



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, 2022

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, 2022**

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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, 2022, 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, 2022, 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, 2022, 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, 2022 in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

For:

AlKharashi & Co.

Abdullah S. Al-Msned

License No. 456



Riyadh:

August 20, 2022

Muharram 22, 1444H

THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

	<i>Note</i>	<i>June 30, 2022</i>	<i>December 31, 2021</i>	<i>January 1, 2021</i>
		<i>SR '000</i> <i>(Unaudited)</i>	<i>SR '000</i> <i>(Audited)</i>	<i>SR '000</i> <i>(Audited)</i>
ASSETS				
Current assets				
Cash and cash equivalents		37,108	75,136	53,255
Trade receivables	8	260,493	253,279	343,852
Contract assets	8	293,232	322,812	372,358
Prepayments and other receivables		91,887	94,785	202,731
Inventories	13	298,678	242,122	271,551
		<u>981,398</u>	<u>988,134</u>	<u>1,243,747</u>
Non-current assets				
Non-current receivables	8	292,034	326,912	345,371
Equity accounted investments	9	384,293	407,200	429,692
Property, plant and equipment	10,16	546,399	562,839	593,099
Other non-current assets	16	16,760	18,615	15,819
		<u>1,239,486</u>	<u>1,315,566</u>	<u>1,383,981</u>
TOTAL ASSETS		<u>2,220,884</u>	<u>2,303,700</u>	<u>2,627,728</u>
LIABILITIES AND EQUITY				
Current liabilities				
Short-term borrowings	11	1,124,585	1,126,238	1,142,730
Accounts payable		213,602	234,939	325,047
Accrued expenses and other liabilities		72,409	69,548	87,296
Contract liabilities	12	83,622	99,240	81,901
Current maturity of lease liabilities		1,005	895	1,039
Zakat and foreign taxes payable		200,799	195,387	188,195
		<u>1,696,022</u>	<u>1,726,247</u>	<u>1,826,208</u>
Non-current liabilities				
Employees' termination benefits		62,718	59,835	66,558
Warranty provision		2,721	3,289	8,896
Provisions for onerous contracts		149,314	162,174	175,145
Non-current portion of lease liability		6,015	5,354	7,343
Other non-current liabilities		644	2,083	-
		<u>221,412</u>	<u>232,735</u>	<u>257,942</u>
Total liabilities		<u>1,917,434</u>	<u>1,958,982</u>	<u>2,084,150</u>
Equity				
Share capital	15	99,000	320,000	320,000
Revaluation reserve	10,16	375,780	375,780	375,780
Statutory reserve		-	-	132,176
Accumulated losses	16	(33,612)	(244,594)	(206,459)
Employee share ownership plan and reserve		(644)	(2,083)	(7,146)
Foreign currency translation reserve		(156,997)	(123,705)	(90,952)
Equity attributable to the shareholders of the Company		<u>283,527</u>	<u>325,398</u>	<u>523,399</u>
Non-controlling interests		19,923	19,320	20,179
Total equity		<u>303,450</u>	<u>344,718</u>	<u>543,578</u>
TOTAL LIABILITIES AND EQUITY		<u>2,220,884</u>	<u>2,303,700</u>	<u>2,627,728</u>



Dr. Mohammed Saud Al-Bader
Board Authorised Representative



Feras Ghassab Al Harbi
Chief Executive Officer




Asgar Yusuf Sarguroh
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, 2022

	Note	For the three-month period ended June 30,		For the six-month period ended June 30,	
		2022 SR '000	2021 SR '000	2022 SR '000	2021 SR '000
<i>(Unaudited)</i>					
Continuing operations:					
Revenue from contracts with customers	12	121,636	111,094	241,153	225,658
Cost of revenue		(117,039)	(135,918)	(227,375)	(268,815)
Gross profit (loss)		4,597	(24,824)	13,778	(43,157)
Net impairment loss on financial assets		1,158	(1,421)	14,041	(1,373)
Selling, general and administrative expenses		(21,988)	(21,515)	(40,587)	(53,197)
Operating loss		(16,233)	(47,760)	(12,768)	(97,727)
Other income, net		23,115	1,004	24,725	38,573
Share in results of equity accounted investments	9	4,847	5,997	5,463	7,637
Finance (costs) income		(9,301)	(8,621)	(17,353)	10,386
Profit (loss) before zakat and foreign income tax		2,428	(49,380)	67	(41,131)
Zakat		(4,500)	(9,999)	(9,500)	(20,103)
Foreign income tax		(787)	(84)	(802)	(490)
Loss from continuing operations		(2,859)	(59,463)	(10,235)	(61,724)
Discontinued operations:					
Loss after zakat from discontinued operations	2.1.1	(1)	-	(2)	(27)
LOSS FOR THE PERIOD		(2,860)	(59,463)	(10,237)	(61,751)
Attributable to:					
Shareholders of the Company		(4,038)	(59,105)	(10,018)	(60,450)
Non-controlling interests		1,178	(358)	(219)	(1,301)
		(2,860)	(59,463)	(10,237)	(61,751)
Loss per share					
Loss per share attributable to the shareholders of the Company:					
Basic (SR) (2021: restated)		(0.41)	(6.00)	(1.02)	(6.14)
Diluted (SR) (2021: restated)		(0.41)	(6.00)	(1.02)	(6.14)
Loss per share from continuing operations					
Loss per share from continuing operations attributable to the shareholders of the Company:					
Basic (SR) (2021: restated)		(0.29)	(6.04)	(1.04)	(6.27)
Diluted (SR) (2021: restated)		(0.29)	(6.04)	(1.04)	(6.27)
Weighted average number of shares outstanding:					
Basic ('000 shares) (2021: restated)		9,852	9,852	9,852	9,852
Diluted ('000 shares) (2021: restated)		9,852	9,852	9,852	9,852


