THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Arabian Joint Stock Company)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Arabian Joint Stock Company)
UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

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INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders
The Saudi Arabian Amiantit Company
(A Saudi Arabian 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 March 31, 2023, and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three-month period then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the three-month period ended March 31, 2023, 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 information 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 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 March 31, 2023, its financial performance and its cash flows for the three-month period then ended, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

For Al-Kharashi & Co.

Abdullah S. Al Msned
License No. (456)

الخراشي وشركاه
محاسبون و مراجعون قانونيون
C.R.: 1010327044 :س.ت
Certified Accountants
& Auditors
AL-Kharashi Co.

Riyadh:
April 12, 2023
Ramadan 21, 1444H

THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Arabian Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2023

	Note	March 31, 2023 SR '000 (Unaudited)	December 31, 2022 SR '000 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents		42,011	41,741
Trade receivables,net	8.1	239,240	190,442
Contract assets	8.2	301,200	296,075
Prepayments and other receivables		89,002	73,891
Inventories	13	265,849	276,389
Total current assets		937,302	878,538
Non-current assets			
Non-current receivables	8.3	365,609	370,803
Equity accounted investments	9	448,894	451,120
Property, plant and equipment,net	10	557,672	563,757
Rights-of-use assets,net		5,415	5,581
Investment properties		10,580	10,580
Intangible assets,net		4,937	6,685
Deferred tax assets		779	756
Total non-current assets		1,393,886	1,409,282
TOTAL ASSETS		2,331,188	2,287,820
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	11	1,159,515	1,140,610
Accounts payable		184,103	174,628
Accrued expenses and other liabilities		115,342	93,488
Contract liabilities	12	82,123	90,656
Current portion of lease liability		937	927
Zakat and foreign taxes payable		201,580	200,899
Total current liabilities		1,743,600	1,701,208
Non-current liabilities			
Employees' termination benefits provision		61,743	64,435
Warranty provision		2,744	2,744
Provisions for onerous contracts		155,271	152,515
Non-current portion of lease liability		5,113	5,731
Other non-current liabilities		644	644
Total non-current liabilities		225,515	226 069
Total liabilities		1,969,115	1,927,277
Equity			
Share capital	15	99,000	99,000
Revaluation reserve		373,014	373,014
Accumulated losses		(32,696)	(34,559)
Employee share option plan and reserve		(644)	(644)
Hedging reserve		38,903	48,461
Foreign currency translation reserve		(142,393)	(147,759)
Equity attributable to the shareholders of the Company		335,184	337,513
Non-controlling interests		26,889	23,030
Total equity		362,073	360,543
TOTAL LIABILITIES AND EQUITY		2,331,188	2,287,820

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 Arabian Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

	Note	*For the three-month period ended March 31,* 2023 SR '000 (Unaudited)	2022 SR '000
Continuing operations:			
Revenue	12	**197,446**	119,517
Cost of revenue		**(157,584)**	(110,336)
Gross profit		**39,862**	9,181
Impairment (loss) reversal on financial assets,net		**(486)**	12,883
Selling, general and administrative expenses		**(23,912)**	(18,599)
Operating profit		**15,464**	3,465
Other income, net		**2,440**	1,610
Share in results of equity accounted investments	9	**4,748**	616
Finance costs		**(10,027)**	(8,052)
Profit (loss) before zakat and foreign income tax		**12,625**	(2,361)
Zakat		**(6,250)**	(5,000)
Foreign income tax		**(62)**	(15)
Profit (loss) from continuing operations		**6,313**	(7,376)
Discontinued operations:			
(Loss) after zakat and income tax from discontinued operations	2.1.1	**(34)**	(1)
PROFIT (LOSS) FOR THE PERIOD		**6,279**	(7,377)
Attributable to:			
Shareholders of the Company		**1,996**	(5,980)
Non-controlling interests		**4,283**	(1,397)
		6,279	(7,377)
Profit (loss) per share			
Profit (loss) per share attributable to the shareholders of the Company:			
Basic (SR)		**0.20**	(0.61)
Diluted (SR)		**0.20**	(0.61)
Profit (loss) per share from continuing operations			
Profit (loss) per share from continuing operations attributable to the shareholders of the Company:			
Basic (SR)		**0.64**	(0.75)
Diluted (SR)		**0.64**	(0.75)
Weighted average number of shares outstanding:			
Basic ('000 shares)		**9,852**	9,852
Diluted ('000 shares)		**9,852**	9,852

