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

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Joint Stock Company)
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FOR THE YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
The Saudi Arabian Amiantit Company
(A Saudi Joint Stock Company)
Dammam, Kingdom of Saudi Arabia

Opinion

We have audited the consolidated financial statements of The Saudi Arabian Amiantit Company (a Saudi Joint Stock Company) ("the Company" or "SAAC") and its subsidiaries (collectively referred to as "the Group") which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 4.1.1 to the consolidated financial statements, which states that the accompanying consolidated financial statements have been prepared assuming that the group will continue as a going concern. The Group has incurred a net loss of SR 393.9 million for the year ended December 31, 2020 (2019: SR 344.8 million).

The Board of directors of the Group has resolved on 25 March 2021 corresponding to Sha'aban 11 1442H to continue the Group as going concern. Further, as at December 31, 2020, current liabilities of the Group exceeded the current assets by SR 582.5 million (2019: SR 467.9 million). Additionally, the Group is in breach of certain financial covenants related to bank facilities. These create material uncertainty related to the going concern. Our opinion is not modified in respect of these matters.

Other matter

The consolidated financial statements of the Group for the year ended December 31, 2019 were audited by another auditor who expressed a modified opinion on those consolidated financial statements on March 30, 2020 (corresponding to Sha'aban 6, 1441H).

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INDEPENDENT AUDITOR'S REPORT (continued)

To the shareholders of
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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter listed below, our description on how our audit have addressed this matter is set below:

Key audit matter	How the matter was addressed in our audit
1) Initial Audit Engagements - Opening balances International Auditing Standards require that auditors performing initial audit engagement (i.e. financial statements of prior period were audited by a predecessor auditor) to obtain sufficient appropriate audit evidence that the opening balances are devoid of any material misstatements that may affect the current period's financial statements and appropriate accounting policies reflected in the opening balances have been consistently applied in the current peiord's financial statements or changes thereto are appropriately accounted for and adequately presented. The review of opening balances is considered a key audit matter.	We have performed below procedures for validation of opening balances: • Reviewed accounting records to determine whether the prior period closing balances have been correctly brought forward to the current period, • Reviewed opening balances to determine if they reflect the application of appropriate accounting policies. • Evaluated whether audit procedures performed in the current year provide evidence relevant to the opening balances. • Performed specific audit procedures to obtain evidence regarding opening balances • Reviewed predecessor auditor's working papers to obtain evidence regarding the opening balances. • Reviewed the modifications to the prior auditor's opinion to assess if the modification remains relevant to the current period financial statements. Reviewed the adjustments made in current period in respect of the matters on which modified opinion was expressed in prior period.
2) Borrowings – compliance with loans' covenants The Group has loans as at December 31, 2020 amounting to SR 1,142.7 million (2019: SR 1,206.3 million) fully payable within 1 year. These loans are subject to compliance with certain loans covenants, which includes maintenance of certain financial ratios and other conditions. We considered borrowings of the Group as a key audit matter due to the requirements to comply with above mentioned covenants and the significance of the balances reflected in the consolidated statement of financial position. Refer to note 4.1.1 and 28 to the consolidated financial statements for the status of Group's borrowing with regards to compliance with covenants.	We have performed the following procedures for assessing the Group's compliance with loans covenants: • Obtained loan agreements and understood the key terms and condition of loan including loan covenants, • Checked the accuracy of the current and non-current maturity of loans as presented in these consolidated financial statements in accordance with loans terms and conditions, • Obtained and agreed borrowing confirmation to the balances appearing in the consolidated statement of financial position, • Assessed the compliance with loan covenants, • Reviewed the adequacy of the related disclosures as presented in the accompanying consolidated financial statements, and • Reviewed correspondence with the lending banks for rescheduling of loans terms and conditions.

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INDEPENDENT AUDITOR'S REPORT (continued)

To the shareholders of
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Key audit matters (continued)

Key audit matter	How the matter was addressed in our audit
3) Carrying value of goodwill At December 31, 2020, the Group had goodwill, which arose on past business acquisition, amounting to SR 61.87 million. International Financial Reporting Standards require an entity to test goodwill acquired in a business acquisition for impairment at least annually irrespective of whether there is any indication of impairment. Goodwill is monitored by management at the level of cash-generating units ("CGU"). Management carried out an impairment exercise as at December 31, 2020 in respect of goodwill allocated to the CGU by determining a recoverable amount based on value-in-use derived from a discounted cash flow model, which was based on a most recent formal business plan prepared by the Group's management updated for subsequent events including the impact of Covid-19 global pandemic. This exercise identified an impairment loss of SR 9.91 million to be recognized. We considered impairment testing of goodwill performed by the management to be a key audit matter since the assessment of the recoverable amount of goodwill under the value-in-use basis is complex and requires considerable judgement on the part of management. The critical judgement elements of management's assessment are: -assumptions concerning the expected economic conditions, especially growth in the markets in the which the Group primarily operates, -assumptions of the impact of the future actions of the Group's main competitors on expected revenue and gross margin assumptions, and -sales growth rates and terminal growth rates (including terminal value multiple where applicable) used in the value-in-use model.	We audited the management's assessment of goodwill impairment by performing the following audit procedures: • Understood and evaluated the appropriateness of management's identification of the CGUs. • Assessed the methodology used by management to determine a recoverable value based on the value-in-use of the assets in the CGU and compared it to that required by International Financial Reporting Standards • Tested the arithmetical accuracy and logical integrity of the underlying calculations in the model; • Enquired and discussed with management any changes made to the impairment model in the current year and tested the arithmetical accuracy of the model. • Tested the accuracy and relevance of the input data used in the model by reference to supporting evidence, such as approved budgets and considered the reasonableness of these budgets by comparison to the Group's historical results and performance against budgets. • Reviewed the methodology applied that underpins the value-in-use calculations and use of the key assumptions including sales growth rates, terminal growth rates (including terminal value multiples, where applicable) and management selection of discount rate • Performed sensitivity analyses over the key assumptions, principally sales growth rate and terminal growth rate (including terminal value multiples, wherever applicable), in order to assess the potential impact of a range of possible outcomes. • Reviewed the adequacy of the Group's disclosures included in the accompanying consolidated financial statements, for compliance with the relevant accounting standards.

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INDEPENDENT AUDITOR'S REPORT (continued)

To the shareholders of
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Key audit matters (continued)

Key audit matter	How the matter was addressed in our audit
4) Revenue recognition	
The Group has recognized revenue of SR 441.02 million during the year ended December 31, 2020. The revenue earned is recognized. - at a point in time when control over goods is transferred to the customer generally on delivery of goods to the customers, and - over a period of time when the related services are performed. Accordingly, this requires management to establish the fact that, in accordance with IFRS 15, - Control over goods is transferred at the time of dispatch, and - for fixed-price contracts, revenue is recognized based on the 'percentage of completion' method which measures actual costs incurred to the end of the reporting period as a proportion of the total costs to be incurred. The terms that define when control are transferred to the customer as well as high volume and value of transactions give rise to the risk that revenue is not recognized in the correct time and period. Accordingly, due to the significant risk associated with revenue recognition in accordance with terms of IFRS 15 'Revenue from contracts with customers' it was considered as a key audit matter.	Our audit procedures to assess the recognition of revenue included the following: • Assessed Group's revenue recognition policy and its compliance to the requirements of the IFRS; • Assessed the design and implementation of internal controls related to revenue recognition; • Performed substantive testing of the revenue recorded during the year using sampling techniques • Performed revenue analysis in order to establish any unusual trends; • Performed procedures to determine if the revenue was recorded in the correct period
5) Attendance at inventory counts	
As disclosed in note 23, carrying value of stock in trade amounted to SR 271.6 million. In response to the spread of Covid-19 in Kingdom of Saudi Arabia, the Group implemented strict biosecurity and hygiene measures on its inventory locations by minimizing the staff, restricting movements and increasing the duration of the physical stock count. Due to significance of inventory balances and the related estimations involved, and since attendance at inventory counts is mandatory under International Standards on Auditing, the above is considered as a key audit matter.	Our procedures to assess the existence and valuation of inventory included the following: • Attended physical inventory counts performed by the Group; • Agreed to the inventory adjustments recorded in the consolidated financial statements as a result of stock count • Assessed the implications of Covid-19 on management's responses and controls for inventory counts subject to restrictions on the inventory site. • Assessed whether there was any indication of increased risk of fraud or error due to the restrictions.

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INDEPENDENT AUDITOR'S REPORT (continued)

To the shareholders of
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Key audit matters (continued)

Key audit matter	How the matter was addressed in our audit
5) Impairment review of trade receivables and contract assets ("ECL") As at December 31, 2020, the Group's gross trade receivable balance was SR 1,034.2 million (2019: SR 1,142.1 million) and contract assets balance was SR 384.7 million (2019: SR 372.0 million) with an impairment loss provision of SR 357.3 million (2019: SR 265.1 million) million at the year end. The Group assesses at each reporting date whether the trade receivables (carried at amortized cost) are credit-impaired. The Group's management has applied a simplified ECL model to determine the allowance for impairment of trade receivables. The ECL model involves the use of variance assumptions, macro-economic factors and study of historical trends relating to Group trade receivables and contract assets collection experience. We considered these as key audit matters as management applies significant judgements in determining an appropriate impairment loss allowance for trade receivables and contract assets.	Our audit procedures related to impairment loss on trade receivables and contract assets included the following: • Assessed the design and implementation and tested the operative effectiveness of key controls related to Group's processes over establishing and monitoring the impairment. • Tested key assumptions including those used to calculate the likelihood of default, by comparing to historical data and challenge these assumptions. We also considered the incorporation of forward looking macro-economic factors to reflect the impact of future events on expected credit losses. We also tested the arithmetical accuracy of the model. • Assessed the adequacy of the Group's disclosures in terms of applicable accounting standards. • Involved auditor's expert for assessment of loss allowance in respect of trade receivables under litigation.

Other information

Management is responsible for the other information. The other information comprises the information included in the Group's annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, and we conclude that there is material misstatement therein, we are required to communicate the matter to those charged with governance

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, Company's By-laws and applicable requirements of company's regulations, and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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INDEPENDENT AUDITOR'S REPORT (continued)

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Responsibilities of Management and Those Charged with Governance for the consolidated financial statements (continued)

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance (i.e. Board of directors) are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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INDEPENDENT AUDITOR'S REPORT (continued)

To the shareholders of
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Auditor's responsibilities for the audit of the Consolidated Financial Statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Article (135) to the Companies law requires that the auditor should include in his report any violations of the provisions of the rules of the Companies law. During the course of the audit, we have observed that the Group is in violation of the provisions of the Companies law as the Group's losses exceed half of the capital and according to the article (150) the Group's Board of Directors must invite the partners to pass resolution within the period not exceeding 45 days from the date of knowledge of the losses reaching this amount to consider the continuation of the Company or increase capital of the Company or its dissolution as the case may be. The Accordingly, board of directors of the Group has resolved on 25 March 2021 corresponding to Sha'aban 11 1442H to continue the Group as going concern.

For Al-Kharashi Co.

Sulieman A. Al-Kharashi
License No. (91)

الخراشي وشركاه
محاسبون ومراجعون قانونيون
ترخيص : ٥٣٦ Lic.: 536
Certified Accountants
& Auditors
AL-Kharashi Co.

