u></u>
Equity			
Share capital	15	320,000	320,000
Statutory reserve	16	-	132,176
Accumulated losses		(133,799)	(205,499)
Employee share ownership plan and reserve		(2,282)	(7,146)
Foreign currency translation reserve		(101,735)	(90,952)
Equity attributable to the shareholders of the Company		<u>82,184</u>	<u>148,579</u>
Non-controlling interests		18,951	20,179
Total equity		<u><u>101,135</u></u>	<u><u>168,758</u></u>
TOTAL LIABILITIES AND EQUITY		<u><u>2,110,787</u></u>	<u><u>2,252,908</u></u>



Dr. Khalil A. Kurdi
Board Authorised Representative



Dr. Solaiman A. Al-Twajri
Chief Executive Officer



Feras Ghassab Al Harbi
Group Chief Financial
Officer

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

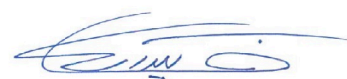
THE SAUDI ARABIAN AMIANTIT COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2021

	Note	For the three-month period ended June 30,		For the six-month period ended June 30,	
		2021	2020	2021	2020
		SR '000	SR '000	SR '000	SR '000
<i>(Unaudited)</i>					
Continuing operations:					
Revenue from contracts with customers	12	111,094	83,184	225,658	245,228
Cost of revenue		(135,918)	(98,136)	(268,815)	(266,054)
Gross loss		(24,824)	(14,952)	(43,157)	(20,826)
Net impairment loss on financial assets		(1,421)	(1,676)	(1,373)	(64,974)
Selling, general and administrative expenses		(21,515)	(20,775)	(53,197)	(45,195)
Operating loss		(47,760)	(37,403)	(97,727)	(130,995)
Other income (expenses), net		1,004	(3,173)	38,573	(22,290)
Share in results of equity accounted investments	9	5,997	6,224	7,637	13,515
Finance (costs) income		(8,621)	(18,961)	10,386	(41,652)
Loss before zakat and foreign income tax		(49,380)	(53,313)	(41,131)	(181,422)
Zakat		(9,999)	(5,000)	(20,103)	(12,024)
Foreign income tax		(84)	(1)	(490)	(188)
Loss from continuing operations		(59,463)	(58,314)	(61,724)	(193,634)
Discontinued operations:					
Profit/ (loss) after zakat from discontinued operations	2.1.1	-	1,002	(27)	869
LOSS FOR THE PERIOD		(59,463)	(57,312)	(61,751)	(192,765)
Attributable to:					
Shareholders of the Company		(59,105)	(57,296)	(60,450)	(188,590)
Non-controlling interests		(358)	(16)	(1,301)	(4,175)
		(59,463)	(57,312)	(61,751)	(192,765)
Loss per share					
Loss per share attributable to the shareholders of the Company:					
Basic (SR) (2020: restated)		<u>(1.86)</u>	<u>(1.80)</u>	<u>(1.90)</u>	<u>(5.93)</u>
Diluted (SR) (2020: restated)		<u>(1.86)</u>	<u>(1.80)</u>	<u>(1.90)</u>	<u>(5.93)</u>
Loss per share from continuing operations					
Loss per share from continuing operations attributable to the shareholders of the Company:					
Basic (SR) (2020: restated)		<u>(1.87)</u>	<u>(1.83)</u>	<u>(1.94)</u>	<u>(6.08)</u>
Diluted (SR) (2020: restated)		<u>(1.87)</u>	<u>(1.83)</u>	<u>(1.94)</u>	<u>(6.08)</u>
Weighted average number of shares outstanding:					
Basic ('000 shares) (2020: restated)		<u>31,829</u>	<u>31,829</u>	<u>31,829</u>	<u>31,829</u>
Diluted ('000 shares) (2020: restated)		<u>31,829</u>	<u>31,829</u>	<u>31,829</u>	<u>31,829</u>



Dr. Khalil A. Kurdi
Board Authorised Representative



Dr. Solaiman A. Al-Twajri
Chief Executive Officer



Feras Ghassab Al Harbi
Group Chief Financial Officer

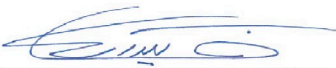
The accompanying notes form an integral part of these interim condensed consolidated financial statements.

THE SAUDI ARABIAN AMIANTIT COMPANY

(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2021**

	<i>For the three-month period ended June 30,</i>		<i>For the six-month period ended June 30,</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
	<i>(Unaudited)</i>			
LOSS FOR THE PERIOD	(59,463)	(57,312)	(61,751)	(192,765)
Other comprehensive income (loss)				
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	7,803	11,529	(10,710)	20,879
Change in the fair value of interest rate swap	-	-	-	30
	7,803	11,529	(10,710)	20,909
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:</i>				
Other comprehensive loss from equity accounted investments	-	-	(26)	-
	-	-	(26)	-
OTHER COMPREHENSIVE INCOME (LOSS)	7,803	11,529	(10,736)	20,909
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(51,660)	(45,783)	(72,487)	(171,856)
Attributable to:				
Shareholders of the Company	(51,336)	(45,241)	(71,259)	(168,824)
Non-controlling interests	(324)	(542)	(1,228)	(3,032)
	(51,660)	(45,783)	(72,487)	(171,856)