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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, 2022

	<i>For the three-month period ended June 30,</i>		<i>For the six-month period ended June 30,</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
		<i>(Unaudited)</i>		
LOSS FOR THE PERIOD	(2,860)	(59,463)	(10,237)	(61,751)
Other comprehensive (loss) income				
<i>Other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	(23,541)	7,803	(32,470)	(10,710)
	(23,541)	7,803	(32,470)	(10,710)
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:</i>				
Other comprehensive loss	-	-	-	(26)
	-	-	-	(26)
OTHER COMPREHENSIVE (LOSS) INCOME	(23,541)	7,803	(32,470)	(10,736)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(26,401)	(51,660)	(42,707)	(72,487)
Attributable to:				
Shareholders of the Company	(27,431)	(51,336)	(43,310)	(71,259)
Non-controlling interests	1,030	(324)	603	(1,228)
	(26,401)	(51,660)	(42,707)	(72,487)



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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, 2022

Attributable to the shareholders of the Company

	Share capital	Revaluation reserve	Statutory reserve	Accumulated losses	Employee share ownership plan and reserve	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
2022:									
As January 1, 2022 (audited, restated)	320,000	375,780	-	(244,594)	(2,083)	(123,705)	325,398	19,320	344,718
Loss for the period	-	-	-	(10,018)	-	-	(10,018)	(219)	(10,237)
Other comprehensive (loss) income	-	-	-	-	-	(33,292)	(33,292)	822	(32,470)
Total comprehensive (loss) income	-	-	-	(10,018)	-	(33,292)	(43,310)	603	(42,707)
Employee share ownership plan and reserve movement	-	-	-	-	1,439	-	1,439	-	1,439
Capital reduction	(221,000)	-	-	221,000	-	-	-	-	-
BALANCE AS AT JUNE 30, 2022 (unaudited)	99,000	375,780	-	(33,612)	(644)	(156,997)	283,527	19,923	303,450
2021:									
As January 1, 2021 (audited)	320,000	-	132,176	(205,499)	(7,146)	(90,952)	148,579	20,179	168,758
Accounting policy change to fair value/revaluation model	-	375,780	-	(960)	-	-	374,820	-	374,820
Adjusted balance as at January 1, 2021	320,000	375,780	132,176	(206,459)	(7,146)	(90,952)	523,399	20,179	543,578
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	-	-	(132,176)	132,176	-	-	-	-	-
BALANCE AS AT JUNE 30, 2021 (unaudited)	320,000	375,780	-	(134,759)	(2,282)	(101,735)	457,004	18,951	475,955


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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, 2022

	<i>For the six-month period ended</i>	
	<i>2022</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	(10,237)	(61,751)
<i>Adjustments for non-cash items:</i>		
Depreciation and amortisation	12,928	15,685
Share in results of equity accounted investments	(5,463)	(7,637)
Zakat and foreign income tax	10,302	20,593
Employees' termination benefits, net	2,883	(260)
Warranty provision, net	(477)	(3,727)
Gain on sale of investment	-	(12,412)
Gain from sale of land	(138)	-
Gain on sale of investment property	(13,169)	-
(Reversal) impairment loss on financial assets	(14,041)	-
Reversal of allowance for obsolete and slow-moving inventories (note 13)	(2,207)	-
Property, plant and equipment write off	-	551
Provision for onerous contract	-	26,547
	(19,619)	(22,411)
<i>Changes in working capital:</i>		
Trade receivables (current and non-current) and contract assets	39,825	16,638
Prepayments and other receivables	1,135	105,645
Inventories	(54,907)	12,606
Accounts payable	(19,003)	(96,430)
Accrued expenses, contract liabilities and other liabilities	(3,770)	1,123
	(56,339)	17,171
Zakat and foreign income tax	(4,890)	(8,335)
Net cash flows (used in) from operating activities	(61,229)	8,836
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash proceeds from sale of investment	-	12,412
Cash proceeds from sale of land	5,775	-
Cash proceeds from sale of investment property	14,500	-
Dividends received from equity accounted investments	6,181	8,327
Purchase of property, plant and equipment	(1,935)	(1,344)
Net change in other non-current assets	(226)	10
Net cash flows from investing activities	24,295	19,405
CASH FLOWS FROM FINANCING ACTIVITIES		
Movement in short-term borrowings	(998)	(6,392)
Net change in lease obligations	771	(1,021)
Net change in other non-current liabilities	-	7,146
Net cash flows used in from financing activities	(227)	(267)
Net change in cash and cash equivalents	(37,161)	27,974
Cash and cash equivalents at the beginning of the period	75,136	53,255
Foreign currency translation effect on cash and cash equivalents	(867)	(459)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	37,108	80,770