Riyadh:
Shah'ban 14,1442H
March 28, 2021G

THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020 SR '000	2019 SR '000
Continuing operations:			
Revenue from contracts with customers	7	441,023	780,409
Cost of revenue	8	(506,171)	(926,922)
Gross loss		(65,148)	(146,513)
Selling and marketing expenses	9	(16,452)	(23,115)
General and administrative expenses	10	(71,811)	(73,753)
Impairment loss on financial assets	11	(105,598)	(4,133)
Operating loss		(259,009)	(247,514)
Other (expenses) income, net	12	(51,263)	961
Share in results of equity accounted investments	25	24,808	25,511
Finance cost	13	(64,081)	(100,210)
Loss before zakat and foreign income tax		(349,545)	(321,252)
Zakat	14	(44,757)	(21,000)
Foreign income tax	14	(217)	(597)
Loss from continuing operations		(394,519)	(342,849)
Discontinued operations:			
Profit (loss) after zakat and tax from discontinued operations	2	652	(1,968)
LOSS FOR THE YEAR		(393,867)	(344,817)
Attributable to:			
Shareholders of the Company		(389,350)	(338,475)
Non-controlling interests		(4,517)	(6,342)
		(393,867)	(344,817)
Loss per share			
Loss per share for the year attributed to the shareholders of the Company:			
Basic (SR)	15	(12.37)	(10.76)
Diluted (SR)	15	(12.37)	(10.76)
Loss per share from continuing operations			
Loss per share for the year from continuing operations attributed to the shareholders of the Company:			
Basic (SR)		(12.40)	(10.69)
Diluted (SR)		(12.40)	(10.69)
Weighted average number of shares outstanding:			
Basic ('000 shares)	15	31,464	31,464
Diluted ('000 shares)	15	31,464	31,464

Dr. Khalil A. Kurdi
Board Authorised Representative

Dr. Solaiman A. Al-Twaijri
Chief Executive Officer

Feras Ghassab Al Harbi
Group Chief Financial Officer

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

THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020 SR '000	2019 SR '000
Loss for the year		(393,867)	(344,817)
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent years:			
Exchange differences on translation of foreign operations		28,699	(3,948)
Change in the fair value of interest rate swap	38	30	152
		28,729	(3,796)
Other comprehensive income not to be reclassified to profit or loss in subsequent years:			
Remeasurement gain / (loss) on defined benefit plans	32	1,190	(2,858)
Other comprehensive (loss) from equity accounted investments	25	(732)	(572)
		458	(3,430)
Other comprehensive income / (loss)		29,187	(7,226)
Total comprehensive loss for the year		(364,680)	(352,043)
Attributable to:			
Shareholders of the Company		(359,920)	(345,756)
Non-controlling interests		(4,760)	(6,287)
		(364,680)	(352,043)

شركة اميانتيت العربية السعودية (شركة مساهمة سعودية) الدمام
AMIANTIT
C.R. 2050002103 DAMMAM
SAUDI ARABIAN AMIANTIT CO. (A SAUDI JOINT STOCK CO.)

Dr. Khalil A. Kurdi
Board Authorised Representative

Dr. Solaiman A. Al-Twaijri
Chief Executive Officer

Feras Ghassab Al Harbi
Group Chief Financial Officer

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THE SAUDI ARABIAN AMIANTIT COMPANY
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	Note	December 31, 2020	December 31, 2019	January 01, 2019
		SR '000	SR '000	SR '000
ASSETS			*(Restated, note 42)*	
Current assets				
Cash and cash equivalents	20	53,255	89,819	93,280
Trade receivables	21	343,852	527,383	662,252
Contract assets	7	372,358	353,842	369,709
Prepayments and other receivables	22	202,731	66,514	80,912
Inventories	23	271,551	341,643	466,678
Assets held for sale	2	-	-	1,469
Total current assets		1,243,747	1,379,201	1,674,300
Non-current assets				
Non-current receivables	24	345,371	367,811	381,656
Equity accounted investments	25	429,692	407,445	366,948
Property, plant and equipment	26	217,319	246,864	402,788
Other non-current assets	27	16,779	17,496	44,062
Total non- current assets		1,009,161	1,039,616	1,195,454
TOTAL ASSETS		2,252,908	2,418,817	2,869,754
LIABILITIES AND EQUITY				
Current liabilities				
Borrowings	28	1,142,730	1,206,260	1,184,970
Accounts payable	30	325,047	332,785	324,125
Accrued expenses and other liabilities	31	87,296	80,794	74,417
Contract liabilities	7	81,901	80,153	91,957
Current portion of lease liability	29	1,039	1,136	-
Zakat and foreign taxes payable	14	188,195	145,976	128,928
Total current liabilities		1,826,208	1,847,104	1,804,397
Non-current liabilities				
Borrowings	28	-	-	157,916
Employees' termination benefits provision	32	66,558	69,522	67,691
Warranty provisions	33	8,896	4,752	6,216
Provision for onerous contracts	34	175,145	128,655	119,102
Non-current portion of lease liability	29	7,343	6,547	-
Other non-current liabilities		-	30	182
Total non-current liabilities		257,942	209,506	351,107
Total liabilities		2,084,150	2,056,610	2,155,504
Equity				
Share capital	36	320,000	344,517	1,155,000
Statutory reserve		132,176	189,472	189,472
Accumulated losses		(205,499)	(18,294)	(486,920)
Employee share option plan and reserve	37	(7,146)	(31,914)	(31,914)
Change in fair value of interest rate swap	38	-	(30)	(182)
Foreign currency translation reserve		(90,952)	(146,483)	(142,432)
Equity attributable to the shareholders of the Company		148,579	337,268	683,024
Non-controlling interests		20,179	24,939	31,226
Total equity		168,758	362,207	714,250
TOTAL LIABILITIES AND EQUITY		2,252,908	2,418,817	2,869,754

Dr. Khalil A. Kurdi
Board Authorised Representative

Dr. Solaiman A. Al-Twaijri
Chief Executive Officer

Feras Ghassab Al Harbi
Group Chief Financial Officer

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

THE SAUDI ARABIAN AMIANTIT COMPANY
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	Share capital SR '000	Statutory reserve SR '000	Accumulated losses SR '000	Employee share ownership plan and reserve SR '000	Change in fair value of interest rate swap SR '000	Foreign currency translation reserve SR '000	Total SR '000	Non-controlling interests SR '000	Total equity SR '000
		Attributable to the shareholders of the Company								
For the year ended December 31, 2020:										
As at January 1, 2020 (restated)	42	344,517	189,472	(18,294)	(31,914)	(30)	(146,483)	337,268	24,939	362,207
Loss for the year		-	-	(389,350)	-	-	-	(389,350)	(4,517)	(393,867)
Settlement of interest rate swap	38	-	-	-	-	30	-	30	-	30
Other comprehensive loss		-	-	332	-	-	29,068	29,400	(243)	29,157
Total comprehensive loss		-	-	(389,018)	-	30	29,068	(359,920)	(4,760)	(364,680)
Absorption of loss through statutory reserve	36	-	(57,296)	57,296	-	-	-	-	-	-
Reclassification to statement of profit or loss on disposal of foreign operations	2, 25	-	-	-	-	-	26,463	26,463	-	26,463
Employee share ownership plan movement		-	-	-	24,768	-	-	24,768	-	24,768
Capital reduction	36	(144,517)	-	144,517	-	-	-	-	-	-
Increase in share capital through rights issue	36	120,000	-	-	-	-	-	120,000	-	120,000
As at December 31, 2020		320,000	132,176	(205,499)	(7,146)	-	(90,952)	148,579	20,179	168,758
For the year ended December 31, 2019:										
As at January 1, 2019 (restated)	42	1,155,000	189,472	(500,995)	(31,914)	(182)	(142,432)	668,949	31,226	700,175
Prior years adjustment	42	-	-	14,075	-	-	-	14,075	-	14,075
Adjusted balance as at January 1, 2019		1,155,000	189,472	(486,920)	(31,914)	(182)	(142,432)	683,024	31,226	714,250
Loss for the year		-	-	(338,475)	-	-	-	(338,475)	(6,342)	(344,817)
Other comprehensive loss		-	-	(3,382)	-	152	(4,051)	(7,281)	55	(7,226)
Total comprehensive loss	42	-	-	(341,857)	-	152	(4,051)	(345,756)	(6,287)	(352,043)
Capital reduction	36	(810,483)	-	810,483	-	-	-	-	-	-
As at December 31, 2019		344,517	189,472	(18,294)	(31,914)	(30)	(146,483)	337,268	24,939	362,207

Dr. Khalil A. Kurdi

Dr. Solaiman A. Al-Twaijri
Chief Executive Officer

Feras Ghassab Al Harbi
Group Chief Financial Officer

شركة امیانتیت العربیة السعودیة
(شركة مساهمة سعودیة)
الدمام
AMIANTIT
DAMMAM
SAUDI ARABIAN AMIANTIT CO.
A SAUDI JOINT STOCK CO.

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

THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020 SR '000	2019 SR '000 (Restated, note 42)
OPERATING ACTIVITIES			
Loss for the year		(393,867)	(344,817)
Adjustments for non-cash items:			
Depreciation, amortization and impairment	17	32,136	173,318
Share in results of equity accounted investments	25	(24,808)	(25,511)
Impairment on equity accounted investments	25	9,909	-
Zakat and foreign income tax charges	14	44,974	22,158
Employees' termination benefits incurred	32	5,254	5,119
Impairment loss on financial assets	11	105,598	(4,133)
Warranty provision (reversal)	33	4,038	(1,441)
Realization of currency translation loss/(gain)	12,25	24,952	-
Provision for onerous contracts	34	34,676	33,601
Finance costs incurred	13	64,081	100,210
Loss/(gain) on disposal of property, plant and equipment	12	1,291	(1,868)
Gain on disposal of equity accounted investment	12,25	(6,401)	(4,578)
		(98,167)	(47,942)
Changes in working capital:			
Trade receivables (current and non-current) and contract assets		107,368	161,624
Prepayments and other receivables		(135,211)	13,890
Inventories		69,226	125,035
Accounts payable		(16,598)	9,156
Accrued expenses, other liabilities and contract liabilities		2,677	(10,675)
		(70,705)	251,088
Zakat and foreign income tax paid	14	(2,755)	(5,110)
Employees' termination benefits paid	32	(8,703)	(8,354)
Utilization of provision for onerous contracts	34	-	(21,433)
Net cash (utilized in) / generated from operating activities		(82,163)	216,191
INVESTING ACTIVITIES			
Sale proceeds from disposal of property, plant and equipment	26	-	3,949
Sale proceeds from disposal of equity accounted investment	25	13,802	9,000
Dividends received from equity accounted investments	25	11,665	6,947
Purchase of property, plant and equipment	26	(2,554)	(8,948)
Net change in other non-current assets	27	1,650	(1,260)
Net cash generated from investing activities		24,563	9,688
FINANCING ACTIVITIES			
Increase in share capital through rights issue		120,000	-
Movement in short-term borrowings	28	(63,530)	(136,626)
Net movement on employee share ownership plan and reserve	37	24,768	-
Finance costs paid	13	(64,081)	(92,303)
Lease liability paid	29	699	(172)
Net change in other non-current liabilities		(55)	205
Net cash (used in) / generated from financing activities		17,801	(228,896)
Net change in cash and cash equivalents		(39,799)	(3,017)
Cash and cash equivalents at the beginning of the year		89,819	93,280
Foreign currency translation effect on cash and cash equivalents		3,235	(444)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		53,255	89,819
Non-cash transactions:			
Loan to related party transferred to equity accounted investments	25,35	-	(26,387)
Remeasurement loss on defined benefit plan	32	1,190	(2,858)
Share in OCI of equity accounted investments	25	(732)	(572)
Share capital reduction	36	(144,517)	(810,483)
Adoption of IFRS 16		-	7,404