Dr. Khalil A. Kurdi
Board Authorised Representative


Dr. Solāiman A. Al-Twaijri
Chief Executive Officer

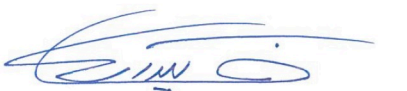

Feras Ghassab Al Harbi
Group Chief Financial
Officer


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THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

Attributable to the shareholders of the Company

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Accumulated losses</i>	<i>Employee share ownership plan and reserve</i>	<i>Change in fair value of interest rate swap</i>	<i>Foreign currency translation reserve</i>	<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
2021:									
As January 1, 2021 (audited)	320,000	132,176	(205,499)	(7,146)	-	(90,952)	148,579	20,179	168,758
Loss for the period	-	-	(60,450)	-	-	-	(60,450)	(1,301)	(61,751)
Other comprehensive loss	-	-	(26)	-	-	(10,783)	(10,809)	73	(10,736)
Total comprehensive loss	-	-	(60,476)	-	-	(10,783)	(71,259)	(1,228)	(72,487)
Employee share ownership plan and reserve movement	-	-	-	4,864	-	-	4,864	-	4,864
Transfer from statutory reserve (note 16)	-	(132,176)	132,176	-	-	-	-	-	-
BALANCE AS AT JUNE 30, 2021 (unaudited)	320,000	-	(133,799)	(2,282)	-	(101,735)	82,184	18,951	101,135
2020:									
As January 1, 2020 (audited)	344,517	189,472	(18,294)	(31,914)	(30)	(146,483)	337,268	24,939	362,207
Loss for the period	-	-	(188,590)	-	-	-	(188,590)	(4,175)	(192,765)
Settlement of interest rate swap	-	-	-	-	30	-	30	-	30
Other comprehensive income	-	-	-	-	-	19,736	19,736	1,143	20,879
Total comprehensive income (loss)	-	-	(188,590)	-	30	19,736	(168,824)	(3,032)	(171,856)
BALANCE AS AT JUNE 30, 2020 (unaudited)	344,517	189,472	(206,884)	(31,914)	-	(126,747)	168,444	21,907	190,351


Dr. Khalil A. Kurdi
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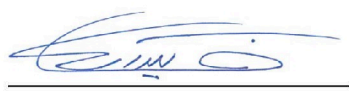

Dr. Solaiman A. Al-Twaijri
Chief Executive Officer


Feras Ghassab Al Harbi
Group Chief Financial Officer


The accompanying notes form an integral part of these interim condensed consolidated financial statements.

THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

	<i>For the six-month period ended</i>	
	<i>2021</i>	<i>June 30,</i>
	<i>SR '000</i>	<i>SR '000</i>
	<i>(Unaudited)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES		
loss for the period	(61,751)	(192,765)
<i>Adjustments for non-cash items:</i>		
Depreciation and amortisation	15,685	16,639
Share in results of equity accounted investments	(7,637)	(13,515)
Zakat and foreign income tax	20,593	12,212
Employees' termination benefits, net	(260)	2,982
Warranty provision, net	(3,727)	989
Gain on sale of investment	(12,412)	(7,500)
Foreign currency translation reserve	-	23,190
Property, plant and equipment write off	551	1,560
Provision for onerous contract	26,547	-
Finance costs incurred	-	41,652
	<u>(22,411)</u>	<u>(114,556)</u>
<i>Changes in working capital:</i>		
Trade receivables (current and non-current) and contract assets	16,638	100,378
Prepayments and other receivables	105,645	(5,167)
Inventories	12,606	38,895
Accounts payable	(96,430)	3,483
Accrued expenses, contract liabilities and other liabilities	1,123	(7,157)
	<u>17,171</u>	<u>15,876</u>
Zakat and foreign income tax	(8,335)	-
Finance costs paid	-	(41,652)
Net cash flows from / (used in) operating activities	<u>8,836</u>	<u>(25,776)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash proceeds from sale of investment	12,412	7,500
Dividends received from equity accounted investments	8,327	7,665
Purchase of property, plant and equipment	(1,344)	(1,565)
Net change in other non-current assets	10	-
Net cash flows from investing activities	<u>19,405</u>	<u>13,600</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Movement in short-term borrowings	(6,392)	6,018
Net movement in long-term borrowings	-	(6,900)
Net change in lease obligations	(1,021)	206
Net change in other non-current liabilities	7,146	(76)
Net cash used in from financing activities	<u>(267)</u>	<u>(752)</u>
Net change in cash and cash equivalents	27,974	(12,928)
Cash and cash equivalents at the beginning of the period	53,255	89,819
Foreign currency translation effect on cash and cash equivalents	(459)	(169)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>80,770</u>	<u>76,722</u>


Dr. Khalil A. Kurdi
Board Authorised Representative


Dr. Solaiman A. Al-Twaijri
Chief Executive Officer


Feras Ghassab Al Harbi
Chief Financial Officer

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

THE SAUDI ARABIAN AMIANTIT COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

1. CORPORATE INFORMATION

The Saudi Arabian Amiantit Company (the "Company" or "SAAC") and its subsidiaries (collectively referred to as the "Group") consist of the Company and its various Saudi Arabian and foreign subsidiaries. The Group is principally engaged in manufacturing and selling various types of pipes and related products, licensing of related technologies, and water management services including related consultancy, engineering and operations.