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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, 2022**

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 and joint ventures of the Group:

<u>Subsidiary</u>	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Effective ownership</u>	
			<u>June 30, 2022</u>	<u>December 31, 2021</u>
			%	%
Factory of Amiantit Fiberglass Industries Limited ("AFIL")	A	Saudi Arabia	100	100
Saudi Arabian Ductile Iron Pipes 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 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
<i>Discontinued operation (note 2.2)</i>				
Ameron Saudi Arabia Limited ("ASAL")	A	Saudi Arabia	100	100
<u>Joint venture incorporated in the Kingdom of Saudi Arabia</u>				
International Water Distribution Company ("Tawzea")	B,C,D	Saudi Arabia	50	50
<u>Subsidiary incorporated outside Kingdom of Saudi Arabia</u>				
PWT Wasser - und Abwassertechnik GmbH ("PWT")	C	Germany	100	100
Amitech Astana LLC	A	Kazakhstan	51	51
<u>Joint venture incorporated outside Kingdom of Saudi Arabia</u>				
Amiblu Holding GmbH ("Amiblu")	A	Austria	50	50

A- Pipe manufacturing

B- Water management

C- Contracting

D-Electrical and mechanical installations

2. CHANGES IN THE REPORTING ENTITY

2.1 FLOWtite Eksport AS Liquidation

During the year ended December 31, 2021, FLOWtite Eksport AS, a 100% owned subsidiary of the Company in Norway was formally liquidated. Before liquidation, the carrying amount of this subsidiary in the books of the Company was SR 464 thousand. Management recorded SR 41 thousand under share in results of equity accounted investment and SR 423 thousand as cash received from disposal of the investment to another 100%-owned subsidiary of the Company.

2.2 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 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, 2022**

2. CHANGES IN THE REPORTING ENTITY (continued)

2.2.1 Discontinued Operation (continued)

On June 30, 2022, 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 June 30, 2022.

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

	<i>ASAL</i>	
	<i>2022</i>	<i>2021</i>
	<i>SR '000</i>	<i>SR '000</i>
Revenue	-	-
Expenses	(2)	(27)
Operating loss	(2)	(27)
Loss before zakat	(2)	(27)
Zakat	-	-
Loss for the period from discontinued operations	(2)	(27)
Loss per share from discontinued operations:		
Basic (SR)	-	-
Diluted (SR)	-	-

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

	<i>ASAL</i>	
	<i>June 30, 2022</i>	<i>December 31, 2021</i>
	<i>SR '000</i>	<i>SR '000</i>
Assets		
Trade receivables (includes receivable from SAAC SR 24.0 million/(2021: SR 24.0 million))	24,034	24,034
Prepayments and other receivables	-	-
	24,034	24,034
Liabilities		
Accrued expenses and other liabilities	1,270	1,062
Zakat and income tax payable	8,349	7,936
	9,619	8,998
Carrying amount of net assets directly related to the discontinued operation	14,415	15,036

2.2.3 The net cash flows incurred by subsidiary for the six-month period ended June 30, are as follows:

	<i>ASAL</i>	
	<i>June 30, 2022</i>	<i>June 30, 2021</i>
	<i>SR '000</i>	<i>SR '000</i>
Operating	-	(297)
Net cash outflow	-	(297)

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, 2021.

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 December 31, 2021.

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for employees' termination benefits provision which are recognized at the present value of future obligations using the Projected Unit Credit Method, lands which are recorded at revaluation model and investment properties which are recorded at fair value model. These interim condensed consolidated financial statements are presented in Saudi Riyals which is also the functional currency of the Company and all values are rounded to the nearest thousand (SR '000), except when otherwise indicated.

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, 2021.

Comparative interim condensed consolidated statement of financial position is extracted from annual financial statements as at December 31, 2021 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 three-month period ended June 30, 2021.

3.3. FAIR VALUE MEASUREMENT

The Group measures financial instruments, such as financial derivatives, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the interim condensed consolidated financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

3.3. FAIR VALUE MEASUREMENT (continued)

For assets and liabilities that are recognised in the interim condensed consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

The valuation techniques used to determine the fair value of lands and investment properties are classified as level 3 fair value.

3.4. NEW IFRS STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2022 and has been explained in Group annual consolidated financial statements for the year ended December 31, 2021, but they do not have a material effect on the Group's interim condensed consolidated financial statements.

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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.