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THE SAUDI ARABIAN AMIANTIT COMPANY
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

	For the three-month period ended March 31,	
	2023	*2022*
	SR '000	*SR '000*
	(Unaudited)	
PROFIT (LOSS) FOR THE PERIOD	**6,279**	(7,377)
Other comprehensive income		
Other comprehensive (loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**4,942**	(8,929)
Other comprehensive (loss)-hedging reserve from equity accounted investments	**(9,558)**	-
	(4,616)	(8,929)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:		
Other comprehensive (loss)-actuarial from equity accounted investments	**(133)**	-
	(133)	-
OTHER COMPREHENSIVE LOSS	**(4,749)**	(8,929)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**1,530**	(16,306)
Attributable to:		
Shareholders of the Company	**(2,329)**	(15,879)
Non-controlling interests	**3,859**	(427)
	1,530	(16,306)

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THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Arabian Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

		Attributable to the shareholders of the Company									
	Note	*Share capital*	*Revaluation reserve*	*Statutory reserve*	*Accumulated losses*	*Employee share ownership plan and reserve*	*Hedging reserve*	*Foreign currency translation reserve*	*Total*	*Non-controlling interests*	*Total equity*
		SR '000	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '00C*	*SR '000*	*SR '000*	*SR '000*	*SR '000*
2023:											
As January 1, 2023 (audited)		99,000	373,014	-	(34,559)	(644)	48,461	(147 759)	337,513	23,030	360,543
Income for the period		-	-	-	1,996	-	-	-	1,996	4,283	6,279
Hedging reserve movement		-	-	-	-	-	(9,558)	-	(9,558)	-	(9,558)
Other comprehensive income		-	-	-	(133)	-	-	5,366	5,233	(424)	4,809
Total comprehensive income		-	-	-	1,863	-	(9,558)	5,366	(2,329)	3,859	1,530
BALANCE AS AT MARCH 31, 2023 (unaudited)		99,000	373,014	-	(32,696)	(644)	38,903	(142,393)	335,184	26,889	362,073
2022:											
As January 1, 2022 (audited)		320,000	-	-	(243,634)	(2,083)	-	(123,705)	(49,422)	19,320	(30,102)
Accounting policy change to fair value/revaluation model		-	375,780	-	(960)	-	-	-	374,820	-	374,820
Hedging reserve movement		-	-	-	(2,430)	-	2,430	-	-	-	-
Adjusted balance as at January 1, 2022		320,000	375,780	-	(247,024)	(2,083)	2,430	(123,705)	325,398	19,320	344,718
Loss for the period		-	-	-	(5,980)	-	-	-	(5,980)	(1,397)	(7,377)
Other comprehensive loss		-	-	-	-	-	-	(9,899)	(9,899)	970	(8,929)
Total comprehensive income (loss)		-	-	-	(5,980)	-	-	(9,899)	(15,879)	(427)	(16,306)
Employee share option plan and reserve movement						1,439			1,439		1,439
Capital reduction		(221,000)	-	-	221,000	-	-	-	-	-	-
BALANCE AS AT MARCH 31, 2022 (unaudited)		99,000	375,780	-	(32,004)	(644)	2,430	(133,604)	310,958	18,893	329,851

Dr. Mohammed Saud Al-Bader
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Asgar Yusuf Sarguroh
Chief Financial Officer

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THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Arabian Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