The Company is a joint stock company registered in the Kingdom of Saudi Arabia under Commercial Registration number 2050002103 issued in Dammam on 17 Rabi' I 1388 H (13 June 1968 G). The registered address of the Company is P.O. Box 589, First Industrial Area, Dammam 31421, Kingdom of Saudi Arabia. The Company's shares are publicly traded on the Saudi Stock Exchange ("Tadawul").

Following is the list of significant operating subsidiaries of the Group:

<u>Subsidiary</u>	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Ownership percentage as at</u>	
			<u>June 30 2021</u>	<u>December 31 2020</u>
			<u>%</u>	<u>%</u>
Amiantit Fiberglass Industries Limited ("AFIL")	A	Saudi Arabia	100	100
Factory of Saudi Arabian Ductile Iron Pipe Company Limited ("SADIP")	A	Saudi Arabia	100	100
International Infrastructure Management and Operations Company Limited ("AMIWATER")	B	Saudi Arabia	100	100
Infrastructure Engineering Contracting Company ("ISECC")	C	Saudi Arabia	100	100
Factory of Amiantit Rubber Industries Company Limited ("ARIL")	A	Saudi Arabia	100	100
Factory of Bondstrand Limited ("BSL")	A	Saudi Arabia	60	60
Saudi Amicon Company Limited	A	Saudi Arabia	99.93	99.93
PWT Wasser - und Abwassertechnik GmbH ("PWT")	C	Germany	100	100
Amitech Astana LLC	A	Kazakhstan	51	51
<i>Discontinued operation (note 2.1):</i>				
Ameron Saudi Arabia Limited ("ASAL")	A	Saudi Arabia	100	100

A- Pipe manufacturing

B- Water management

C- Contracting

The country of incorporation for these subsidiaries is also their principal place of business.

2. CHANGES IN THE REPORTING ENTITY

2.1 Discontinued Operation

On February 20, 2019 (corresponding to 15 Jumada II 1440H), management resolved to discontinue ASAL operation and transfer its assets, liabilities and operations to SAAC at book value, from the date of obtaining approval from the regulatory authority. The legal formalities in this regard are in progress.

The discontinued operation comprise the following entity:

<u>Subsidiary</u>	<u>Country of incorporation</u>	<u>Ownership percentage</u>
ASAL	Saudi Arabia	100%

On December 31, 2020, the operation of the subsidiary was presented as discontinued operation. The business of the discontinued operation represented part of the Group's Saudi Arabian operating segment (geographical segment) until December 31, 2020.

During the year ended December 31, 2020, SACOP, a 100% owned subsidiary of the Company in Saudi Arabia was formally liquidated.

THE SAUDI ARABIAN AMIANTIT COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021**

2. CHANGES IN THE REPORTING ENTITY (continued)

2.1.1 The result for the six-month period ended June 30, are presented below:

	<i>ASAL</i>	
	2021	2020
	SR '000	SR '000
Revenue	-	-
Expenses	-	798
Operating loss	-	798
Finance costs	-	-
Other income (expense), net	(27)	-
Loss before zakat	(27)	798
Zakat	-	-
Loss for the year from discontinued operations	(27)	798
Loss per share from discontinued operations:		
Basic (SR)	-	0.02
Diluted (SR)	-	0.02

The result reported by discontinued operation as recorded in the interim condensed consolidated statement of profit or loss for the six-month period ended June 30, 2020 included SR 39 thousand related to SACOP.

2.1.2 The major classes of assets and liabilities of the subsidiary as at June 30, were as follows:

	<i>ASAL</i>	
	June 30,	<i>December 31,</i>
	2021	2020
	SR '000	SR '000
Assets		
Bank balances and cash	-	297
from SAAC SR 24.0 million/(2020: SR 23.8 million))	24,026	23,831
Prepayments and other receivables	-	2
	24,026	24,130
Liabilities		
Accrued expenses and other liabilities	8,998	1,081
Zakat and income tax payable	-	7,372
	8,998	8,453
Carrying amount of net assets directly related to the discontinued operation		
	15,028	15,677

2.1.3 The net cash flows incurred by subsidiary for the quarter ended June 30, are as follows:

	<i>ASAL</i>	
	June 30,	<i>December 31,</i>
	2021	2020
	SR '000	SR '000
Operating	(297)	(6)
Investing	-	-
Financing	-	-
Net cash outflow	(297)	(6)

2.1.4 Assets held for sale comprised of the property, plant and equipment of ASAL.

3. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard IAS 34 '*Interim Financial Reporting*' that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA") and should be read in conjunction with the Group's last annual consolidated financial statements for the year ended December 31, 2020.