As at June 30, 2022, the Company had accumulated losses of SR 33.61 million (2021: SR 134.76 million) and had current liabilities exceeded current assets by SR 714.62 million (2021: SR 738.11 million) as at that date. In addition, the Group has defaulted on the repayment of its bank borrowings and is in breach of certain financial covenants related to bank facilities as disclosed in note 11. Moreover, as stated in note 17, the existence of an outbreak of a pandemic virus, experienced throughout the world, forced the Group to temporarily and partially shut down its production facilities in the Kingdom of Saudi Arabia.

The accumulated losses are mainly attributable to the adverse results of the water sector, until the second quarter of 2022, and equity accounted investments. Also, the group has breakeven results before zakat and income tax for the first two quarters of the year. Management has formulated various performance improvements for the entities its control and the management of the equity-accounted investment companies have also take actions to enhance their profitability. The measures are taken by improving the efficiencies in the plants having the production units. The following are the improvements 1. Improvement HR and recruiting 2. Reduction of manpower cost 3. Reduction of redundant personnel. 4. Outsourcing of human resources.5. Automation of the production, thus improving the efficiencies and reducing the rejections. Another factor which attributed the losses was the higher raw material prices, which have started cooling down that will result in increase in the volumes of production and sales through better bargaining power with the suppliers.

Also on marketing and further development, management is extending the network by consulting engineers and experts, collaboration with technologically equipped associates to develop municipal business. Green initiatives by several governments in the business areas will also give edged to the same of the entities thus increasing the profitability of the losing segment. Also, management of the Company has close cooperation with TAWZEA for long-term operation and management of rural wastewater treatment plant in the several projects.

The Group has detailed business plan for the upcoming 3 years for the entire group, which already reflects positive results in the coming years of the operations. Additionally, the Group has reduced capital from SR 320 million to SR 99 million in order to absorb the accumulated losses. In addition to that the Group has taken the board approval for rights issues amounting SR 346.5 million (Notes 15 and 17).

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 loss on financial assets - trade receivables, non-current receivables and contract assets.
- c) Impairment of equity accounted investments
- d) Economic useful lives and impairment of property, plant, equipment
- e) Use of percentage of completion and estimated cost to complete a contract,
- f) Long-term assumptions for employees' termination benefits,
- g) Right-of-use assets and lease liabilities,
- h) 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.

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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, 2022 and December 31, 2021 and for the six-month periods ended June 30, 2022 and 2021, 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, 2022:				
Sales to external customers	220,416	20,737	-	241,153
Inter-segment	12,127	27	(12,154)	-
Total revenue	232,543	20,764	(12,154)	241,153
Share in results of equity accounted investments	1,714	3,749	-	5,463
Finance costs	(16,020)	(1,333)	-	(17,353)
Depreciation, amortisation and impairment	(12,532)	(396)	-	(12,928)
Zakat and foreign income taxes	(10,254)	(48)	-	(10,302)
Net loss	2,419	(12,656)	-	(10,237)
Capital expenditure	(1,911)	(24)	-	(1,935)
Equity accounted investments	289,066	95,227	-	384,293
Total assets	1,278,725	942,159	-	2,220,884
Total liabilities	(955,140)	(962,294)	-	(1,917,434)
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 and amortization	(15,214)	(471)	-	(15,685)
Zakat and foreign income taxes	(20,109)	(484)	-	(20,593)
Net loss	(21,756)	(39,995)	-	(61,751)
Capital expenditures	(1,218)	(126)	-	(1,344)
As at December 31, 2021:				
Equity accounted investments	315,605	91,595	-	407,200
Total assets (restated, notes 10 and 16)	1,413,379	890,321	-	2,303,700
Total liabilities	(987,723)	(971,259)	-	(1,958,982)

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6. SEGMENT INFORMATION (continued)

The Group's operations are conducted in Saudi Arabia, Europe and other geographical areas. Selected financial information as at June 30, 2022 and December 31, 2021 and for the six-month periods ended June 30, 2022 and 2021, 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, 2022:					
Revenue from contracts with customers	224,785	20,764	7,758	(12,154)	241,153
Non-current assets:					
- Property, plant and equipment	528,600	2,256	15,543	-	546,399
- Other non-current assets	410,710	238,623	43,754	-	693,087
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
As at December 31, 2021:					
Non-current assets:					
- Property, plant and equipment (restated, notes 10 and 16)	544,025	2,840	15,974	-	562,839
- Other non-current assets	442,580	259,626	50,521	-	752,727

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8. RECEIVABLES AND CONTRACT ASSETS