	For the three-month period ended March 31,	
	2023	*2022*
	SR '000	*SR '000*
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the period	**6,279**	(7,377)
Adjustments for non-cash items:		
Depreciation and amortisation	**7,941**	6,487
Share in results of equity accounted investments	**(4,748)**	(616)
Zakat and foreign income tax	**6,312**	5,015
Employees' termination benefits, net	**1,575**	2,069
Warranty provision, net	**-**	280
Impairment loss (reversal) on financial assets	**486**	(12,883)
(Reversal) allowance for obsolete and slow-moving inventories	**-**	(1,153)
Goodwill write off	**1,600**	-
	19,445	(8,178)
Changes in working capital:		
Trade receivables (current and non-current) and contract assets	**(42,380)**	35,928
Prepayments and other receivables	**(14,558)**	2,605
Inventories	**10,919**	(51,116)
Accounts payable	**8,850**	(8,090)
Accrued expenses, contract liabilities and other liabilities	**11,024**	2,796
	(6,700)	(26,055)
Zakat and foreign income tax paid	**(5,631)**	(512)
Employees termination benefits provision paid	**(4,267)**	-
Net cash flows (used in) operating activities	**(16,598)**	(26,567)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(1,549)**	(694)
Net change in other non-current assets	**-**	(429)
Net cash flows (used in) investing activities	**(1,549)**	(1,123)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in borrowings	**18,625**	(4,916)
Net change in lease obligations	**(608)**	342
Net cash flows from (used in) financing activities	**18,017**	(4,574)
Net change in cash and cash equivalents	**(130)**	(32,264)
Cash and cash equivalents at the beginning of the period	**41,741**	75,136
Foreign currency translation effect on cash and cash equivalents	**400**	(413)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**42,011**	42,459
Non-cash transaction:		
Share capital reduction	**-**	(221,000)

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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:

			Effective ownership percentage as at	
Subsidiary	***Principal activity***	***Country of incorporation***	***March 31, 2023***	*December 31, 2022*
			%	%
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
Discontinued operation (note 2.1)				
Ameron Saudi Arabia Limited ("ASAL")	A	Saudi Arabia	**100**	100
Joint venture incorporated in the Kingdom of Saudi Arabia				
International Water Distribution Company ("Tawzea")	B,C,D	Saudi Arabia	**50**	50
Subsidiary incorporated outside Kingdom of Saudi Arabia				
PWT Wasser - und Abwassertechnik GmbH ("PWT")	C	Germany	**100**	100
Amitech Astana LLC	A	Kazakhstan	**51**	51
Joint venture incorporated outside Kingdom of Saudi Arabia				
Amiblu Holding GmbH ("Amiblu")	A	Austria	**50**	50

A- Pipe manufacturing
B- Water management
C- Contracting
D-Electrical and mechanical installations

The countries of incorporation for these subsidiaries and joint ventures are also their principal places 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 Ameron Saudi Arabia Limited ("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.

2. CHANGES IN THE REPORTING ENTITY (continued)

2.1 Discontinued Operation (continued)

On March 31, 2023, 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 March 31, 2023.

2.1.1 The result for the three-month period ended March 31, are presented below:

	ASAL	
	2023	*2022*
	SR '000	*SR '000*
Expenses	**(34)**	(1)
Loss before zakat	**(34)**	(1)
Zakat	-	-
Loss for the period from discontinued operations	**(34)**	(1)

2.1.2 The major classes of assets and liabilities of the subsidiary as at March 31, were as follows:

	ASAL	
	March 31, 2023	*December 31, 2022*
	SR '000	*SR '000*
Assets		
Trade receivables (includes receivable from SAAC SR 24.0 million/(2022: SR 23.8 million)	**24,034**	23,823
	24,034	23,823
Liabilities		
Accrued expenses and other liabilities	**1,062**	1,062
Zakat and income tax payable	**8,594**	8,349
	9,656	9,411
Carrying amount of net assets directly related to the discontinued operation	**14,378**	14,412

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, 2022.

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, 2022.

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, 2022.