These interim condensed consolidated financial statements do not include all of the information normally required for a complete set of consolidated financial statements; however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since June 30, 2021.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2020.

The disclosures in these interim condensed consolidated financial statements do not include the information reported for full annual consolidated financial statements and should therefore be read in conjunction with the financial statements of the Group for the year ended December 31, 2020. Comparative interim condensed consolidated statement of financial position is extracted from annual financial statements as at December 31, 2020 whereas comparative interim condensed consolidated statement of profit or loss account and other comprehensive income, interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity are extracted from unaudited interim condensed consolidated financial statements of the Group for the six-month period ended June 30, 2020.

3.3 NEW IFRS STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

Certain new accounting standards, amendments to standards and interpretations have been published by the IASB that are not mandatory for June 30, 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3.3.1 New and amended IFRS standard adopted by the Group

The Group has applied the following amendments to the standard for their reporting periods commencing on or after January 1, 2021:

Amendment to IFRS 16, 'Leases', Covid 19 - Related rent concessions

The amendment provides the lessees with option to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

The amendment listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

The new standards as noted below are not applicable to the Group

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate benchmark (IBOR) reform – Phase 2

Phase 1 of these amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that Interbank Offered Rate ("IBOR") reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the statement of profit or loss and other comprehensive income.

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3.3 NEW IFRS STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS (continued)

The new standards as noted below are not applicable to the Group (continued)

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate benchmark (IBOR) reform – Phase 2 (continued)

The phase 2 amendments require an entity to:

- account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate without the recognition of an immediate gain or loss; and
- prospectively cease to apply the Phase 1 reliefs to a non- contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued.

4. GOING CONCERN BASIS OF ACCOUNTING

These interim condensed consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of the credit facilities as disclosed in Note 11 and trade payables.

The Group had as at June 30, 2021 current liabilities exceed current assets by SR 605.7 million (December 31, 2020 SR 582.5 million). As at that date, the Group is in breach of certain financial covenants stated in credit facility agreements which are subject to annual review by lenders. Further, the Group has incurred loss during the six-month period ended June 30, 2021.

During the year 2020, the Company's Board of Directors increased the share capital by SR 120 million through issuance of a priority rights shares. Management has also hired a third party advisor to work on loan restructuring plan and certain terms were signed with the commercial banks and certain loans were restructured and repaid in full that resulted in a gain of SR 20.1 million during the six-month period ended June 30, 2021 (2020: 12.5 million) (note 11).

Management acknowledges that uncertainty remains over the Group's ability to meet its funding requirements and to refinance or repay its credit facilities as they fall due. However, as described above, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the interim condensed consolidated financial statements.

5. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The significant areas of estimation uncertainty and critical adjustments in applying accounting policies that have most significant effect on the amounts recognized in the accompanying interim condensed consolidated financial statements are as follows:

- a) Uncertain zakat and tax positions,
- b) Impairment of property, plant and equipment,
- c) Impairment of equity accounted investments,
- d) Use of percentage of completion and estimated cost to complete a contract,
- e) Allowance for expected credit losses of trade receivables, contract assets, and non-current receivables,
- f) Long-term assumptions for employees' termination benefits,
- g) Lease term,
- h) Economic useful lives of property, plant, equipment
- i) Revenue recognition – judgements in respect of nature and timings of the satisfaction of performance obligation including significant payment terms and related revenue recognition policies. This results in decision on whether revenue is to be recognised overtime or at appoint in time.
- j) Impact of COVID-19- In evaluating the impact of the Covid-19 pandemic, Group has made significant judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on experience of Group's management after considering all relevant factors. Actual results may differ from these estimates.

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6. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable segments, as follows:

- (i) Manufacturing and selling various types of pipes and development and licensing of related technologies; and
- (ii) Water management and related consultancy, engineering and operations.

Selected financial information as at June 30, 2021 and December 31, 2020 and for the six-month periods ended June 30, 2021 and 2020, summarized by the above business segments, are as follows:

	<i>Pipe manufacturing and technology</i>	<i>Water management</i>	<i>Eliminations</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
As at and for the six-month period ended June 30, 2021:				
Sales to external customers	193,730	31,928	-	225,658
Inter-segment	21,560	30	(21,590)	-
Total revenue	215,290	31,958	(21,590)	225,658
Share in results of equity accounted investments	2,865	4,772	-	7,637
Finance costs	12,846	(2,460)	-	10,386
Depreciation, amortisation and impairment	(15,214)	(471)	-	(15,685)
Zakat and foreign income taxes	(20,109)	(484)	-	(20,593)
Net loss	(21,756)	(39,995)	-	(61,751)
Capital expenditure	(1,218)	(126)	-	(1,344)
Equity accounted investments	336,698	87,302	-	424,000
Total assets	1,161,613	949,174	-	2,110,787
Total liabilities	(1,011,999)	(997,653)	-	(2,009,652)
As at and for the six-month period ended June 30, 2020:				
Sales to external customers	217,027	28,201	-	245,228
Inter-segment	10,663	-	(10,663)	-
Total revenue	227,690	28,201	(10,663)	245,228
Share in results of equity accounted investments	9,710	3,805	-	13,515
Finance costs	(39,617)	(2,035)	-	(41,652)
Depreciation and amortization	(16,074)	(565)	-	(16,639)
Zakat and foreign income taxes	(12,053)	(159)	-	(12,212)
Net loss	(173,722)	(19,043)	-	(192,765)
Capital expenditures	(1,484)	(81)	-	(1,565)
As at December 31, 2020:				
Equity accounted investments	347,157	82,535	-	429,692
Total assets	1,416,658	836,250	-	2,252,908
Total liabilities	(1,116,098)	(968,052)	-	(2,084,150)

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The Group's operations are conducted in Saudi Arabia, Europe and other geographical areas. Selected financial information as at June 30, 2021 and December 31, 2020 and for the six-month periods ended June 30, 2021 and 2020, summarized by geographic area, are as follows:

	<i>Saudi Arabia</i>	<i>Europe</i>	<i>Other Countries</i>	<i>Eliminations</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
As at and for the six-month period ended June 30, 2021:					
Revenue from contracts with customers	212,858	31,958	2,432	(21,590)	225,658
Non-current assets:					
- Property, plant and equipment	187,829	3,322	10,918	-	202,069
- Other non-current assets	451,124	284,284	46,470		781,878
As at and for the six-month period ended June 30, 2020:					
Revenue from contracts with customers	223,749	28,518	3,624	(10,663)	245,228
As at December 31, 2020:					
Non-current assets:					
- Property, plant and equipment	202,017	3,870	11,432	-	217,319
- Other non-current assets	450,122	288,708	53,012	-	791,842

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7. FINANCIAL INSTRUMENTS

Fair value measurements of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

<i>June 30, 2021</i>							
	<i>Carrying amount</i>			<i>Fair value</i>			
	<i>Fair value</i>	<i>Amortised cost</i>	<i>Total</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
Financial assets:							
Trade receivables (current and non-current)	-	643,890	643,890	-	-	-	-
Contract assets	-	388,255	388,255	-	-	-	-
Cash and cash equivalents	-	80,770	80,770	-	-	-	-
	-	1,112,915	1,112,915	-	-	-	-
Financial liabilities:							
Short-term borrowings	-	1,136,089	1,136,089	-	-	-	-
Accounts payable	-	227,758	227,758	-	-	-	-
Accrued expenses and other liabilities	-	77,309	77,309	-	-	-	-
Contract liabilities	-	90,842	90,842	-	-	-	-
	-	1,531,998	1,531,998	-	-	-	-
<i>December 31, 2020</i>							
	<i>Carrying amount</i>			<i>Fair value</i>			
	<i>Fair value</i>	<i>Amortised cost</i>	<i>Total</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
Financial assets:							
Trade receivables (current and non-current)	-	689,223	689,223	-	-	-	-
Contract assets	-	372,358	372,358	-	-	-	-
Cash and cash equivalents	-	53,255	53,255	-	-	-	-
	-	1,114,836	1,114,836	-	-	-	-
Financial liabilities:							
Short-term borrowings	-	1,142,730	1,142,730	-	-	-	-
Accounts payable	-	325,047	325,047	-	-	-	-
Accrued expenses and other liabilities	-	87,296	87,296	-	-	-	-
Contract liabilities	-	81,901	81,901	-	-	-	-
	-	1,636,974	1,636,974	-	-	-	-

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8. RECEIVABLES AND CONTRACT ASSETS

8.1 Trade receivables

	June 30, 2021	<i>December 31, 2020</i>
	SR'000	<i>SR'000</i>
Trade receivables, third parties	432,033	482,615
Trade receivables, related parties	12,043	11,717
	444,076	494,332
Less: impairment loss on financial assets-third parties	(131,234)	(140,412)
Less: impairment loss on financial assetst-related parties	(10,070)	(10,068)
	302,772	<i>343,852</i>

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

Set out below is the information about the credit risk exposure on the Company third parties' trade receivables using a provision matrix:

	<i>Not past due</i>	Days past due				Total
		<i>< 180 days</i>	<i>181-365 days</i>	<i>366-730 days</i>	<i>> 730 days</i>	
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
June 30, 2021:						
Gross carrying amount at default	34,331	74,308	27,024	189,142	107,228	432,033
Expected credit loss	(710)	(5,624)	(6,234)	(42,748)	(75,918)	(131,234)
Net trade receivables	33,621	68,684	20,790	146,394	31,310	300,799
December 31, 2020:						
Gross carrying amount at default	49,031	126,689	40,258	180,612	86,025	482,615
Expected credit loss	(1,774)	(11,260)	(11,724)	(43,220)	(72,434)	(140,412)
Net trade receivables	47,257	115,429	28,534	137,392	13,591	342,203