8.1 Trade receivables

	June 30, 2022	<i>December 31, 2021</i>
	SR'000	<i>SR'000</i>
Trade receivables, third parties	360,197	<i>363,811</i>
Less: impairment loss on financial assets	(114,645)	<i>(122,518)</i>
	245,552	<i>241,293</i>
Trade receivables-related parties	18,336	<i>15,381</i>
Less: impairment loss on financial assets	(3,395)	<i>(3,395)</i>
	260,493	<i>253,279</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, 2022:						
Gross carrying amount at default	43,134	74,722	21,061	26,778	194,502	360,197
Expected credit loss	(492)	(5,429)	(6,060)	(10,099)	(92,565)	(114,645)
Net trade receivables	42,642	69,293	15,001	16,679	101,937	245,552
December 31, 2021:						
Gross carrying amount at default	47,231	40,072	30,401	29,015	217,092	363,811
Expected credit loss	(425)	(3,509)	(7,756)	(9,371)	(101,457)	(122,518)
Net trade receivables	46,806	36,563	22,645	19,644	115,635	241,293

8.2 Contract assets

	June 30, 2022	<i>December 31, 2021</i>
	SR'000	<i>SR'000</i>
Contract assets (note 12.2.a)	305,597	<i>340,312</i>
Less: allowance for impairment	(12,365)	<i>(17,500)</i>
	293,232	<i>322,812</i>

8.3 Non-current receivables

The balance under non-current receivables comprise the following:

	June 30, 2022	<i>December 31, 2021</i>
	SR'000	<i>SR'000</i>
Trade receivables under legal collection	432,068	<i>441,947</i>
Less: impairment loss on financial assets	(176,142)	<i>(180,323)</i>
	255,926	<i>261,624</i>
Retentions receivable	38,710	<i>74,650</i>
Less: discount on retentions receivable	(2,602)	<i>(9,362)</i>
	292,034	<i>326,912</i>

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9. EQUITY ACCOUNTED INVESTMENTS

The equity accounted investments comprise the following:

	<i>June 30, 2022</i>	<i>December 31, 2021</i>
	<i>SR'000</i>	<i>SR'000</i>
Interests in joint ventures		
Amiblu Holding GmbH ("Amiblu")	224,026	251,563
International Water Distribution Company ("Tawzea")	95,220	91,471
Subor Boru Sanayi Ve Ticaret AS ("Subor") **	6,897	-
Total interests in joint ventures	326,143	343,034
Investments in associates:		
Amiantit Qatar Pipe Company Limited ("AQAP")	43,004	49,718
Other associates	15,146	14,448
Total investment in associates	58,150	64,166
Total equity accounted investments	384,293	407,200

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

	<i>For the six- month period ended June 30, 2022</i>	<i>For the year ended December 31, 2021</i>
	<i>SR'000</i>	<i>SR'000</i>
Interests in joint ventures		
At the beginning of the period / year	343,034	362,048
Share in results	5,137	1,733
Additions	-	(4,000)
Currency translation adjustments	(22,028)	(19,144)
Share of other comprehensive income	-	2,397
At the end of the period / year	326,143	343,034

The movement in the investment in associates is as follows:

	<i>For the six- month period ended June 30, 2022</i>	<i>For the year ended December 31, 2021</i>
	<i>SR'000</i>	<i>SR'000</i>
Investments in associates		
At the beginning of the period / year	64,166	67,644
Revenue	-	(423)
Share in results	326	6,317
Dividends	(6,181)	(9,238)
Currency translation adjustments	(161)	(100)
Share of other comprehensive income	-	(34)
At the end of the period / year	58,150	64,166

** The Company owns 20% investment in Subor. As the investment in Subor from around mid of the year 2018 had turned into negative due to heavy losses coupled with the continued devaluation of Turkish Lira to USD, the Company had stopped recording further losses from investment in Subor. Since recently by the end of June 30, 2022, Subor has consistently earned profits and has turned around its total equity, the Company recorded a share in profit of SR 6.9 million after adjusting for all the share of losses not recognized up to the period ending June 30, 2022.