Comparative interim condensed consolidated statement of financial position is extracted from annual financial statements as at December 31, 2022 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 March 31, 2022.

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. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

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 2023 and has been explained in Group annual consolidated financial statements for the year ended December 31, 2022, but they do not have a material effect on the Group's interim condensed consolidated financial statements.

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 March 31, 2023, the Company had accumulated losses of SR 32.7 million (2022: SR 34.6 million) and had current liabilities exceeded current assets by SR 806.3 million (2022: SR 822.7 million) as at that date. In addition, the Group has bank borrowings and is in breach of certain financial covenants related to bank facilities as disclosed in note 11.

The accumulated losses are mainly attributable to the adverse results of the water sector. Also, the group has resulted into profit for the first quarter 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 earlier 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 reflects positive results in the coming years of the operations. During 2022, 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, and it has been approved as well by the Capital Market Authority on December 1, 2022 (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 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 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.

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 March 31, 2023 and December 31, 2022 and for the three-month periods ended March 31, 2023 and 2022, summarized by the above business segments, are as follows:

	Pipe manufacturing and technology	*Water management*	*Eliminations*	*Total*
As at and for the three-month period ended March 31, 2023	***SR '000***	***SR '000***	***SR '000***	***SR '000***
Sales to external customers	**187,821**	**9,625**	**-**	**197,446**
Inter-segment	**6,801**	**13**	**(6,814)**	**-**
Total revenue	**194,622**	**9,638**	**(6,814)**	**197,446**
Share in results of equity accounted investments	**3,258**	**1,490**	**-**	**4,748**
Finance costs	**(9,439)**	**(588)**	**-**	**(10,027)**
Depreciation and amortisation	**(7,781)**	**(160)**	**-**	**(7,941)**
Zakat and foreign income taxes	**(6,259)**	**(53)**	**-**	**(6,312)**
Net income	**13,339**	**(7,060)**	**-**	**6,279**
Capital expenditure	**(1,440)**	**(109)**	**-**	**(1,549)**
Equity accounted investments	**316,836**	**132,058**	**-**	**448,894**
Total assets	**1,403,111**	**928,077**	**-**	**2,331,188**
Total liabilities	**(979,866)**	**(989,249)**	**-**	**(1,969,115)**
As at and for the three-month period ended March 31, 2022:				
Sales to external customers	108,602	10,915	-	119,517
Inter-segment	8,748	14	(8,762)	-
Total revenue	117,350	10,929	(8,762)	119,517
Share in results of equity accounted investments	(912)	1,528	-	616
Finance costs	(7,479)	(573)	-	(8,052)
Depreciation and amortization	(6,305)	(182)	-	(6,487)
Zakat and foreign income taxes	(5,001)	(14)	-	(5,015)
Net loss	(877)	(6,500)	-	(7,377)
Capital expenditures	(669)	(25)	-	(694)
As at December 31, 2022:				
Equity accounted investments	310,853	140,267	-	451,120
Total assets	1,299,866	987,954	-	2,287,820
Total liabilities	(955,646)	(971,631)	-	(1,927,277)

6. SEGMENT INFORMATION (continued)

The Group's operations are conducted in Saudi Arabia, Europe and other geographical areas. Selected financial information as at March 31, 2023 and December 31, 2022 and for the three-month periods ended March 31, 2023 and 2022, summarized by geographic area, are as follows:

	Saudi Arabia	*Europe*	*Other Countries*	*Eliminations*	*Total*
	SR '000	*SR '000*	*SR '000*	*SR '000*	*SR '000*
As at and for the three-month period ended March 31, 2023:					
Revenue	**179,103**	**9,639**	**15,518**	**(6,814)**	**197,446**
Non-current assets:					
- Property, plant and equipment	**540,273**	**1,995**	**15,404**	**-**	**557,672**
- Other non-current assets	**429,149**	**361,684**	**45,381**	**-**	**836,214**
As at and for the three-month period ended March 31, 2022:					
As at December 31, 2022:					
Non-current assets:					
- Property, plant and equipment	546,980	2,010	14,767	-	563,757
- Other non-current assets	444,706	354,878	45,941	-	845,525

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.