Dr. Khalil A. Kurdi
Board Authorised Representative

Dr. Solaiman A. Al-Twaijri
Chief Executive Officer

Feras Ghassab Al Harbi
Group Chief Financial Officer

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

1. CORPORATE INFORMATION

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

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

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

			Effective ownership percentage as at	
Subsidiary	**Principal activities**	**Country of incorporation**	**December 31, 2020**	December 31, 2019
			%	%
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 (*Formerly "Fiberglass Pipes and Ductile Iron Pipes Factory Company Ltd (FPC)"*)	A	Saudi Arabia	**100**	100
PWT Wasser - und Abwassertechnik GmbH ("PWT")	C	Germany	**100**	100
Amitech Astana LLC	A	Kazakhstan	**51**	51
Discontinued operations (note 2.2)				
Ameron Saudi Arabia Limited ("ASAL")	A	Saudi Arabia	**100**	100
Saudi Arabia Concrete Products Limited ("SACOP")	A	Saudi Arabia	**100**	100

A- Pipe manufacturing
B- Water management
C- Contracting

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

2. CHANGES IN THE REPORTING ENTITY

2.1 JHS Beteiligungs-GmbH Liquidation

During the year ended December 31, 2020, JHS Beteiligungs-GmbH, a 100% owned subsidiary of the Company in Germany was formally liquidated. Before liquidation, the carrying amount of this subsidiary in the books of the Company was zero. The management had realized an amount of SR 1.5 million as loss as follows:

	December 31, 2020	December 31, 2019
	SR'000	SR'000
Carrying amount of investment in JHS Beteiligungs-GmbH	**-**	-
Realized foreign currency translation reserve on liquidation	**1,511,000**	-
Loss recorded in the statement of profit or loss	**1,511,000**	-

2. CHANGES IN THE REPORTING ENTITY (continued)

2.2 Discontinued Operations

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

The discontinued operations comprise the following entities:

Subsidiary	Country of incorporation	Ownership percentage
SACOP	Saudi Arabia	100%
ASAL	Saudi Arabia	100%

On December 31, 2020, the operations of these subsidiaries were presented as discontinued operations. The business of the discontinued operations represented part of the Group's Saudi Arabian operating segment (geographical segment) until December 31, 2020.

2.2.1 The results of the subsidiaries for the year are presented below:

	ASAL		SACOP	
	2020	2019	**2020**	2019
	SR '000	SR '000	**SR '000**	SR '000
Revenue	-	41,092		3,713
Expenses	**562**	(40,831)	**90**	(4,439)
Operating loss	**562**	261	**90**	(726)
Finance costs	-	(224)	-	(719)
Other income (expense), net	-	-	-	1
Loss before zakat	**562**	37	**90**	(1,444)
Zakat	-	(561)	-	-
Loss for the year from discontinued operations	**562**	(524)	**90**	(1,444)
Loss per share from discontinued operations:				
Basic (SR)	**0.02**	(0.02)	-	(0.05)
Diluted (SR)	**0.02**	(0.02)	-	(0.05)

2.2.2 The major classes of assets and liabilities of the subsidiaries as at December 31, were as follows:

	ASAL		SACOP	
	2020	2019	**2020**	2019
	SR '000	SR '000	**SR '000**	SR '000
Assets				
Bank balances and cash	**297**	303	-	2
Trade receivables (ASAL includes receivable	-	-	-	-
from SAAC SR 23.8 million/(2019: SR 24.6 million))	**23,831**	24,619	-	41
Prepayments and other receivables	**2**	48	-	-
Inventories	-	-	-	-
Property, plant and equipment	-	-	-	-
	24,130	24,970	-	43

2. CHANGES IN THE REPORTING ENTITY (continued)

2.2 Discontinued Operations (continued)

2.2.2 The major classes of assets and liabilities of the subsidiaries as at December 31, were as follows (continued):

	ASAL		SACOP	
	2020	2019	**2020**	2019
	SR '000	SR '000	**SR '000**	SR '000
Liabilities				
Accounts payable (SACOP includes payable to SAAC SR nil /(2019:SR 13.0 million)	-	895	-	13,097
Accrued expenses and other liabilities	**1,081**	1,124	-	99
Zakat and income tax payable	**7,372**	6,851	-	1,521
Employees' termination benefits	-	-	-	-
	8,453	8,870	-	14,717
Carrying amount of net assets directly related to the discontinued operations	**15,677**	16,100	-	(14,674)

2.2.3 The net cash flows incurred by subsidiaries for the year ended December 31, are as follows:

	ASAL		SACOP	
	2020	2019	**2020**	2019
	SR '000	SR '000	**SR '000**	SR '000
Operating	**(6)**	(33)	**(2)**	(25)
Investing	-	-	-	-
Financing	-	-	-	-
Net cash (outflow) inflow	**(6)**	(33)	**(2)**	(25)

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

The consolidated financial statements of the Group for the year ended December 31, 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted in the Kingdom of Saudi Arabia and other standards and pronouncements adopted by the Saudi Organization for Certified Public Accountants.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value and employees' defined benefit liabilities which are recognized at the present value of future obligations. The 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 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2020.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company directly or indirectly has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has, directly or indirectly, power over an investee, including:

- Any contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the Company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements:

3.3.1 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Variable considerations

The Group estimates the variable consideration such as the returns, allowances, trade discounts and volume rebates as the most likely amount based on available market information. The Group includes in the transaction price some or all of the amount of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Warranty obligations

The Group typically provides warranties for general repair of defects that are customary with business practices provided to customers. These assurance type warranties do not represent a separate performance obligation and are accounted for under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Refer to accounting policy note "Warranty provisions".

Rendering of services

Revenue from providing services is recognised over a period of time as the related services are performed. For fixed-price contracts, revenue is recognised based on the 'percentage of completion' method which measures actual costs incurred to the end of the reporting period as a proportion of the total costs to be incurred. Estimates of revenues, costs or extent of progress towards completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

3.3.2 EXPENSES

Expenses related to operations are allocated on a consistent basis to costs of revenue and selling, general and administrative expenses in accordance with consistent allocation factors determined as appropriate by the Group.

3.3.3 ZAKAT AND TAX

Zakat

The Company and its Saudi Arabian subsidiaries provide for zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). The provision is charged to the consolidated statement of profit or loss. Differences that may arise at the finalization of an assessment are accounted for when the assessment is finalized with GAZT.

Current foreign income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date, in the countries where the Group operates and generates taxable income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3.3 ZAKAT AND TAX (continued)

Current foreign income tax (continued)

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

Deferred tax

Deferred tax is provided for using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for: all deductible temporary differences; the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against the deductible temporary differences. The carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date in the countries where the Group operates and is subject to income tax.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period, or recognised in profit or loss.

Sales and Value Added Tax

Revenues, expenses and assets are recognised net of the amount of sales and value added tax, except:

- Where the sales or value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3.3 ZAKAT AND INCOME TAX (continued)

Sales and Value Added Tax (continued)

- Receivables and payables are stated with the amount of sales and value added tax included

The net amount of sales or value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

3.3.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

3.3.5 FINANCIAL INSTRUMENTS - INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

Initial recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

i. ***Classification and subsequent measurement***

The Group classifies its financial assets as those to be measured subsequently at amortized cost if they meet the following criteria:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding
- The classification depends on the Group's business model for managing financial assets and the contractual terms of the financial assets cash flow

The Group initially measures the accounts receivable at the transaction price as the accounts receivable do not contain a significant financing component.

ii. ***Impairment of financial assets***

Loss allowance

The Group uses a provision matrix to calculate Expected Credit Losses "ECLs" for trade receivables, financial and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by customer type, and coverage by guarantees and other forms of credit insurance) and also on future based macro economic factors incorporated in the calculation of ECL matrix (i.e rate of umemployment, inflation, industry growth and other macroeconomic factors).

The provision matrix is initially based on the Group's historical observed default rates. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The letters of credit and other forms of credit insurance are considered an integral part of trade receivables and considered in the calculation of impairment. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3.5 FINANCIAL INSTRUMENTS - INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT (continued)

Financial assets (continued)

ii. Impairment of financial assets (continued)

Loss allowance (continued)

The Group determines loss allowance for receivables under legal collection on life time basis. The lifetime expected credit loss is determiend saperately for each counter party receivable balance under legal collection by considering legal opinion in respect of the probability of successful outcome of the legal proceedings together with probability of recovery thereto, and the maximum amount of recovery that can be enforced in case of favourable legal outcome. The maximum amount of recovery includes the realistic estimate of the financial situation of the counterparty.

The Group uses historic default rates to calcualte loss allowance for long term retentions which are not yet due. The loss allowance for past due retentions is based on the lifetime expected credit loss. The lifetime expected loss is determined saperately in respect of each counterparty balance based on managements best estimate of probability weighted impact on future cashflows.

In respect of the receivables under leagl collection, the assessment of the probability of favourable outcome of the legal proceedings along with the probability of recovery of receivables thereto is also a significant estimate based on current status of the legal proceedings. The actual outcome and recovery may be significantly different from expectations based on future course of legal proceedings.

The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations.
- Actual or expected significant changes in the operating results of the customer.
- Significant increases in credit risk on other financial instruments of the same customer.
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of customers and changes in the operating results of the customer.
- Macroeconomic information (such as market interest rates or growth rates).
- Past due information adjusted for future information.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment, unless the Group has reasonable and supportable information that demonstrates otherwise.

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

Objective evidence that financial assets are impaired can include significant financial difficulty, default or delinquency of the counterparty, restructuring of amounts due on terms that the Group would not otherwise consider, indications that a customer will enter bankruptcy, or other observable data relating to customers such as adverse changes in the economic conditions that correlate with defaults by the customers.

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets found not to be specifically impaired are then collectively (with similar risk characteristics) assessed for any impairment that has been incurred but not yet identified.

Impairment losses for a financial asset are recognized in the consolidated statement of profit or loss and reflected in impairment for credit losses. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statement of profit or loss.

When an asset is uncollectible, it is written-off against the related provision. Such assets are written-off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the consolidated statement of profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3.5 FINANCIAL INSTRUMENTS - INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT (continued)

Financial assets (continued)

iii. ***Derecognition of financial assets***

The Group derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability. A financial liability is derecognized from the consolidated statement of financial position when the Group has discharged its obligation or the contract is cancelled or expires.

Financial liabilities

i. ***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

ii. **Subsequent measurement**

The measurement of financial liabilities depends on their classification, as follows:

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in profit or loss.
This category generally applies to interest-bearing loans and borrowings.

iii. **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

iv. **Modification of financial liabilities**

When a financial liability measured at amortized cost is modified without this resulting in derecognition, a gain or loss is recognized in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

v. ***Offsetting of financial instruments***

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3.6 INVENTORIES

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

Raw materials:

- Purchase cost on a weighted average basis.