8.2 Contract assets

	June 30, 2021	<i>December 31, 2020</i>
	SR'000	<i>SR'000</i>
Contract assets (note 12.2.a)	398,180	384,718
Less: allowance for impairment	(9,925)	(12,360)
	388,255	<i>372,358</i>

8.3 Non-current receivables

The balance under non-current receivables comprise the following:

	June 30, 2021	<i>December 31, 2020</i>
	SR'000	<i>SR'000</i>
Trade receivables under legal collection	468,354	477,079
Retentions receivable	65,397	62,740
	533,751	539,819
Less: allowance for impairment	(192,633)	(194,448)
	341,118	<i>345,371</i>

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9. EQUITY ACCOUNTED INVESTMENTS

The equity accounted investments comprise the following:

	June 30, 2021	<i>December 31, 2020</i>
	SR'000	<i>SR'000</i>
Interests in joint ventures		
Amiblu Holding GmbH ("Amiblu")	275,884	279,499
International Water Distribution Company ("Tawzea")	87,294	82,549
Total interests in joint ventures	363,178	<i>362,048</i>
Investments in associates:		
Amiantit Qatar Pipe Company Limited ("AQAP")	45,936	52,450
Other associates	14,886	15,194
Total investment in associates	60,822	<i>67,644</i>
Total equity accounted investments	424,000	<i>429,692</i>

The movement in the interests in joint ventures is as follows:

	<i>For the six- month period ended June 30, 2021</i>	<i>For the year ended December 31, 2020</i>
	SR'000	<i>SR'000</i>
Interests in joint ventures		
At the beginning of the period / year	362,048	339,416
Share in results	5,969	10,263
Additions	-	7,615
Impairment	-	(9,909)
Dividends	-	(4,000)
Currency translation adjustments	(4,813)	19,393
Share of other comprehensive income	(26)	(730)
At the end of the period / year	363,178	<i>362,048</i>

The movement in the investment in associates is as follows:

	<i>For the six- month period ended June 30, 2021</i>	<i>For the year ended December 31, 2020</i>
	SR'000	<i>SR'000</i>
Investments in associates		
At the beginning of the period / year	67,644	68,029
Revenue	-	(7,401)
Share in results	1,668	14,545
Dividends	(8,327)	(7,665)
Currency translation adjustments	(163)	138
Share of other comprehensive income	-	(2)
At the end of the period / year	60,822	<i>67,644</i>

During the quarter ended March 31, 2021, the Company's 100% owned-subsiidiary ("AIH") has sold its full ownership in Amitech Morocco to Joint venture Company to the Group ("Amiblu") and a third party. Distribution of sale was 65% to Amiblu while remaining 35% to a third party for an amount of SR 12.4 million. Since, the investment was fully impaired prior to the sale in the books of AIH, the Group recorded SR 12.4 million in its interim condensed consolidated statement of profit or loss during the six-month period ended June 30, 2021.

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10. PROPERTY, PLANT AND EQUIPMENT

	<i>Opening</i> <i>1 January</i>	<i>Additions</i>	<i>Disposals</i>	<i>Reclassific</i> <i>ation</i>	<i>Foreign</i> <i>currency</i> <i>translation</i> <i>adjustments</i>	<i>Closing</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
June 30, 2021						
Cost						
Land	213,117	-	-	-	-	213,117
Buildings and land improvements	288,014	8	-	1,065	(88)	288,999
Plant, machinery and equipment	987,527	2,283	-	1,835	(460)	991,185
Furniture, fixtures and office equipment	57,992	488	(1,945)	-	(544)	55,991
Construction in progress	12,551	(1,435)	-	(1,121)	(1)	9,994
	<u>1,559,201</u>	<u>1,344</u>	<u>(1,945)</u>	<u>1,779</u>	<u>(1,093)</u>	<u>1,559,286</u>
Accumulated depreciation and impairment						
Land	(161,802)	(1,405)	-	-	-	(163,207)
Buildings and land improvements	(238,341)	(3,691)	-	(883)	88	(242,827)
Plant, machinery and equipment	(886,778)	(8,983)	-	(2,110)	410	(897,461)
Furniture, fixtures and office equipment	(50,355)	(977)	1,767	-	449	(49,116)
Construction in progress	(4,606)	-	-	-	-	(4,606)
	<u>(1,341,882)</u>	<u>(15,056)</u>	<u>1,767</u>	<u>(2,993)</u>	<u>947</u>	<u>(1,357,217)</u>
Net book value	<u>217,319</u>					<u>202,069</u>
December 31, 2020						
Cost:						
Land	204,656	-	-	8,461	-	213,117
Buildings and land improvements	273,486	-	(1,007)	16,007	(472)	288,014
Plant, machinery and equipment	897,860	741	(65)	89,824	(833)	987,527
Furniture, fixtures and office equipment	55,470	677	(52)	536	1,361	57,992
Construction in progress	11,417	1,136	-	-	(2)	12,551
	<u>1,442,889</u>	<u>2,554</u>	<u>(1,124)</u>	<u>114,828</u>	<u>54</u>	<u>1,559,201</u>
Accumulated depreciation and impairment:						
Land	(151,089)	(2,252)	-	(8,461)	-	(161,802)
Buildings and land improvements	(216,409)	(7,380)	1,007	(16,007)	448	(238,341)
Plant, machinery and equipment	(777,764)	(18,816)	(1,131)	(89,824)	757	(886,778)
Furniture, fixtures and office equipment	(46,157)	(2,530)	(44)	(536)	(1,088)	(50,355)
Construction in progress	(4,606)	-	-	-	-	(4,606)
	<u>(1,196,025)</u>	<u>(30,978)</u>	<u>(168)</u>	<u>(114,828)</u>	<u>117</u>	<u>(1,341,882)</u>
Net book value	<u>246,864</u>					<u>217,319</u>