	March 31, 2023						
	Carrying amount			*Fair value*			
	Fair value	*Amortised cost*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets:	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*
Trade receivables (current and non-current)	-	**#REF!**	**#REF!**	-	-	-	-
Contract assets	-	**301,200**	**301,200**	-	-	-	-
Cash and cash equivalents	-	**42,011**	**42,011**	-	-	-	-
	-	**#REF!**	**#REF!**	-	-	-	-
Financial liabilities:							
Short-term borrowings	-	**1,159,515**	**1,159,515**	-	-	-	-
Accounts payable	-	**184,103**	**184,103**	-	-	-	-
Accrued expenses and other liabilities	-	**115,342**	**115,342**	-	-	-	-
Contract liabilities	-	**82,123**	**82,123**	-	-	-	-
	-	**1,541,083**	**1,541,083**	-	-	-	-

	December 31, 2022						
	Carrying amount			*Fair value*			
	Fair value	*Amortised cost*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets:	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*
Trade receivables (current and non-current)	-	#REF!	#REF!	-	-	-	-
Contract assets	-	296,075	296,075	-	-	-	-
Cash and cash equivalents	-	41,741	41,741	-	-	-	-
	-	#REF!	#REF!	-	-	-	-
Financial liabilities:							
Short-term borrowings	-	1,140,610	1,140,610	-	-	-	-
Accounts payable	-	174,628	174,628	-	-	-	-
Accrued expenses and other liabilities	-	93,488	93,488	-	-	-	-
Contract liabilities	-	90,656	90,656	-	-	-	-
	-	1,499,382	1,499,382	-	-	-	-

8. RECEIVABLES AND CONTRACT ASSETS

8.1. Trade receivables

	March 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Trade receivables-third parties	**333,833**	288,751
Less: impairment loss on financial assets	**(94,894)**	(98,610)
	238,939	190,141
Trade receivables-related parties	**3,696**	3,696
Less: impairment loss on financial assets	**(3,395)**	(3,395)
	301	301
	239,240	190,442

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:

	Not past due	*Days past due* < 180 days	*181-365 days*	*366-730 days*	*> 730 days*	*Total*
March 31, 2023:	***SR'000***	***SR'000***	***SR'000***	***SR'000***	***SR'000***	***SR'000***
Gross carrying amount at default	**105,976**	**77,396**	**41,320**	**23,572**	**85,569**	**333,833**
Expected credit loss	**(1,087)**	**(4,873)**	**(13,884)**	**(8,132)**	**(66,918)**	**(94,894)**
Net trade receivables	**104,889**	**72,523**	**27,436**	**15,440**	**18,651**	**238,939**
December 31, 2022:						
Gross carrying amount at default	68,596	91,836	20,614	20,561	87,144	288,751
Expected credit loss	(937)	(8,564)	(4,758)	(9,567)	(74,784)	(98,610)
Net trade receivables	67,659	83,272	15,856	10,994	12,360	190,141

8.2. Contract assets

	March 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Contract assets (note 12.2.a)	**314,255**	306,830
Less: impairment loss on contract assets	**(13,055)**	(10,755)
	301,200	296,075

8.3. Non-current receivables

The balance under non-current receivables comprises the following:

	March 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Trade receivables under legal collection	**543,585**	546,698
Less: impairment loss on financial assets	**(197,782)**	(195,225)
	345,803	351,473
Retentions receivable	**20,296**	20,196
Less: discount on retentions receivable	**(490)**	(866)

9. EQUITY ACCOUNTED INVESTMENTS

The equity accounted investments comprise the following:

	March 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Interests in joint ventures		
Amiblu Holding GmbH ("Amiblu")	**245,866**	243,163
International Water Distribution Company ("Tawzea")	**132,058**	140,260
Total interests in joint ventures	**377,924**	383,423
Investments in associates:		
Amiantit Qatar Pipe Company Limited ("AQAP")	**43,183**	43,849
Other associates	**27,787**	23,848
Total investment in associates	**70,970**	67,697
Total equity accounted investments	**448,894**	451,120

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

	For the three-month period ended March 31, 2023	*For the year ended December 31, 2022*
	SR'000	*SR'000*
Interests in joint ventures		
At the beginning of the period/year	**383,423**	343,034
Share in results	**1,366**	20,220
Dividends	**-**	(10,000)
Currency translation adjustments	**2,826**	(17,754)
Share in other comprehensive (loss) income-hedging reserve	**(9,558)**	46,031
Share of other comprehensive (loss) income-actuarial	**(133)**	1,892
At the end of the period/year	**377,924**	383,423

The movement in the investment in associates is as follows:

	For the three-month period ended March 31, 2023	*For the year ended December 31, 2022*
Investments in associates	***SR'000***	*SR'000*
At the beginning of the period/year	**67,697**	64,166
Share in results	**3,382**	10,915
Dividends	**-**	(6,181)
Currency translation adjustments	**(109)**	(1,202)
Share of other comprehensive income (loss)-actuarial	**-**	(1)
At the end of the period/year	**70,970**	67,697

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 2022, Subor has consistently earned profits and has turned around its total equity, the Company recorded a share in profit of SR 9.0 million after adjusting for all the share of losses not recognized up to that period.

10. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and land improvements	Plant machinery and equipment	Furniture fixtures and office	Construction in progress	Total
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*
The cost						
Balance as on 1 January, 2023	**580,493**	**279,796**	**964,969**	**55,285**	**12,180**	**1,892,723**
Additions during the period	**-**	**474**	**8**	**113**	**954**	**1,549**
Adjustment of translation of foreign financial statements	**-**	**146**	**493**	**269**	**5**	**913**
Balance as on March 31, 2023	**580,493**	**280,416**	**965,470**	**55,667**	**13,139**	**1,895,185**
Accumulated depreciation and impairment:						
Balance as on 1 January, 2023	**166,677**	**243,482**	**864,284**	**49,917**	**4,606**	**1,328,966**
Charged for the period	**520**	**1,606**	**5,100**	**374**	**-**	**7,600**
Adjustment of translation of foreign financial statements	**-**	**143**	**565**	**239**	**-**	**947**
Balance as on March 31, 2023	**167,197**	**245,231**	**869,949**	**50,530**	**4,606**	**1,337,513**
Net book value						
As on March 31, 2023	**413,296**	**35,185**	**95,521**	**5,137**	**8,533**	**557,672**

	Land	Buildings and land improvements	Plant machinery and equipment	Furniture fixtures and office	Construction in progress	Total
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*
The cost						
Balance as on 1 January, 2022	588,897	279,967	966,068	55,331	11,144	1,901,407
Additions during the year	-	110	553	1,085	1,165	2,913
Disposals during the year	(5,638)	-	(476)	(198)	-	(6,312)
Impairment in valuation reserve	(2,766)	-	-	-	-	(2,766)
Reclassification of intangible assets	-	-	-	-	(128)	(128)
Adjustment of translation of foreign financial statements	-	(281)	(1,176)	(933)	(1)	(2,391)
Balance as on December 31, 2022	580,493	279,796	964,969	55,285	12,180	1,892,723
Accumulated depreciation and impairment:						
Balance as on 1 January, 2022	164,532	243,696	882,345	49,362	4,606	1,344,541
Charged for the year	2,145	5,709	14,428	1,535	-	23,817
Disposals during the year	-	-	(431)	(171)	-	(602)
Reversal of impairment	-	(6,388)	(44,048)	-	-	(50,436)
Retroactive depreciation of the impairment reversal	-	1,328	12,484	-	-	13,812
Adjustment of translation of foreign financial statements	-	(863)	(494)	(809)	-	(2,166)
Balance as on December 31, 2022	166,677	243,482	864,284	49,917	4,606	1,328,966
Net book value						
As on December 31, 2022	413,816	36,314	100,685	5,368	7,574	563,757

10. PROPERTY, PLANT AND EQUIPMENT (continued)

- 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.