During 2021, the Company's 100% owned-subsiary ("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>Reclassificat</i>	<i>Foreign</i>	
	<i>1 January</i>	<i>Additions</i>	<i>Disposals</i>	<i>ion</i>	<i>currency</i>	<i>Closing</i>
June 30, 2022	SR'000	SR'000	SR'000	SR'000	translation	SR'000
					adjustments	SR'000
Cost:						
Land (notes 10.1 and 16)	588,897	-	(5,638)	-	-	583,259
Buildings and land improvements	288,972	778	-	-	(299)	289,451
Plant, machinery and equipment	966,068	201	(282)	-	(1,354)	964,633
Furniture, fixtures and office equipment	55,331	929	(120)	-	(1,237)	54,903
Construction in progress	11,144	27	-	(128)	-	11,043
	<u>1,910,412</u>	<u>1,935</u>	<u>(6,040)</u>	<u>(128)</u>	<u>(2,890)</u>	<u>1,903,289</u>
Accumulated depreciation and impairment:						
Land	(164,532)	(1,085)	-	-	-	(165,617)
Buildings and land improvements	(246,728)	(3,430)	-	-	882	(249,276)
Plant, machinery and equipment	(882,345)	(7,270)	218	-	931	(888,466)
Furniture, fixtures and office equipment	(49,362)	(747)	120	-	1,064	(48,925)
Construction in progress	(4,606)	-	-	-	-	(4,606)
	<u>(1,347,573)</u>	<u>(12,532)</u>	<u>338</u>	<u>-</u>	<u>2,877</u>	<u>(1,356,890)</u>
Net book value	<u>562,839</u>					<u>546,399</u>
December 31, 2021						
Cost:						
Land (notes 10.1 and 16)	588,897	-	-	-	-	588,897
Buildings and land improvements	288,014	73	-	1,065	(180)	288,972
Plant, machinery and equipment	987,527	1,231	(23,861)	2,178	(1,007)	966,068
Furniture, fixtures and office equipment	57,992	476	(1,896)	-	(1,241)	55,331
Construction in progress	12,551	-	-	(1,406)	(1)	11,144
	<u>1,934,981</u>	<u>1,780</u>	<u>(25,757)</u>	<u>1,837</u>	<u>(2,429)</u>	<u>1,910,412</u>
Accumulated depreciation and impairment:						
Land	(161,802)	(2,730)	-	-	-	(164,532)
Buildings and land improvements	(238,341)	(7,684)	-	(883)	180	(246,728)
Plant, machinery and equipment	(886,778)	(17,313)	23,210	(2,360)	896	(882,345)
Furniture, fixtures and office equipment	(50,355)	(1,826)	1,785	-	1,034	(49,362)
Construction in progress	(4,606)	-	-	-	-	(4,606)
	<u>(1,341,882)</u>	<u>(29,553)</u>	<u>24,995</u>	<u>(3,243)</u>	<u>2,110</u>	<u>(1,347,573)</u>
Net book value	<u>593,099</u>					<u>562,839</u>

10.1. Reference to the Capital Market Authority (CMA) Board of Commissioners resolution dated 15/01/1438H corresponding to 16/10/2016G, which obligated listed companies to apply the cost model to measure the property, plant, equipment, investment property, and intangible assets upon adopting the International Financial Reporting Standards (IFRS) for three years period starting from the IFRS adopting date, while continuing to abide by the disclosure requirements of the IFRS that are endorsed in Saudi Arabia, which require or encourage the disclosure of the fair value within the notes to the financial statements. The resolution indicated that CMA will analyze the feasibility of continuing to apply the cost model upon completing the aforementioned period, or the feasibility of allowing the application of the fair value or the revaluation model.

Based on the CMA's role in regulating and monitoring the works and activities of parties subject to the monitoring and supervision of the CMA, and its role in regulating and monitoring the full disclosures of information regarding financial securities and their issuers, CMA announces the Board of Commissioners resolution, which includes allowing listed companies to use the fair value model or the revaluation model to measure property, and investment property in the financial statements prepared for financial periods within fiscal years starting during the calendar year 2022 or thereafter.

As at 30 June 2022, the Company has changed its accounting policy to fair value model to measure investment properties and revaluation model to measure lands while continuing to apply the cost model to measure other items of property, plant and equipment and intangible assets. Management appointed at least two independent valuers licensed by the Saudi Authority for Accredited Valuers ("TAQEEM") to evaluate each of the lands and investment property when preparing the interim condensed consolidated financial statements and when using the fair value model or the revaluation model for the first time and has chosen the lower of the two valuations. Management has recorded a revaluation reserve of SR 375.78 million to record the difference between the fair value and book value of the lands at January 1, 2021.

The management believes that the fair values of lands and investment properties as at June 30, 2022 do not materially differ from the fair values determined at December 31, 2021.

The revaluation reserve is not available for distribution of dividends to shareholders.

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11. BORROWINGS

The Company has signed agreements to reschedule Islamic Banking facilities agreements with commercial banks, which management believes will have positive impact on enhancing the Company's performance during the next periods. Management believes Company's cashflows will improve and the rescheduling will enhance the operations of the Company which is appropriate with the new schedule period stated as follows:

11.1. Bai Ajel borrowings

New terms signed including new schedule period i.e. 10 years, resulting in reduction of the annual financial charges ranging from SIBOR +3.25% to 2.75% to be SIBOR +1.5%. The financing periods scheduled are as follows:

i- Bai Ajel for one time SAR 367,700,000 (non-revolving) and Bai Ajel limit of SAR 268,000,000 (one off) (new) for total tenor of 10 years inclusive of 2 years grace period repaid on semi-annual installments and profit to be paid semiannually during grace period. The Company utilized a total of SR 634,364,066 as at June 30, 2022.

ii- Bai Ajel sub-limit ,L/C, L/G SAR 157,600,000 (revolving) to be availed against any repaid installment from the main limit not exceeding 30% from Gross Limit to finance working capital requirements through direct purchases of raw material, for aggregate period not exceeding 12 months. The Company utilized this facility fully as at June 30, 2022.

iii- Bai Ajel/ LC Musharakah sublimit (SAR 80,000,000) to be availed against any repaid installment from the main limit not exceeding 30% from Gross Limit to finance working capital requirements through direct purchases of raw material and maintenance CAPEX or issuance of Musharakah LCs (sight, deferred) (local, international) for a maximum of 12 months inclusive of LC deferral period. The Company is yet to utilize this facility as at June 30, 2022.