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11. BORROWINGS

11.1. SHORT-TERM BORROWINGS

Short-term borrowings comprise the following:

	<i>June 30, 2021</i>	<i>December 31, 2020</i>
	<i>SR'000</i>	<i>SR'000</i>
Short-term bank loans	1,126,731	883,207
Current portion of long-term loans	9,358	259,523
	<u>1,136,089</u>	<u>1,142,730</u>

These represent borrowing facilities obtained from various commercial banks and bear financial charges at prevailing market rates which are based on inter-bank offered rates plus a fixed margin. Management intends to roll-over the majority of short-term loans as they mature.

11.2. The carrying values of the short-term bank loans are denominated in the following currencies:

	<i>June 30, 2021</i>	<i>December 31, 2020</i>
	<i>SR'000</i>	<i>SR'000</i>
Saudi Riyals	1,122,219	841,112
US Dollars	-	37,500
Other currency	4,512	4,595
	<u>1,126,731</u>	<u>883,207</u>

Long term borrowings comprise the following:

	<i>June 30, 2021</i>	<i>December 31, 2020</i>
	<i>SR'000</i>	<i>SR'000</i>
Commercial bank loans	9,358	259,523
Current portion shown under current liabilities	(9,358)	(259,523)
Non-current portion shown under non-current liabilities	-	-

Commercial bank loans:

The Group has obtained loan facilities from various commercial banks. These loans generally bear financial charges based on inter-bank offered rates plus a fixed margin. The aggregate maturities of the loans outstanding at June 30, 2021, based on their respective repayment schedules, are repayable at dates from 2021 to 2022.

During the six-month period ended June 30, 2021 and the year ended December 31, 2020, the Group's management rolled over its loans, rescheduling the terms of those loans and taking certain remedial actions e.g. the loan restructuring plan. Certain loans from commercial banks were repaid in full that resulted in a gain of SR 20.1 million during the six-month period ended June 30, 2021 (2020: SR 12.5 million).

11.3. BREACHES OF LOAN COVENANTS

The covenants of certain of the short-term and long-term borrowing facilities require the Group to maintain a certain level of financial conditions, require lenders' prior approval for dividends distribution above a certain amount, and limit the amount of annual capital expenditure and certain other requirements. The Group has breached some of the financial covenants stated in the credit facility agreements with commercial banks. The main financial covenants the Group has breached are as follows:

<u>Covenant</u>	<u>Requirement</u>
Total liabilities to tangible net worth	200% - 250%
Current ratio	100% - 125%
Minimum shareholders' equity	SR 950m - SR 1,312.5m

As a result of the above mentioned breach, the lenders have the right to accelerate repayment of future instalments. Accordingly, the entire balance of long term loans have been presented under current liabilities on the consolidated statement of financial position.

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12. REVENUE FROM CONTRACTS WITH CUSTOMERS

12.1. DISAGGREGATED REVENUE INFORMATION

Segment

	<i>For the six-month period ended</i>	
	<i>June 30,</i>	<i>June 30,</i>
	<i>2021</i>	<i>2020</i>
	<i>SR '000</i>	<i>SR '000</i>
Type of goods or service		
Sale of goods	170,233	189,674
Construction contracts	55,425	55,554
Total revenue from contracts with customers	225,658	245,228
Type of customer		
Government and quasi-government customers	26,280	26,259
Corporate customers	199,378	218,969
Total revenue from contracts with customers	225,658	245,228
Geographical markets		
Central region	23,644	35,112
Western region	17,147	40,214
Eastern region	124,351	107,091
Europe	10,196	8,155
Exports and other foreign subsidiaries	50,320	54,656
Total revenue from contracts with customers	225,658	245,228

12.2 CONTRACT BALANCES

	<i>June 30,</i>	<i>December 31,</i>
	<i>2021</i>	<i>2020</i>
	<i>SR'000</i>	<i>SR'000</i>
Trade receivables - current and non-current (note 8)	643,890	689,223
Contract assets (notes 8.2 and (a) below)	388,255	372,358
Contract liabilities (see note (b) below)	90,842	81,901

a) Contract assets:

Contract assets are initially recognised for revenue earned from construction contracts as receipt of consideration is conditional on successful completion of specific milestones. Upon completion of a milestone and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. As at June 30, 2021, contract assets are carried net of expected credit losses of SR 9.9 million (December 31, 2020: SR 12.4 million).

b) Contract liabilities:

Contract liabilities include long-term advances against construction contracts and short-term advances received to install pipes as well as transaction price allocated to unsatisfied performance obligations.