Finished goods and work in progress:

- Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

3.3.7 EQUITY ACCOUNTED INVESTMENTS

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations taken in determining whether significant influence or joint control exists, are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it is liable due to constructive or legal obligations on behalf of the other entity.

Unrealised gains and losses resulting from transactions between the Group and the associate and joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associates or joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment. The Group determines at each reporting date whether there is any objective evidence that the investments in the associates or joint ventures are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the loss as part of 'share of results of equity accounted investments' in the consolidated statement of profit or loss.

Upon loss of significant influence, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the investment upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognised in the consolidated statement of profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Repairs and maintenance costs are recognised in the consolidated statement of profit or loss as incurred.

Land and buildings are measured at cost, less accumulated depreciation on buildings, and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings and land improvements - 3 to 35 years
- Plant, machinery and equipment - 4 to 25 years
- Furniture, fixtures and office equipment - 3 to 8 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognised.

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

3.3.9 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs the Group incurs in connection with the borrowing of funds.

3.3.10 BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value, and the amount of any non-controlling interests in the acquiree. The Group measures the non-controlling interests in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed, and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3.10 BUSINESS COMBINATIONS AND GOODWILL (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

3.3.11 INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets are not capitalised and expenditure is recognised in the consolidated statement of profit or loss when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is any indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefits. Amortisation is recorded in cost of revenue. During the period of development, the asset is tested for impairment annually.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3.12 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets in which case the impairment is tested at the CGU level. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries, or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated statement of profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment annually as at December 31, and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at December 31, either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

3.3.13 PROVISIONS

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3.14 EMPLOYEES' TERMINATION BENEFITS

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Re-measurements, comprising actuarial gains and losses, are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:
- The date of the plan amendment or curtailment; or
- The date on which the Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'cost of revenue', 'selling, general and administrative expenses' in the consolidated statement of profit or loss (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements;
- Net interest expense or income.

3.3.15 STATUTORY RESERVE

As required by the Saudi Arabian Regulations for Companies, the Company transfers 10% of its profit for the year to a statutory reserve until the reserve equals 30% of the share capital. The reserve is not available for distribution as dividends. During the year ended December 31, 2020, there were certain transfers from statutory reserve to absorb accumulated losses (refer note 36).

3.3.16 CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:
- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3.17 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 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

For assets and liabilities that are recognised in the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3.18 FOREIGN CURRENCIES

The Group's consolidated financial statements are presented in Saudi Riyal, which is also the Group's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their consolidated statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

3.3.19 SEGMENTAL REPORTING

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

3.3.20 DISCONTINUED OPERATIONS

The Group classifies non-current assets of discontinued operations and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and Disposal Groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or Disposal Group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A Disposal Group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or It is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of profit or loss. All other notes to the consolidated financial statements include amounts for continuing operations, unless otherwise mentioned.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3.21 LEASES

The determination of whether an arrangement is, or contains, a lease is decided at the inception date. An arrangement is, or contains, a lease if it grants the right to control a particular asset or assets for a period of time in exchange for compensation.

Company as a lessee

A- Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over its estimated useful life.

B- Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

C- Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low value assets are items that do not meet the Group's capitalisation threshold and are considered to be insignificant for the consolidated statement of financial position for the Group as a whole. Payments for short-term leases and leases of low value assets are recognised on a straight-line basis in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Adoption of new and revised international financial reporting standards, amendments and interpretations

3.4.1 Standards, amendments and interpretations effective as at January 1, 2020

The Group has adopted below standards and amendments for their annual reporting period starting January 01, 2020.

-Definition of a Business (Amendments to IFRS 3); and
-COVID-19-Related Rent Concessions (Amendments to IFRS 16).

Definition of a Business (Amendments to IFRS 3)
Amendments to IFRS 3 were mandatorily effective for reporting periods beginning on or after 1 January 2020. As the Group made no acquisition during the period, accordingly there was no impact of the amendment for the Group.

COVID-19-Related Rent Concessions (Amendments to IFRS 16)
Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

(i) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
(ii) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
(iii) There are is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

As the Group did not receive any rent related concession, accordingly there was no impact of the amendment for the Group.

Other standards
New standards that have been adopted in the annual financial statements for the year ended December 31, 2020, but have not had a significant effect on the Group are:
- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies,

Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative
- Definition of Material); and
- Revisions to the conceptual framework for financial reporting.

3.4.2 Standards, amendments and interpretations issued but not yet effective and have not been adopted by the Group:

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.
The following amendments are effective for the period beginning January 1, 2021:

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform
These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that Interbank Offered Rate ("IBOR") reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the consolidated statement of profit or loss and other comprehensive income.

The following amendments are effective for the period beginning 1 January 2022:
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41; and
- References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the period beginning 1 January 2023:
IFRS 17 Insurance Contracts (effective 1 January 2023) - In June 2020, the IASB issued amendments to IFRS 17, including a deferral of its effective date to 1 January 2023. Refer note 4 Critical accounting estimates and judgements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Adoption of new and revised international financial reporting standards, amendments and interpretations (continued)

3.4.2 Standards, amendments and interpretations issued but not yet effective and have not been adopted by the Group (continued)

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022.However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Company.

3.4.3 Annual improvements to IFRSs 2018 – 2020 Cycle

These improvements are effective on or after 1 January 2021.

- IFRS 9, 'Financial Instruments' - Clarify the fees a company includes in performing the "10 per cent test" in order to assess whether to derecognise a financial liability.
- IFRS 16, 'Leases' - Remove the potential for confusion regarding lease incentives by amending an Illustrative Example 13 accompanying IFRS 16.
- IAS 41, 'Agriculture' – Align the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, 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 assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risk and uncertainties includes:

- Capital management — *Note 6*
- Financial instruments risk management and policies — *Note 19*
- Sensitivity analysis disclosures — *Notes 19 and 32*

4.1 Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

4.1.1 Going concern basis of accounting

The 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 its trade payables and bank facilities as disclosed in notes 28 and 30.

The Group has incurred a net loss of SR 393.9 million for the year ended December 31, 2020 (2019: SR 344.8 million) and as at that date, current liabilities exceeded current assets by SR 582.5 million. 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 28. Moreover, as stated in note 40, 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.

During the year 2020, the Company's Board of Directors increased the share capital by SR 120 million through issuance of a priority rights shares (refer note 36). Management has also hired a third party advisor to work on loan restructuring plan and certain terms were signed with the commercial banks and certain loans were restructured and repaid in full that resulted in a gain of SR 12.5 million during the year 2020 (refer note 12).

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.

4.1.2 Revenue recognition

In recognizing revenue from the customers, Group makes judgement in respect of nature and timings of the satisfaction of performance obligations, including significant payment terms and related revenue recognition policies. This results in decision on whether revenue is to be recognized over time or at a point in time.

4.2 Estimates and assumptions

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

4.2.1 Uncertain zakat and tax positions

The Group's current zakat and tax payable of SR 188.2 million relates to management's assessment of the amount of zakat and tax payable on open zakat and tax positions where the liabilities remain to be agreed with relevant tax authorities. Uncertain zakat and tax items for which a provision of SR 45.0 million is made relate principally to the interpretation of zakat and tax legislation applicable to arrangements entered into by the Group. Due to the uncertainty associated with such zakat and tax items, it is possible that, on conclusion of open zakat and tax matters at a future date, the final outcome may differ significantly.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.2 Estimates and assumptions (continued)

4.2.1 Uncertain zakat and tax positions (continued)

The Company is in the process of filing an appeal against a zakat and income tax demand of SR 231.9 million for the finalization of assessments for the years 2015 to 2018 from GAZT. Since, the Company is confident the appeal will be in favor of the Company and the Company has sufficient provision in its statement of financial position, hence, no further provisions were made in regard to this zakat and income tax demand from GAZT (refer note 14).

4.2.2 Impairment of property, plant and equipment

The results of the Cash Generating Units (CGUs) of AFIL, SADIP and BSL during year 2019 were significantly below management's forecast used in the last annual impairment test performed as at December 31, 2018. Accordingly, as at 30 June 2019, management appointed an independent consultant licenced by the Saudi Authority for Accredited Valuers (TAQEEM) to review their impairment models. The recoverable amount of these CGUs has been determined based on a value-in-use calculation. Management also estimated that as at December 31, 2020, there were no additional impairment indicators nor there were indicators of reversal in previously recorded impairment. Disclosures on the impairment of property, plant and equipment are made in note 26.

4.2.3 Impairment of equity accounted investments

The determination of whether impairment indicators exist for equity accounted investments as at the reporting date and the estimation of the recoverable amount for these investments involve significant management judgement.

4.2.4 Estimated cost to complete

The Group uses the percentage-of-completion method ("POC") in accounting for its fixed-price contracts to perform contracting work. Use of POC requires the Group to estimate the total costs to complete a contract. If the total estimated costs were 10% higher than management's estimates, the amount of revenue recognised in the year ended December 31, 2020 would have decreased by SR 11.55 million (2019: SR 10.01 million).

4.2.5 Allowance for expected credit losses of trade receivables, contract assets, and non-current receivables

The Group uses a provision matrix to calculate Expected Credit Losses "ECLs" for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates and modified with forward-looking information

The assessment of Loss Given Default ("LGD") and the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Notes 21 and 24.

4.2.6 Long-term assumptions for employees' benefits

Employees' defined benefit liabilities and benefit payments represent obligations that will be settled in the future and require assumptions to project obligations and fair values of plan assets, if any. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase and return on assets, mortality rates, employment turnover and future healthcare costs. Periodically, management of the Company consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

4.2.7 Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension or termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment. During the current financial year, there was no material financial effect of revising lease terms to reflect the effect of exercising extension or termination options.