11.2. Tayseer Tijari borrowings

New terms signed including new schedule period i.e. 10 years, resulting in reduction of the annual financial charges from SIBOR +3.25% to be SIBOR +1.5%. The financing period as scheduled are as follows:

i-Tayseer Tijari for one time SAR 219,100,000 (non-revolving) for total tenor of 10 years inclusive of 2 years grace period repaid on semiannual installments and profit to be paid semiannually during grace period (last installment not to exceed December 31, 2031). The Company utilized this facility fully as at June 30, 2022.

ii- Tayseer Tijari sub-limit ,L/C, L/G SAR 110,900,000 to be availed against any repaid installment from the main limit not exceeding 30% from Gross Limit to finance working capital requirements through direct purchases of raw material and CAPEX, for aggregate period not exceeding 12 months. The Company utilized SR 97,563,750 as at June 30, 2022.

11.3. SHORT-TERM BORROWINGS

Short-term borrowings comprise the following:

	June 30, 2022	<i>December 31, 2021</i>
	SR'000	<i>SR'000</i>
Short-term bank loans	829,250	<i>830,332</i>
Current portion of long-term loans	295,335	<i>295,906</i>
	<u>1,124,585</u>	<i><u>1,126,238</u></i>

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

	June 30, 2022	<i>December 31, 2021</i>
	SR'000	<i>SR'000</i>
Saudi Riyals	828,991	<i>824,476</i>
US Dollars	-	<i>4,540</i>
Other currency	259	<i>1,316</i>
	<u>829,250</u>	<i><u>830,332</u></i>

11.5. Long term borrowings comprise the following:

	June 30, 2022	<i>December 31, 2021</i>
	SR'000	<i>SR'000</i>
Commercial bank loans	295,335	<i>295,906</i>
Current portion shown under current liabilities	(295,335)	<i>(295,906)</i>
Non-current portion shown under non-current liabilities	-	<i>-</i>

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11. BORROWINGS (continued)

11.5. Long term borrowings comprise the following: (continued)

The long-term borrowings are secured by promissory notes given by the Group and the carrying values are denominated in the following currency:

	June 30, 2022	<i>December 31, 2021</i>
	SR'000	<i>SR'000</i>
Saudi Riyals	286,479	<i>286,479</i>
US dollars	8,856	<i>9,427</i>
	295,335	<i>295,906</i>

11.6. In view of the rescheduling and restructuring plans taken by the Company, certain loans from commercial banks were repaid in full that resulted in a gain of SR 20.1 million during the period ended June 30, 2021.

11.7. Management of the Company in view of the loans rescheduling and restructuring agreements signed with commercial banks had reversed certain facility fees accrued for the erstwhile terms of the loans and management believed these facility fees were no longer needed for the year ended December 31, 2021.

11.8. Breach 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

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.

12. REVENUE FROM CONTRACTS WITH CUSTOMERS

12.1. DISAGGREGATED REVENUE INFORMATION

<u>Segment</u>	<i>For the six-month period ended</i>	
	June 30, 2022	<i>June 30, 2021</i>
	SR '000	<i>SR '000</i>
Type of goods or service		
Sale of goods	194,280	<i>170,233</i>
Construction contracts	46,873	<i>55,425</i>
Total revenue from contracts with customers	241,153	<i>225,658</i>
Type of customer		
Government and quasi-government customers	17,959	<i>26,280</i>
Corporate customers	223,194	<i>199,378</i>
Total revenue from contracts with customers	241,153	<i>225,658</i>
Geographical markets		
Central region	20,962	<i>23,644</i>
Western region	6,536	<i>17,147</i>
Eastern region	150,003	<i>124,351</i>
Europe	12,474	<i>10,196</i>
Exports and other foreign subsidiaries	51,178	<i>50,320</i>
Total revenue from contracts with customers	241,153	<i>225,658</i>

THE SAUDI ARABIAN AMIANTIT COMPANY

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022****12 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)****12.2 CONTRACT BALANCES**

	<u>June 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
	<u>SR'000</u>	<u>SR'000</u>
Trade receivables - current and non-current (note 8)	<u>552,527</u>	<u>580,191</u>
Contract assets (notes 8.2 and (a) below)	<u>293,232</u>	<u>322,812</u>
Contract liabilities (see note (b) below)	<u>83,622</u>	<u>99,240</u>

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, 2022, contract assets are carried net of expected credit losses of SR 12.4 million ((December 31, 2021: SR 17.5 million).

Movement in contract assets is as follows:

	<u>June 30</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
	<u>SR '000</u>	<u>SR '000</u>
Opening balance	<u>340,361</u>	<u>384,719</u>
Revenue recognized during the period/year	<u>38,533</u>	<u>97,403</u>
Invoiced during the period/year	<u>(40,768)</u>	<u>(72,051)</u>
Write down of contract assets during the period/year	<u>(7,174)</u>	<u>(44,631)</u>
Currency translation adjustments	<u>(25,355)</u>	<u>(25,079)</u>
	<u>305,597</u>	<u>340,361</u>
Impairment loss on financial asset	<u>(12,365)</u>	<u>(17,549)</u>
Closing balance	<u>293,232</u>	<u>322,812</u>

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 2022 amounted to nil for the six-month period ended June 30, 2022.