Revenue from contracts with customers recognised from amounts included in contract liabilities at the beginning of 2021 amounted to SR nil for the six-month period ended June 30, 2021.

Movement in contract assets and liabilities is as below:

	<i>June 30, 2021</i>	
	<i>Contract assets</i>	<i>Contract liabilities</i>
	<i>SR '000</i>	<i>SR '000</i>
Opening balance	384,719	81,901
Revenue recognized during the period	43,477	(782)
Invoiced during the period	(18,088)	11,547
Currency translation adjustments	(11,928)	(1,824)
	398,180	90,842
Less: allowance for impairment (note 8.2)	(9,925)	-
Closing balance	388,255	90,842

THE SAUDI ARABIAN AMIANTIT COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021****12. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)****12.3 PERFORMANCE OBLIGATIONS****a) Sale of goods:**

The performance obligation is satisfied upon delivery of the goods and payment is generally due in advance or within 90 days from delivery.

b) Construction contracts:

Revenue is recognised over time based on the cost-to-cost method. The related costs are recognised in statement of profit or loss when they are incurred. Payment terms comprise a long-term advance, progress payments and payment of retentions one or two years after completion of the project. The duration of each project depends on the size and complexity of customer design and normally span for more than one year.

13. INVENTORIES

	<i>June 30, 2021</i>	<i>December 31, 2020</i>
	<i>SR'000</i>	<i>SR'000</i>
Raw materials	54,250	60,291
Work in process	7,849	6,045
Supplies, not held for sale	47,480	46,355
Finished products	149,173	158,860
	<u>258,752</u>	<u>271,551</u>

14. CONTINGENCIES AND COMMITMENTS

14.1 The Group was contingently liable for bank guarantees issued in the normal course of the business amounting to SR 65.2 million at June 30, 2021. The Company, collectively with other shareholders of associated companies, is also contingently liable for corporate guarantees amounting to SR 537 million at June 30, 2021 in relation to the borrowing facilities of related associated companies.

14.2 The capital expenditure contracted by the Group but not yet incurred till June 30, 2021 was approximately SR 0.9 million.

14.3 The Group owns a parcel of industrial land in Jeddah which was acquired in 2009 through the acquisition, from a related party, of a subsidiary that owns this land. The ownership of this parcel is being contested in the Saudi Arabian judicial system. Management of the Group believes that the outcome of the litigation process will not result in any liabilities.

15. SHARE CAPITAL

The authorized share capital of the Company comprised 32 million ordinary shares stated at SR 10 per share. All shares are issued and fully paid. (December 31, 2020: 32 million ordinary shares stated at SR 10 per share).

16. SIGNIFICANT EVENTS DURING THE PERIOD

Having reviewed the consolidated financial statement of the Company for the year ended December 31, 2020, which has been approved by the Board of Directors on March 25, 2021, the total accumulated losses reached approximately SR 205.5 million, which represented 64% of the share capital. In accordance with Article 130 of the Companies' Law, the Company through Board of Directors Resolution passed on 27/03/2021G decided to fully utilize the remaining statutory reserve balance amounting to SR 132,175,687, to partially adjust the accumulated losses of the Company reducing the balance to SR 133.8 million. This resulted in accumulated losses reduced to 41.81% of the share capital.

17. COVID-19 UPDATES

In response to the spread of the Covid-19 in GCC and other territories where the Group operates and its resulting disruptions to the social and economic activities in those markets over the last eighteen months, Management continues to proactively assess its impacts on its operations. The preventive measures taken by the Group in early 2020 are still in effect including the on-going crisis management teams and processes, to ensure the health and safety of its employees, customers, consumers and the wider community as well as to ensure the continuity of supply of its products throughout its markets. Manufacturing facilities continue to observe restricted access; however, the management is currently in the process of formulating protocols to arrange for access of fully vaccinated individuals on such sites.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021**

17. COVID-19 UPDATES (continued)

Based on these factors, management believes that the Covid-19 pandemic has had no material effect on Company's reported financial results for the period ended 30 June 2021. The Group continues to monitor the Covid-19 situation closely although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the Group's operations during 2021 or beyond.

18. SUBSEQUENT EVENTS

In the opinion of the management, there have been no significant subsequent events since the period-end that require disclosure of or adjustment in these interim condensed consolidated financial statements.

19. DATE OF AUTHORIZATION:

These interim condensed consolidated financial statements were authorized for issue by the Company's Board of Directors on August 18, 2021 (corresponding to Muharram 10, 1443H).