Dammam, KSA Land Valuation:

Area	Book Value	Evaluators: Injazat Office	Evaluators: Mwathiqoon Office	Lowest Valuation	Revaluation Increase
Industrial Lands (1+2) Dammam	1,417	371,890	386,890	371,890	370,473

Zwingenberg ,Germany Land Valuation:

Area	Book Value	Evaluators: Better for Real Estate	Evaluators: Phi Technical Advisory	Lowest Valuation	Revaluation Increase
Zwingenberg - Germany	3,638	9,427	8,945	8,945	5,307
Total	5,055			380,835	375,780

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

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 635,700,000 as at March 31, 2023.

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 March 31, 2023.

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 March 31, 2023.

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 March 31, 2023.

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 March 31, 2023.

11.3. Short-term borrowings

Short-term borrowings comprise the following:

	March 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Short-term bank loans	**863,303**	844,674
Current portion of long-term loans	**296,212**	295,936
	1,159,515	1,140,610

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

	March 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Saudi Riyals	**863,083**	844,458
Other currency	**220**	216
	863,303	844,674

11. BORROWINGS (continued)

11.4. Long-term borrowings

Long term borrowings comprise the following:	*March 31, 2023*	*December 31, 2022*
Current portion shown under current liabilities	**#REF!**	(295,936)
Non-current portion shown under non-current liabilities	**#REF!**	(295,936)

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

	March 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
	#REF!	#REF!

11.5. 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:

Covenant	*Requirement*
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

12.1. DISAGGREGATED REVENUE INFORMATION

	For the three-month period ended March 31,	
Segment	2023	2022
	SR '000	*SR '000*
Type of goods or service		
Sale of goods	**162,756**	90,978
Construction contracts	**34,690**	28,539
Total revenue	**197,446**	119,517
Type of customer		
Government and quasi-government customers	**6,207**	25,911
Corporate customers	**191,239**	93,606
Total revenue	**197,446**	119,517

12. REVENUE (continued)

12.1. DISAGGREGATED REVENUE INFORMATION (continued)

Segment	*For the three-month period ended March 31,* 2023	2022
	SR '000	*SR '000*
Geographical markets		
Central region	**52,230**	11,444
Western region	**2,012**	4,052
Eastern region	**112,953**	80,133
Europe	**7,952**	9,713
Exports and other foreign subsidiaries	**22,299**	14,175
Total revenue	**197,446**	119,517

12.2. CONTRACT BALANCES

	March 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Trade receivables - current and non-current (notes 8.1 and 8.3)	**#REF!**	#REF!
Contract assets (notes 8.2 and 12.2.a below)	**301,200**	296,075
Contract liabilities (see note 12.2.b below)	**82,123**	90,656

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 March 31, 2023, the contract assets are carried net of an impairment loss of SR 13.1 million (December 31, 2022 : SR 10.8 million).

Movement in contract assets is as follows:	***March 31, 2023***	*December 31, 2022*
	SR '000	*SR '000*
Opening balance	**306,830**	340,361
Revenue recognized during the period/year	**32,311**	70,885
Invoiced during the period/year	**(30,117)**	(85,372)
Currency translation adjustments	**5,232**	(19,044)
	314,256	306,830
Impairment loss on financial asset	**(13,056)**	(10,755)
Closing balance	**301,200**	296,075

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 recognized from amounts included in contract liabilities at the beginning of 2023 amounted to SR 11.4 million for the three-month period ended March 31, 2023 (December31, 2022 : SR 11,6 million).