4.2.8 Economic useful lives of property, plant, equipment

The Group periodically reviews estimated useful lives and the depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

5. 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 December 31, 2020 and 2019 and for the year then ended, summarized by the above business segments, are as follows:

	Pipe manufacturing and technology	Water management	Eliminations	Total
	SR '000	SR '000	SR '000	SR '000
As at and for the year ended December 31, 2020:				
Sales to external customers	421,909	19,114	-	441,023
Inter-segment	27,435	780	(28,215)	-
Total revenue	449,344	19,894	(28,215)	441,023
Share in results of equity accounted investments	17,971	6,837	-	24,808
Finance costs	(59,010)	(5,071)	-	(64,081)
Depreciation, amortization and impairment	(31,012)	(1,124)	-	(32,136)
Zakat and income tax	(44,737)	(237)	-	(44,974)
Net loss	(312,086)	(81,781)	-	(393,867)
Equity accounted investments	347,157	82,535	-	429,692
Total assets	1,416,658	836,250	-	2,252,908
Total liabilities	(1,116,098)	(968,052)	-	(2,084,150)
Capital expenditures	(2,324)	(230)	-	(2,554)

5. SEGMENT INFORMATION (continued)

	Pipe manufacturing and technology	Water management	Eliminations	Total
	SR '000	SR '000	SR '000	SR '000
As at and for the year ended December 31, 2019:				
Sales to external customers	674,761	105,648	-	780,409
Inter-segment	31,807	-	(31,807)	-
Total revenue	706,568	105,648	(31,807)	780,409
Share in results of equity accounted investments	14,247	11,264	-	25,511
Finance costs	(89,169)	(11,041)	-	(100,210)
Depreciation, amortization and impairment	(171,979)	(1,339)	-	(173,318)
Zakat and income tax	(21,221)	(376)	-	(21,597)
Net loss	(277,210)	(67,607)	-	(344,817)
Equity accounted investments	317,223	90,222	-	407,445
Total assets	1,758,025	660,792	-	2,418,817
Total liabilities	(1,293,577)	(763,033)	-	(2,056,610)
Capital expenditures	(8,792)	(156)	-	(8,948)

5. SEGMENT INFORMATION (continued)

The Group's operations are conducted in Saudi Arabia, Europe and other geographical areas. Selected financial information as at December 31, 2020 and 2019 and for the years then ended, summarized by geographic area, are as follows:

	Saudi Arabia	Europe	Other Countries	Eliminations	Total
As at and for the year ended December 31, 2020:	**SR '000**	**SR '000**	**SR '000**	**SR '000**	**SR '000**
Revenue from contracts with customers	**431,300**	**19,894**	**18,044**	**(28,215)**	**441,023**
Non-current assets:					
- Property, plant and equipment	**202,017**	**3,870**	**11,432**	**-**	**217,319**
- Other non-current assets	**450,122**	**288,708**	**53,012**	**-**	**791,842**
As at and for the year ended December 31, 2019:					
Revenue from contracts with customers	663,601	105,653	42,962	(31,807)	780,409
Non-current assets:					
- Property, plant and equipment	230,533	4,306	12,025	-	246,864
- Other non-current assets	469,495	269,093	54,164	-	792,752

6. CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes share capital and all other equity reserves attributable to the shareholders of the Company. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, change their share capital or adjust the level of their borrowings.

The Group monitors capital using a gearing ratio, which is total liabilities to shareholders' equity. The Group's target is to keep the gearing ratio below 200% to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit banks to immediately call loans and borrowings and change agreed upon rates. The details of breaches of the financial covenants of interest-bearing loans and borrowing in the current year are disclosed in note 28.

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2020 and 2019.

7. REVENUE FROM CONTRACTS WITH CUSTOMERS

7.1 DISAGGREGATED REVENUE INFORMATION

Segments	2020	2019
Type of goods or service	**SR '000**	SR '000
Sale of goods	**358,371**	604,640
Construction contracts	**82,652**	175,769
Total revenue from contracts with customers	**441,023**	780,409
Type of customer		
Government and quasi-government customers	**28,196**	105,062
Corporate customers	**412,827**	675,347
Total revenue from contracts with customers	**441,023**	780,409
Geographical markets		
Central region	**56,875**	100,660
Western region	**71,036**	50,081
Eastern region	**217,238**	227,137
European region	**15,482**	16,974
Exports and other foreign subsidiaries	**80,392**	385,557
Total revenue from contracts with customers	**441,023**	780,409

7.2 CONTRACT BALANCES

	2020	2019
	SR '000	SR '000
Trade receivables (note 21 and 24)	**689,223**	895,194
Contract assets (see note (a) below)	**372,358**	353,842
Contract liabilities (see note (b) below)	**81,901**	80,153

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 December 31, 2020, the contract assets are carried net of an ECL allowance of SR 12.4 million (2019 : SR 18.0 million).

b) Contract liabilities:

Contract liabilities include long-term advances against construction contracts and short-term advances received to install pipes as well as transaction price allocated to unsatisfied performance obligations.
Revenue from contracts with customers recognised from amounts included in contract liabilities at the beginning of 2020 amounted to SR nil million (2019: SR 11.0 million).

Movement in gross contract assets and liabilities is as below:

	December 31, 2020	
	Contract assets	**Contract liabilities**
	SR '000	**SR '000**
Opening balance	**362,013**	**80,153**
Revenue recognized during the year	**70,668**	**(11,307)**
Invoiced during the year	**(115,442)**	**8,276**
Adjustment during the year	**34,691**	-
Currency translation adjustments	**32,789**	**4,779**
Closing balance	**384,719**	**81,901**

	December 31, 2019	
	Contract assets	Contract liabilities
	SR '000	SR '000
Opening balance	370,209	91,957
Revenue recognized during the year	138,574	(17,933)
Invoiced during the year	(164,219)	7,262
Adjustment during the year	33,697	-
Currency translation adjustments	(6,246)	(1,133)
Closing balance	372,015	80,153

7.3 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 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.

8. COST OF REVENUE

	2020	2019
	SR'000	SR'000
Material consumed	223,888	420,319
Employee costs (note 18)	165,779	214,921
Depreciation and amortization	24,964	36,211
Consumables spareparts	21,360	29,492
Transportation cost and rental machine	18,988	34,127
Electricity,gas, and water	14,056	16,126
Rental Space	3,118	2,199
Repairs and maintenance	3,441	2,694
Impairment of property, plant and equipment	-	125,730
Professional fee	3,584	1,526
Allowance for inventory obsolescence	3,500	15,005
Warranty provision (reversal)	4,038	(1,441)
Others	19,455	30,013
	506,171	926,922

9. SELLING AND MARKETING EXPENSES

	2020	2019
	SR'000	SR'000
Employee costs (note 18)	10,479	12,311
Professional services	10	-
Travel	217	429
Depreciation and amortization	760	874
Marketing and sales promotions	520	2,706
Know-how fees	4,065	6,206
Others	401	589
	16,452	23,115

10. GENERAL AND ADMINISRATIVE EXPENSES

	2020	2019
	SR'000	SR'000
Employee costs (note 18)	26,495	18,247
Professional services	20,633	20,918
Information technology and communications	10,230	11,096
Depreciation and amortization	6,412	6,676
Travel	1,021	2,701
Repairs and maintenance	1,450	2,145
Electricity	2,242	2,781
Others	3,328	9,189
	71,811	73,753

11. IMPAIRMENT LOSS ON FINANCIAL ASSETS

	2020	2019
	SR'000	SR'000
Reversal of impairment of loans to equity accounted investments (notes 27 and 34)	(5,659)	-
Impairment loss on financial assets (notes 21 and 24)	111,257	4,133
	105,598	4,133

12. OTHER INCOME (EXPENSES), NET

	2020	2019
	SR'000	SR'000
Foreign exchange differences	(9,755)	(7,192)
Impairment of equity accounted investment (note 25)	(9,909)	-
Gain on disposal of property, plant and equipment	-	1,868
Loss (gain) on sale of equity accounted investment, net (note 25)	(18,551)	4,578
Employee share option plan adjustment (note 37)	(26,779)	-
Gain on loan rescheduling settlement	12,484	-
Miscellaneous income	1,247	1,707
	(51,263)	961

13 FINANCE COSTS

	2020	2019
	SR'000	SR'000
Commission on Murabaha and Tawarruq finance	57,070	87,177
Interest on borrowings	5,167	10,333
Interest rate swap cost	-	41
Interest on lease liability	169	451
Unwinding of discount on employees' termination benefits (note 32)	1,675	2,208
	64,081	100,210

14. ZAKAT AND INCOME TAX

Components of zakat and income tax base:

The Group is subject to zakat and income tax. Zakat is payable of the greater base at 2.578% on zakat base or 2.5% on adjusted net profit. Income tax is payable at the rates applicable to foreign subsidiaries at 20% of the adjusted net profit. The significant components of the zakat base of each company under zakat regulations principally comprise of shareholders' equity, provisions, long-term borrowings and adjusted net profit/(loss), less a deduction for the net book value of property, plant and equipment, investments and certain other items."

Zakat and income taxes charged to the consolidated statement of profit or loss for the year ended December 31,:

	2020	2019
	SR'000	SR'000
Current zakat and income tax charges		
- continuing operations	44,974	21,597
- discontinued operations (note 2.2)	-	561
	44,974	22,158

The movements in the zakat and income tax payable for the years ended December 31, are as follows:

	2020	2019
	SR'000	SR'000
At January 1,	145,976	128,928
Charge for the year	44,974	22,158
Zakat and taxes paid during the year	(2,755)	(5,110)
At December 31,	188,195	145,976

14. ZAKAT AND INCOME TAX (continued)

Status of certificates and assessments:
The Company and its Saudi Arabian subsidiaries file their zakat return on a consolidated basis.

The Company and the Saudi Arabian subsidiaries have received final zakat and income tax certificates for the years up to 2019. During the year ended December 31, 2020, the Company and its Saudi Arabian entities received the final zakat assessments from General Authority of Zakat and Tax ("GAZT") for the years from 2015 to 2018 claiming an additional zakat demand of SR 232.9 million to which the Company has paid SR 1.0 million and has filed an objection to GAZT within 60 days of receipt of such demand for the remaining SR 231.9 million. Since, the Company is confident the appeal will be in favor of the Company and the management of the Company believes it has sufficient provision in its statement of financial position, hence, no further provisions were recorded in regard to this zakat demand from GAZT.

Difference between accounting profit and zakatable / taxable profit
The following items are included in accounting profit but not included in zakatable / taxable profit:
- Impairment provisions for receivables
- Write down of the cost of inventories to net realisable values
- Impairment of property, plant and equipment
- Charges related to employees' termination benefits
- Receivables written off
- Inventories at net realisable value sold or written off
- Depreciation of impaired property, plant and equipment
- Payments towards employees' termination benefits

15. LOSS PER SHARE

Loss per share for the year ended December 31, 2020 has been computed by dividing the loss from continuing operations and net loss for the year by the weighted average number of 31,463,706 shares outstanding (December 31, 2019: 33,874,317 shares). The Group does not have any dilutive instruments.

The number of shares outstanding as at December 31, is as follows:

	2020	2019
	000	000
Shares issued	32,000	34,452
Less: shares held as treasury shares (note 37)	(536)	(577)
	31,464	33,875

The weighted average number of shares outstanding during 2020 has been adjusted as a result of the reduction of share capital and issuance of priority rights shares (note 36).

16. DIVIDENDS

During 2020, no dividends were declared or paid (2019: the same).

17. DEPRECIATION, AMORTISATION, IMPAIRMENT AND FOREIGN EXCHANGE DIFFERENCES INCLUDED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2020	2019
	SR'000	SR'000
Included in cost of revenue:		
Depreciation	24,420	36,773
Amortisation	544	562
Impairment of property, plant and equipment	-	125,730
Included in selling, general and administrative expenses:		
Depreciation	6,558	6,878
Amortisation	614	672
Impairment of property, plant and equipment	-	2,703
Included in other income / (expenses):		
Net foreign exchange differences	(9,755)	(7,192)

18. EMPLOYEE BENEFITS EXPENSES

	2020	2019
	SR'000	SR'000
Included in cost of revenue:		
Wages and salaries	**161,075**	209,998
Social security costs	**1,695**	2,126
Termination costs	**3,009**	2,797
Included in selling, general and administrative expenses:		
Wages and salaries	**31,702**	24,919
Social security costs	**3,027**	3,317
Termination costs	**2,245**	2,322
Total employee benefits expenses	**202,753**	245,479

19. FINANCIAL INSTRUMENTS

19.1 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.