Movement in contract liabilities is as follows:

	<u>Jun-30</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
	<u>SR '000</u>	<u>SR '000</u>
Opening balance	<u>99,240</u>	<u>81,901</u>
Revenue recognized during the period/year	<u>-</u>	<u>(14,330)</u>
Invoiced during the period/year	<u>(3,858)</u>	<u>28,110</u>
Advances from customers during the period/year	<u>(7,707)</u>	<u>7,707</u>
Currency translation adjustments	<u>(4,053)</u>	<u>(4,148)</u>
Closing balance	<u>83,622</u>	<u>99,240</u>

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.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022**

13 INVENTORIES

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
	<u>SR'000</u>	<u>SR'000</u>
Raw materials	75,996	37,199
Work in process	10,752	9,138
Supplies, not held for sale	47,521	46,160
Finished products	164,409	148,994
Goods in transit	-	631
	<u>298,678</u>	<u>242,122</u>

As at June 30, 2022, the Company had a total allowance for obsolete and slow-moving inventories for SR 82.71 million (December 31, 2021: SR 84.94 million). The allowance for obsolete and slow moving inventories is based on nature of inventories, ageing profile, their expiry and sales expectation based on historic trends and other qualitative factors.

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 58.9 million at June 30, 2022. The Company, collectively with other shareholders of associated companies, is also contingently liable for corporate guarantees amounting to SR 168.4 million at June 30, 2022 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, 2022 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 9.9 million ordinary shares stated at SR 10 per share. All shares are issued and fully paid. (December 31, 2021: 32 million ordinary shares stated at SR 10 per share).

Subsequent to the Capital Market Authority ("CMA") publishing on its official website on 17-02-2022 regarding its approval of reduction of the share capital of the Company, the Company's shareholders in their Extraordinary General Assembly ("EGA") on 27-02-2022 approved the share capital reduction from SR 320 million to SR 99 million reducing the total number of shares from 32,000,000 to 9,900,000 of SR 10 each to offset SR 221 million of the Company's accumulated losses.

16. CHANGE IN ACCOUNTING POLICY FROM COST MODEL TO FAIR VALUE/REVALUATION MODEL

On 30 June 2022, the Company has changed its accounting policy to fair value model to measure investment properties and revaluation model to measure lands while continuing to apply the cost model to measure other items of property, plant and equipment and intangible assets. The change from cost model to fair value or revaluation model in recording investment properties and lands is considered a change in accounting policy. Hence prior period adjustments were made on 1 January 2021 and a revaluation reserve of SR 375.78 million recorded as at that date.

Impact on accumulated losses

The effect of changing the Company's accounting policy to fair value model for investment properties and revaluation model for lands on the accumulated losses and on the carrying amount of property, plant and equipment and other non-current assets as at January 1, 2021 is as follows:

	<u>Accumulated losses</u>	<u>Property, plant and equipment</u>	<u>Other non- current assets</u>
	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
Impact as at January 1, 2021	(960)	375,780	(960)

17. SIGNIFICANT EVENT DURING THE PERIOD

The Board of Directors of the Company has recommended to the general assembly a share capital increase by offering rights shares of SR 346,500,000 that will result in an increase in number of shares from 9.9 million shares to 44.55 million shares. Post rights shares issuance, the share capital of the Company will increase from SR 99,000,000 to SR 445,500,000. The Company has filed an application before CMA, the process is pending on the approvals of CMA, then after the Extra-Ordinary General Assembly.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022

18. 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 two years, management continues to proactively assess its impacts on its operations. In particular the Group is closely monitoring the current surge in cases due to the outbreak of a new variant - Omicron. The preventive measures taken by the Group in 2020 are still in effect including the creation of ongoing 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.

Access of fully vaccinated individuals to farming and manufacturing facilities has been restored. Employee health continues to be a key area of focus with programs being implemented to assist with increasing awareness, identification, support and monitoring of employee health. More than 99% of the employees of the Group have been fully vaccinated for at least two doses of vaccines and the management is working on a plan to encourage booster shots.

Globally, there has been significant drop in the number of registered cases. As a result, restrictions related to Covid-19 such as social distancing, travel bans, requirement for travelers to present a negative PCR or rapid antigen test on arrival test have been lifted. Based on these factors, management believes that the Covid-19 pandemic has had no material effect on the Group's reported financial results for the period ended June 30, 2022 including the significant accounting judgements and estimates. 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 2022 or beyond.

19. 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.

20. DATE OF AUTHORIZATION:

These interim condensed consolidated financial statements were authorized for issue by the Company's Board of Directors on August 20, 2022 (corresponding to Muharram 22, 1444H).