Movement in contract liabilities is as follows:	***March 31, 2023***	*December 31, 2022*
	SR '000	*SR '000*
Opening balance	**90,656**	99,240
Revenue recognized during the period/year	**(11,378)**	(11,631)
Invoiced during the period/year	**2,080**	13,798
Advances from customers during the period/year	**-**	(7,707)
Currency translation adjustments	**765**	(3,044)
Closing balance	**82,123**	90,656

12. REVENUE (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 the 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.

The Group's performance obligation is satisfied over time and the Group does not create an asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date.

13. INVENTORIES

	March 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Raw materials	**77,071**	74,592
Work in process	**10,549**	10,976
Supplies, not held for sale	**75,494**	77,734
Finished products	**185,671**	195,079
Goods in transit	**1,011**	1,955
	349,796	360,336
Less: provision for inventory obsolescence	**(83,947)**	(83,947)
	265,849	276,389

During the period ending March 31, 2023, the Group recorded SR nil provision (December 31, 2022: SRSR 0.3 million reversal) on write down of cost of inventories to net realizable value under cost of revenue. . 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 56.1 million at March 31, 2023. The Company, collectively with other shareholders of associated companies, is also contingently liable for corporate guarantees amounting to SR 162.4 million at March 31, 2023 in relation to the borrowing facilities of related associated companies.

14.2. The capital expenditure contracted by the Group but not yet incurred till March 31, 2023 was approximately SR 0.7 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 thus a dispute has arisen over this land. In light of this, "the Company" has booked an impairment for the full value of the land of SR 150.0 million, while the same dispute has already been decided and a royal order has been issued to prove the land to its current owners. Currently, in furtherance of the previous royal order, another royal order has been issued, a copy of which we have not received, but the Jeddah Municipality has begun to take the necessary measures to stabilize the land for its current owners, and work is underway to develop a divisional scheme for the entire Al-Melissa general plan in preparation for the issuance of electronic deeds.

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, 2022: 9.9 million ordinary shares stated at SR 10 per share).

16. 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 three 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.

The management of the Group believes that any lockdown measures being reintroduced will not materially affect the underlying demand from customers for the Group's products. Based on these factors, management believes that the Covid-19 pandemic has had no material effect on Group's reported financial results for the period ended March 31, 2023 including the significant accounting judgements and estimates. The Group continues to monitor the surge of the new variant 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 this year or beyond.

17. SUBSEQUENT EVENT

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 received the approval from CMA, the next step on the process is to have the Extra-Ordinary General Assembly in 11 May 2023 for Voting. This transaction of capital increase is considered as a non-adjusting subsequent event and the accounting implication of this transaction has not been reflected in these interim condensed consolidated financial statements.

18. PRIOR PERIOD ADJUSTMENTS

18.1 Prior period adjustments with an impact on equity:

18.1.1 Change in accounting policy from cost model to fair value/revaluation model

During 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 on accumulated losses of SR 0.96 million were made on 1 January 2022 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, 2022 is as follows:

	Accumulated losses	*Property, plant and equipment*	*Investment Property*
	SR'000	*SR'000*	*SR'000*
Impact as at January 1, 2022	(960)	375,780	(960)

18.1.2 Restatements reported share on other comprehensive income from equity accounted investments

During 2021, one of the Group's associates, namely Tawzea, had recorded the movement on other comprehensive income with respect actuarial on employees' defined benefit obligation and hedging reserve. The Group erroneously recorded both share on other comprehensive income as actuarial on employees' defined benefit obligation. Hence, prior period adjustments were made and a hedging reserve of SR 2.4 million recorded and was reclassed from accumulated losses as at that date.

Impact on accumulated losses

The effect of the above corrections on the Group's hedging reserve and the corresponding adjustments to the Group's accumulated losses for the comparative period is as follows:

	Accumulated losses	*Hedging reserve*
	SR'000	*SR'000*
Impact as at January 1, 2022	(2,430)	2,430

19. DATE OF AUTHORIZATION:

These interim condensed consolidated financial statements were authorized for issue by the Company's Board of Directors on April 10, 2023 (corresponding to Ramdan 19, 1444H).