	December 31, 2020						
	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)	-	**689,223**	**689,223**	-	-	-	-
Contract assets	-	**372,358**	**372,358**	-	-	-	-
Cash and cash equivalents	-	**53,255**	**53,255**	-	-	-	-
	-	**1,114,836**	**1,114,836**	-	-	-	-
Financial liabilities:							
Short-term borrowings	-	**1,142,730**	**1,142,730**	-	-	-	-
Trade payables	-	**412,343**	**412,343**	-	-	-	-
Accrued expenses and other liabilities	-	**87,296**	**87,296**				
Contract liabilities	-	**81,901**	**81,901**				
	-	**1,724,270**	**1,724,270**	-	-	-	-

	December 31, 2019						
	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)	-	895,194	895,194	-	-	-	-
Contract assets	-	353,842	353,842	-	-	-	-
Cash and cash equivalents	-	89,819	89,819	-	-	-	-
	-	1,338,855	1,338,855	-	-	-	-
Financial liabilities:							
Short-term borrowings	-	1,206,260	1,206,260	-	-	-	-
Trade payables	-	413,579	413,579	-	-	-	-
Accrued expenses and other liabilities	-	80,794	80,794	-	-	-	-
Contract liabilities	-	80,153	80,153	-	-	-	-
Other non-current liabilities	30	-	30	-	-	30	30
	30	1,780,786	1,780,816	-	-	30	30

19. FINANCIAL INSTRUMENTS (continued)

19.2 Risk Management of Financial Instruments

The Group's activities expose it to credit risk, liquidity risk and market price risk.

19.2.1 Credit Risk:

Credit risk is the risk that one party to a financial instrument may fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its bank balances, trade receivables, non-current receivables and receivables from related parties as follows.

	December 31, 2020	December 31, 2019
	SR '000	SR '000
Financial assets:		
Cash at bank and time deposits	**53,255**	89,819
Trade receivables - current	**343,852**	527,383
Trade receivables - non-current	**345,371**	367,811
Contract assets	**372,358**	353,842
	1,114,836	1,338,855

The carrying amount of financial assets represents the maximum credit exposure.

Credit risk on receivables and bank balances is limited by:

- Cash balances are held with banks with sound credit ratings.
- The receivables are shown net of allowances for impairment.

The Group manages credit risk with respect to receivables from customers by monitoring them in accordance with defined policies and procedures. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis. The five largest customers account for approximately 19% (2019: 13%) of outstanding trade receivables at December 31, 2020.

19.2.2 Liquidity Risk:

Liquidity risk is the risk that the Group may encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. The calculation of net debt was as follows:

	December 31, 2020	December 31, 2019
	SR '000	SR '000
Cash at bank and time deposits	**53,255**	89,819
Borrowings	**1,142,730**	1,206,260
Lease liabilities	**8,382**	7,683
Net debt	**1,097,857**	1,124,124

At the statement of financial position date, gearing ratio analysis by the management was as follows:

	December 31, 2020	December 31, 2019
	SR '000	SR '000
Equity	**168,758**	362,207
Liabilities	**2,084,150**	2,056,610
Total Capital Structure	**2,252,908**	2,418,817
Net debt to equity ratio	**651%**	310%
Gearing ratio	**93%**	85%
Current ratio	**68%**	75%

19. FINANCIAL INSTRUMENTS (continued)

19.2 Risk Management of Financial Instruments (continued)

19.2.2 Liquidity Risk (continued):

Following are the contractual maturities at the end of the reporting period of financial liabilities.

	December 31, 2020			
	Carrying amount	**Less than 1 year**	**1 year to 5 years**	**More than 5 years**
Financial Liabilities:	**SR '000**	**SR '000**	**SR '000**	**SR '000**
Borrowings	**1,142,730**	**1,142,730**	-	-
Trade payables	**412,343**	**412,343**	-	-
Accrued expenses and other liabilities	**87,296**	**87,296**	-	-
Contract liabilities	**81,901**	**81,901**	-	-
	1,724,270	**1,724,270**	-	-

	December 31, 2019 (restated, note 42)			
	Carrying amount	Less than 1 year	1 year to 5 years	More than 5 years
Financial liabilities:	SR '000	SR '000	SR '000	SR '000
Borrowings	1,206,260	1,206,260	-	-
Trade payables	413,579	413,579	-	-
Accrued expenses and other liabilities	80,794	80,794	-	-
Contract liabilities	80,153	80,153	-	-
Other non-current liabilities	30	-	30	-
	1,780,816	1,780,786	30	-

19.2.3 Market Risk:

Market price risk is the risk that the value of a financial instrument may fluctuate as a result of changes in market prices, such as foreign exchange rates and interest rates, and will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group uses derivatives to manage market risks exceeding acceptable parameters. The Group seeks to apply hedge accounting to manage volatility in profit or loss.

19.2.4 Currency Risk:

Currency risk is the risk that the value of financial instruments may fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's reporting currency. The Group's exposure to foreign currency risk is primarily limited to transactions in United States Dollar ("USD") and Euro ("EUR"). The Group's management believes that the exposure to currency risk associated with USD is limited as the Group's currency is pegged to USD. The fluctuation in exchange rates against Euro is monitored on a continuous basis. Quantitative data regarding the Group's exposure to currency risk arising from EUR is as follows:

	EUR	**Equivalent SR**
December 31, 2020:	**'000'**	**'000'**
Cash and cash equivalents	**2,797**	**12,858**
Trade receivables	**22,324**	**102,626**
Trade payables	**(4,172)**	**(19,179)**
Net statement of financial position exposure	**20,949**	**96,305**
December 31, 2019:		
Cash and cash equivalents	9,174	38,628
Trade receivables	28,143	118,499
Trade payables	(7,813)	(32,897)
Net statement of financial position exposure	29,504	124,230

19. FINANCIAL INSTRUMENTS (continued)

19.2. Risk Management of Financial Instruments (continued)

19.2.4 Currency Risk (continued):

A strengthening/(weakening) of the EUR by 10% against all other currencies would have affected the measurement of financial instruments denominated in foreign currency and would have increased/(decreased) equity by the amounts shown below

	December 31, 2020	December 31, 2019
	SR '000	SR '000
Impact of 10% increase in EUR on equity	**9,631**	12,423
Impact of 10% decrease in EUR on equity	**(9,631)**	(12,423)

19.2.5 Interest Rate Risk

Interest rate risk is the exposure associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. Variable rate financial liabilities as at the reporting date amounted to SR 1,142.7 million (December 31, 2019: SR 1,206.3 million).

The following table demonstrates the sensitivity of profit to reasonably possible changes in interest rates, with all other variables held constant.

	Increase / decrease in basis points of interest rates	**Effect on profit for the year**
		SR '000
Year ended December 31, 2020:	**+100**	**(11,745)**
	-100	**11,745**
Year ended December 31, 2019:	+100	(12,746)
	-100	12,746

Management monitors the changes in interest rates and utilizes interest rate swaps to manage interest rate risk exceeding certain parameters (refer note 38).

20. CASH AND CASH EQUIVALENTS

	December 31, 2020	December 31, 2019
	SR'000	SR'000
Cash in hand	**1,052**	1,476
Cash at banks	**52,152**	60,335
Time deposits	**51**	28,008
	53,255	89,819

Time deposits are held by commercial banks and yield finance income at prevailing market rates.

21. TRADE RECEIVABLES

	December 31, 2020	December 31, 2019
	SR'000	SR'000
Trade receivables - third parties	482,615	624,676
Trade receivables - related parties	11,717	24,175
	494,332	648,851
Less: impairment loss on financial assets-third parties	(140,412)	(104,287)
Less: impairment loss on financial assetst-related parties	(10,068)	(17,181)
	343,852	527,383

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

The movement in the impairment loss on financial assets is as follows:

	2020	2019
	SR'000	SR'000
At January 1,	121,468	144,905
Additions	41,532	-
Reversals	(5,659)	(19,015)
Write offs	(8,111)	(4,422)
Currency translation adjustments	1,250	-
At December 31,	150,480	121,468

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses as mentioned in note 4.2. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables as disclosed below.

Reversals relate to an investment in AFEC Egypt sold off during 2020 (refer note 25C).

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

		Days past due				
	Not past due	< 180 days	181-365 days	366-730 days	> 730 days	Total
December 31, 2020:	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Gross carrying amount at default	49,031	126,689	40,258	180,612	86,025	482,615
Expected credit loss	(1,774)	(11,260)	(11,724)	(43,220)	(72,434)	(140,412)
Net trade receivables	47,257	115,429	28,534	137,392	13,591	342,203
December 31, 2019:						
Gross carrying amount at default	234,538	151,677	68,345	58,037	112,079	624,676
Expected credit loss	(6,540)	(11,404)	(13,176)	(24,446)	(48,721)	(104,287)
Net trade receivables	227,998	140,273	55,169	33,591	63,358	520,389

22. PREPAYMENTS AND OTHER RECEIVABLES

	December 31, 2020	December 31, 2019
	SR'000	SR'000
Advances to suppliers	**26,795**	14,613
Prepaid expenses	**52,140**	50,396
Receivable from rights issue	**120,000**	-
Others	**3,796**	1,505
	202,731	66,514

23. INVENTORIES

	December 31, 2020	December 31, 2019
	SR'000	SR'000
Raw materials	**60,291**	81,352
Work in process	**6,045**	6,275
Supplies, not held for sale	**46,355**	47,078
Finished products	**159,351**	205,857
Goods in transit	**(491)**	1,081
	271,551	341,643

During 2020, SR nil (2019: SR 15.0 million) was recognized as an expense to write down cost of inventories to net realisable value. This is recognised in cost of revenue.

24. NON-CURRENT RECEIVABLES

The balance under non-current receivables comprise the following:

	December 31, 2020	December 31, 2019
	SR'000	SR'000
Trade receivables under legal collection	**477,079**	424,242
Retentions receivable	**62,740**	68,993
	539,819	493,235
Less: allowance for impairment	**(194,448)**	(125,424)
	345,371	367,811

24.1 Trade receivables under legal collection ("TRULC") are expected, due to length of the collection process, to be collected after one year from the reporting date. Virtually all the balance of TRULC is outstanding for more than two years. As at December 31, 2020, the balance of TRULC is carried net of an allowance for impairment of SR 186.8 million (December 31, 2019: SR 121.2 million). The allowance for impairment is calculated based on the estimate of legal advisors and lawyers of the amount to be collected.

24.2 Retentions receivable are non-interest bearing and are generally collectable upon project completion. As at December 31, 2020, the balance of retentions receivable is carried net of an allowance for impairment of SR 7.6 million (December 31, 2019: SR 4.2 million).

24. NON-CURRENT RECEIVABLES (continued)

24.3 The balance of TRULC presented under non-current assets comprises the following:

	December 31, 2020	December 31, 2019
	SR'000	SR'000
Balances scheduled to be collected according to court orders	99,991	145,321
Balances where the Group received favourable court verdicts and settlement is still to be agreed with debtors	346,041	222,686
Balances still under legal proceedings	31,047	56,235
	477,079	424,242

The movement in the allowance for impairment for non-current receivables is as follows:

	2020	2019
	SR'000	SR'000
1 January	125,424	119,776
Additions	69,725	5,648
Write offs	(701)	-
December 31,	194,448	125,424

25. EQUITY ACCOUNTED INVESTMENTS

	Note	December 31, 2020	December 31, 2019
		SR'000	SR'000
Interests in joint ventures			
Amiblu Holding GmbH ("Amiblu")	A	279,499	258,259
International Water Distribution Co. ("Tawzea")	B	82,549	81,157
Total interests in joint ventures		362,048	339,416
Investments in associates:			
Amiantit Qatar Pipe Co. Ltd. ("AQAP")	D	52,450	44,554
Other associates	E	15,194	23,475
Total investment in associates		67,644	68,029
Total equity accounted investments		429,692	407,445

A. Amiblu

Amiblu is a joint venture in which the Group has joint control and a 50% ownership interest. Amiblu is registered in Austria and is not publicly listed. Amiblu and its subsidiaries ("Amiblu Group") are engaged in pipe manufacturing and related technologies and their principal place of business is the European Union. Amiblu Group has a 20% strategic investment in an associated company based in the United States of America that is also engaged in pipe manufacturing.

The following table summarizes the financial information of Amiblu Group as included in its own consolidated financial statements, adjusted for fair value adjustment at acquisition. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Amiblu Group.

25. EQUITY ACCOUNTED INVESTMENTS (continued)

A. Amiblu (continued)

	December 31, 2020	December 31, 2019
	SR'000	SR'000
Current assets, including cash and cash equivalents of SR 49.7 million (2019: SR 30.2 million)	**354,912**	321,648
Non-current assets	**360,838**	333,589
Current liabilities, including bank borrowings of SR 68.7 million (2019:60.6 million)	**(247,339)**	(206,247)
Non current liabilities, including long term borrowings of SR 6.1 million (2019: SR 47.2 million)	**(33,143)**	(76,021)
Equity	**435,268**	372,969
Group's share in equity, 50%	**217,634**	186,485
Goodwill	**61,865**	71,774
Group's carrying amount of the investment	**279,499**	258,259

Summarised statement of profit or loss of Amiblu Group for the year ended December 31,:

	2020	2019
	SR'000	SR'000
Revenue	**740,958**	776,337
Finance costs	**(3,693)**	(4,686)
Income tax expense	**(2,897)**	(8,474)
Income (loss) for the year	**8,281**	10,710
Total comprehensive income (loss)	**8,281**	10,710
Group's share of total comprehensive income (loss), 50%	**4,141**	5,355

The movement in the interest in Amiblu is as follows:	**2020**	2019
	SR'000	SR'000
1 January	**258,259**	230,179
Reclassification of loan to investment	-	26,387
Additions	**7,615**	
Share in results	**4,141**	5,355
Impairment	**(9,909)**	-
Currency translation adjustments	**19,393**	(3,662)
December 31,	**279,499**	258,259

The results of Amiblu for 2020 were significantly below management's forecast. Accordingly, as at December 31, 2020, management performed an impairment test for Amiblu. The recoverable amount of Amiblu has been determined based on a value-in-use calculation. Key assumptions used in this analysis include a post-tax discount rate which was calculated using a Weighted Average Cost of Capital (WACC) methodology of 7.57% and a growth rate of 1% for each business unit. As a result of the above mentioned assessment, the difference between the recoverable amount of the investment and it's carrying amount as at December 31, was recorded as impairment loss against the embedded goodwill.

Subsequent to the year ended December 31, 2020, Amiblu has purchased from one of the Company's subsidiary ("AIH") 65% of ownership in Amitech Morocco for an amount of Euro 2.7 million, the investment was fully impaired prior to the aquisition in the books of AIH. Since as at the date of our reporting, only the terms and conditions between AIH and Amiblu were signed, Amiblu only disclosed the transaction according to IAS 10 and has not recorded an amount of Euro 2.7 million as payable to the Company toward investment in equity accounted investment (Refer note 41).

25. EQUITY ACCOUNTED INVESTMENTS (continued)

B. Tawzea

Tawzea is a joint venture in which the Group has joint control and a 50% ownership interest. Tawzea is registered in the Kingdom of Saudi Arabia and is not publicly listed. Tawzea is principally engaged in offering services related to construction, operation, and maintenance of public water & sewage services. The following table summarizes the financial information of Tawzea as included in its own financial statements, adjusted for fair value adjustment at acquisition. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Tawzea.

	December 31, 2020	December 31, 2019
	SR'000	SR'000
Current assets, including cash and cash equivalents of SR 40.5 million (December 31, 2019: SR 19.9 million)	**80,580**	65,055
Non-current assets	**196,891**	205,771
Current liabilities, including bank borrowings of SR 26.5 million (December 31, 2019: SR 28.1 million)	**(97,821)**	(92,844)
Non-current liabilities, with no long term borrowings (December 31, 2019: SR 6.2 million)	**(12,543)**	(14,624)
Non-controlling interest	**(2,010)**	(1,044)
Equity attributable to the Company	**165,097**	162,314
Group's share in equity - 50% (2019: 50%)	**82,549**	81,157
Group's carrying amount of the investment	**82,549**	81,157

Summarised statement of profit or loss of Tawzea for the years ended December 31, 2020 and 2019:

	2020	2019
	SR'000	SR'000
Revenue	**260,717**	257,999
Depreciation and amortization	**(13,867)**	(13,686)
Finance costs	**(1,258)**	(2,724)
Profit for the year	**13,042**	19,690
Total comprehensive income	**10,783**	18,495
Group's share of total comprehensive income - 50% (2019: 50%)	**5,392**	9,248

The movement in the interest in Tawzea is as follows:

	2020	2019
	SR'000	SR'000
1 January	**81,157**	71,909
Share in results	**6,122**	9,845
Dividends	**(4,000)**	-
Share of other comprehensive (loss) income	**(730)**	(597)
December 31,	**82,549**	81,157

25. EQUITY ACCOUNTED INVESTMENTS (continued)

C. Other joint ventures

The Group also has interests in a number of individually immaterial joint ventures. The Group recorded no movement in the interests in these joint ventures except the following:

C.1 During 2020, the Company has sold 50% and 49% of its ownership in AFEC Egypt and Ameron Egypt for an amount of SR 7.5 million, these investments were fully impaired prior to the disposal, upon disposal, management has realized an amount of SR 15.7 million as loss on disposal of investment in equity accounted investment on the consolidated statement of profit or loss (note 12). The losses ware recorded net of realized loss on foreign currency translation of SR 23.2 million.

C.2 During 2019, the Company has sold 30% of its ownership in Subor for an amount of SR 9.1 million, the investment was fully impaired prior to the disposal, upon disposal, management has realized an amount of SR 4.6 million as gain on disposal of investment in equity accounted investment on the statement of profit or loss (note 12). The gain was recorded net of realized loss on foreign currency translation of SR 4.4 million.

D. AQAP

AQAP is an associated company in which the Group owns 40% of its shares. AQAP is registered and conducts its main operations in Qatar. AQAP is not publicly listed.

The following table summarises the financial information of AQAP as included in its own financial statements, adjusted for fair value adjustments at acquisition. The table also reconciles the summarised financial information to the carrying amount of the Group's investment in AQAP.

	December 31, 2020	December 31, 2019
	SR'000	SR'000
Current assets	**117,350**	122,047
Non-current assets	**69,289**	80,072
Current liabilities	**(41,533)**	(75,144)
Non-current liabilities	**(19,527)**	(21,090)
Non-controlling interest	**5,547**	5,501
Equity attributable to the Company	**131,126**	111,386
Group's share in equity - 40% (2019: 40%)	**52,450**	44,554

Summarised statement of profit or loss of AQAP for the years ended December 31, 2020 and 2019:

	2020	2019
	SR'000	SR'000
Revenue	**181,583**	185,245
Profit for the year	**30,043**	18,469
Total comprehensive income	**30,043**	18,469
Group's share of total results - 40% (2019: 40%)	**12,017**	7,389

The movement in the investment in AQAP is as follows:

	2020	2019
	SR'000	SR'000
1 January	**44,554**	41,286
Share in results	**12,017**	7,389
Dividends	**(4,121)**	(4,121)
December 31,	**52,450**	44,554

25. EQUITY ACCOUNTED INVESTMENTS (continued)

E. Other associates

The Group also has investments in a number of individually immaterial associates. The movement in the investments in these associates is as follows.

	2020	2019
	SR'000	SR'000
January 1,	**23,475**	23,574
Revenue	**(7,401)**	-
Share in results	**2,528**	2,922
Share in other comprehensive income	**(2)**	25
Dividends	**(3,544)**	(2,826)
Currency translation adjustments	**138**	(220)
December 31,	**15,194**	23,475

During 2020, the Company has sold 15% of its ownership in Amensouss for an amount of SR 6.3 million, the carrying amount of this investments was SR 7.4 million prior to the disposal, upon disposal, management has realized an amount of SR 2.86 million as loss on disposal of investment in equity accounted investment on the consolidated statement of profit or loss (note 12). The losses ware recorded net of realized loss on foreign currency translation of SR 1.76 million.

26. PROPERTY, PLANT AND EQUIPMENT

2020	1 January SR'000	Additions SR'000	Disposals SR'000	Reclassific-ations SR'000	Foreign currency translation adjustments SR'000	December 31, SR'000
Cost:						
Land	**204,656**	**-**	**-**	**8,461**	**-**	**213,117**
Buildings and land improvements	**273,486**	**-**	**(1,007)**	**16,007**	**(472)**	**288,014**
Plant, machinery and equipment	**897,860**	**741**	**(65)**	**89,824**	**(833)**	**987,527**
Furniture, fixtures and office equipment	**55,470**	**677**	**(52)**	**536**	**1,361**	**57,992**
Construction in progress	**11,417**	**1,136**	**-**	**-**	**(2)**	**12,551**
	1,442,889	**2,554**	**(1,124)**	**114,828**	**54**	**1,559,201**
Accumulated depreciation and impairment:						
Land	**(151,089)**	**(2,252)**	**-**	**(8,461)**	**-**	**(161,802)**
Buildings and land improvements	**(216,409)**	**(7,380)**	**1,007**	**(16,007)**	**448**	**(238,341)**
Plant, machinery and equipment	**(777,764)**	**(18,816)**	**(1,131)**	**(89,824)**	**757**	**(886,778)**
Furniture, fixtures and office equipment	**(46,157)**	**(2,530)**	**(44)**	**(536)**	**(1,088)**	**(50,355)**
Construction in progress	**(4,606)**					**(4,606)**
	(1,196,025)	**(30,978)**	**(168)**	**(114,828)**	**117**	**(1,341,882)**
Net book value	**246,864**					**217,319**
2019						
Cost:						
Land	196,549	8,107	-	-	-	204,656
Buildings and land improvements	271,485	1,718	-	274	9	273,486
Plant, machinery and equipment	861,727	5,816	(577)	30,984	(90)	897,860
Furniture, fixtures and office equipment	55,031	1,354	(682)	55	(288)	55,470
Construction in progress	42,870	-	(140)	(31,313)	-	11,417
	1,427,662	16,995	(1,399)	-	(369)	1,442,889
Accumulated depreciation and impairment:						
Land	(150,000)	(1,089)	-	-	-	(151,089)
Buildings and land improvements	(179,711)	(36,678)	-	(12)	(8)	(216,409)
Plant, machinery and equipment	(651,568)	(126,266)	122	(122)	70	(777,764)
Furniture, fixtures and office equipment	(43,595)	(3,445)	530	134	219	- (46,157)
Construction in progress	-	(4,606)	-	-	-	(4,606)
	(1,024,874)	(172,084)	652	-	281	(1,196,025)
Net book value	402,788					246,864

- Construction work in progress as at December 31, 2020 mainly represents advances to suppliers for purchase of machinery and equipment amounting to SR 8.0 million (2019: SR 6.8 million) in addition to development projects of SR 4.6 million (2019: SR 4.6 million) that are fully impaired.

The results of the Cash Generating Units (CGUs) of AFIL, SADIP and BSL for the six-month ended 30 June 2019 were significantly worse than management's forecast used in the last annual impairment test performed in December 2018. Accordingly, the Group had to reperform impairment test for these CGUs during the six-month period ended 30 June 2019, after taking into consideration current conditions.

26. PROPERTY, PLANT AND EQUIPMENT (continued)

Management appointed an independent consultant licenced by the Saudi Authority for Accredited Valuers (TAQEEM) to review their impairment models as of 30 June 2019. The recoverable amount of these CGUs has been determined based on a value-in-use calculation. The post-tax discount rate applied to cash flow projections is ranging from 8.7% to 10.4% and cash flows beyond 2019 are extrapolated using a 1% growth rate. It was concluded that the fair value less costs of disposal cannot be measured reliably.

The results of the impairment test performed as at 30 June 2019 were as follows:

CGUs	*Carrying amount*	*Recoverable amount*	*Impairment loss*
	SR'000	SR'000	SR'000
AFIL	141,450	113,640	27,810
SADIP	81,670	-	81,670
BSL	16,250	-	16,250
	239,370	113,640	125,730

For the period between June 30, 2019 to December 31, 2020, there were no indicators of additional impairment nor indicators of reversal in previously recorded impairment.

- On February 20, 2019 (corresponding to 15 Jumada II 1440H), the Group announced it will discontinue ASAL and SACOP CGUs and designated their assets as "held for sale". The recoverable amount of SACOP CGU of SR 0.5 million as at December 31, 2018 has been measured based on fair value less costs to sell. As a result, management has recognised an impairment charge of SR 3.4 million in 2018 against property, plant and equipment with a carrying amount of SR 3.9 million as at December 31, 2018. The impairment charge is recorded in loss from discontinued operations in the consolidated statement of profit or loss. Moreover, the recoverable amount of ASAL CGU of SR 3.3 million as at December 31, 2018 has been measured based on fair value less cost to sell. This valuation exceeds the net book value of ASAL property, plant and equipment of SR 2.3 million, hence no provision has been made on ASAL.

- In December 2018, the Group performed its annual impairment test for its CGUs. All CGUs had significant head-room except for SADIP CGU. The recoverable amount of SADIP CGU of SR 85.5 million as at December 31, 2018 has been determined based on a value in use calculation using cash flow projections from a budget approved by the board covering 2019. The pre-tax discount rate applied to cash flow projections is 8.5% and cash flows beyond 2019 are extrapolated using a 1.0% growth rate. It was concluded that the fair value less costs of disposal cannot be measured reliably. As a result of this analysis, management has recognised an impairment charge of SR 41.9 million in 2018 against property, plant and equipment with a carrying amount of SR 127.4 million as at December 31, 2018. The impairment charge is recorded within cost of sales in the consolidated statement of profit or loss.

- Certain property, plant and equipment of the Group with a net book value of SR 44.1 million (2019: 49.4 million) are constructed on land parcels leased under various lease agreements at annual rates from the Saudi Arabian government under renewable leases.

- 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 the parcel is being contested in the Saudi Arabian judicial system. The gross value of this parcel of land, before deducting any impairment allowance, as at December 31, 2020 is SR 150.0 million (2019: SR 150.0 million) and management of the Group has made an impairment allowance for the full value of the parcel at the acquisition date. The net book value of property, plant and equipment constructed over this parcel of land as at December 31, is as follows:

	2020	2019
	SR'000	SR'000
Buildings and land improvements	**20,838**	22,439
Plant, machinery and equipment	**23,159**	26,707
Furniture, fixtures and office equipment	**135**	216
	44,132	49,362

Management of the Group believes that the outcome of the litigation process will not impact the carrying amounts or useful lives of property, plant and equipment constructed on this parcel of land. Management also believes that the result of the litigation process will be in their favour. The impairment allowance will be reversed when the litigation process is finalized and the title deeds for the land are no longer on hold by the ministry of Justice.

27. OTHER NON-CURRENT ASSETS

Other non-current assets represent assets that are immaterial individually and in aggregate. The details of other non-current assets are as follows:

	December 31, 2020	December 31, 2019	January 1, 2019
	SR'000	SR'000	SR'000
Investment properties	**8,250**	8,250	8,250
Intangible assets	**7,986**	8,705	8,606
Deferred tax assets (note 42)	**543**	541	746
Loans to equity accounted investments (note 35)	**-**	-	26,460
	16,779	17,496	44,062

28. BORROWINGS

28.1 SHORT-TERM BORROWINGS

	December 31, 2020	December 31, 2019
	SR'000	SR'000
Short-term bank loans	**883,207**	863,155
Current portion of long term loans	**259,523**	343,105
Total	**1,142,730**	1,206,260

Short-term borrowings comprise the following:	**December 31, 2020**	December 31, 2019
	SR'000	SR'000
Short-term bank loans	**883,207**	863,155

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

The carrying values of the short-term borrowings are denominated in the following currencies:

	December 31, 2020	December 31, 2019
	SR'000	SR'000
Saudi Riyals	**841,112**	809,565
US Dollars	**37,500**	53,590
Other currency	**4,595**	-
	883,207	863,155

28.2 LONG-TERM BORROWINGS

Long term borrowings comprise the following:

	December 31, 2020	December 31, 2019
	SR'000	SR'000
Commercial bank loans	**259,523**	343,105
Current portion shown under current liabilities	**(259,523)**	(343,105)
Non-current portion shown under non-current liabilities	**-**	-

Commercial bank loans:

The Group has obtained loan facilities from various commercial banks. These loans generally bear financial charges based on inter-bank offered rates plus a fixed margin. The original maturities of the loans outstanding at December 31, 2020 in aggregate, based on their respective repayment schedules, are repayable at dates from 2020 to 2022.

The carrying values of the long-term borrowings are denominated in the following currency:

	December 31, 2020	December 31, 2019
	SR'000	SR'000
Saudi Riyals	**250,000**	333,638
US dollars	**9,523**	9,467
	259,523	343,105

28. BORROWINGS (continued)

Commercial bank loans (continued):

During year 2020 and 2019, the Group's management is in the process of rolling over its loans, rescheduling the terms of those loans and taking certain remedial actions e.g. the loan restructuring plan. Certain loans from commercial banks were repaid in full that resulted in a gain of SR 12.5 million during the year 2020 (refer note 12). Certain loan terms are in the process to be agreed and signed with the commercial banks as of the date of our reporting.

28.3 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.

29. LEASES

The Group leases various assets including land and buildings, and office equipment. Information about leases for which the Group is a lessee is presented below:

29.1 Right-of-use assets recorded under property, plant and equipment

For the year ended December 31, 2020:	Land and buildings	Office equipment	Total
	SR '000	SR '000	SR '000
Balance at January 1,	6,823	984	7,807
Additions (reduction) during the year	-	-	-
	6,823	984	7,807
Depreciation charge for the year	(389)	(219)	(608)
Balance at December 31, 2020	**6,434**	**765**	**7,199**

29.2 Lease liability

Maturity analysis - contractual undiscounted cashflows	December 31, 2020	December 31, 2019
	SR '000	SR '000
Less than one year	1,523	1,615
One to five years	4,736	4,389
More than five years	3,422	4,261
Total undiscounted liabilities as at December 31,	9,681	10,265

Lease liability included in the consolidated statement of financial position as at December 31,

	2020	2019
	SR '000	SR '000
Current	1,039	1,136
Non-current	7,343	6,547
	8,382	7,683

29. LEASES (continued)

29.3 Amounts recognised in profit or loss for the year ended December 31,:

	2020	2019
	SR '000	SR '000
Depreciation of right-of-use assets	608	1,198
Interest on lease liability	169	451
Rent for short-term leases	-	2,571
	777	4,220

30. ACCOUNTS PAYABLE

	2020	2019
	SR '000	SR '000
Payable to third parties	323,941	328,566
Payable to related parties (note 35)	1,106	4,219
	325,047	332,785

31. ACCRUED EXPENSES AND OTHER LIABILITIES

	2020	2019
	SR'000	SR'000
Accrued salaries, wages and benefits	7,073	5,536
Accrued sales agency fees	9,240	10,813
Accrued finance costs	20,671	22,959
Other	50,312	41,486
	87,296	80,794

32. EMPLOYEES' TERMINATION BENEFITS PROVISION

The movement in employees' termination benefits provision, a defined benefit plan, during the year is as follows:

	2020	2019
	SR '000	SR '000
At January 1,	69,522	67,691
Expense charged to profit or loss	6,929	7,327
Actuarial remeasurement charged to OCI	(1,190)	2,858
Benefits paid during the year	(8,703)	(8,354)
At December 31,	66,558	69,522

The expense charged to profit or loss comprises:

	2020	2019
	SR '000	SR '000
Current service cost	5,254	5,119
Interest cost	1,675	2,208
Cost recognized in profit or loss	6,929	7,327

Significant actuarial assumptions:

	As at December 31,	
	2020	2019
Discount factor used	1.70%	3.90%
Salary increase rate	3.40%	5.40%
Rates of employee turnover	Moderate	Moderate

Sensitivity analysis of key actuarial assumptions are as follows:

	December 31, 2020		December 31, 2019	
	%	SR '000	%	SR '000
Discount rate				
Increase	+ 0.50%	64,899	+ 0.50%	67,786
Decrease	- 0.50%	68,316	- 0.50%	71,362
Salary growth rate				
Increase	+ 0.50%	68,293	+ 0.50%	71,336
Decrease	- 0.50%	64,905	- 0.50%	67,794

Maturity analysis
Employee termination benefits are expected to be settled as follows:

	2020	2019
	SR '000	SR '000
Within one year	12,422	13,034
Between 2 and 5 years	30,575	32,676
Between 6 and 10 years	29,218	33,458
	72,215	79,168

33. WARRANTY PROVISIONS

	2020	2019
	SR'000	SR'000
At January 1,	4,752	6,216
Additions (reversals)	4,038	(1,441)
Foreign currency translation adjustments	106	(23)
At December 31,	8,896	4,752

34. PROVISION FOR ONEROUS CONTRACTS

The provision relates mainly to the losses expected to be incurred to complete a fixed price contract in Samawa, Iraq. The project is expected to be completed in 2023. The movement in the provision for onerous contracts is as follows:

	2020	2019
	SR'000	SR'000
At January 1,	128,655	119,102
Additions	34,676	33,601
Utilizations	-	(21,433)
Foreign currency translation adjustments	11,814	(2,615)
At December 31,	175,145	128,655

35. RELATED PARTY DISCLOSURES

The following table provides the total amount of material transactions that have been entered into with related parties:

		Sales to related parties	Purchases from / payments made to related parties	Amounts due from related parties*	Amounts due to related parties*
		SR'000	SR'000	SR'000	SR'000
Associate:					
Amiantit Qatar Pipe	**2020**	-	-	**222**	-
Company Limited	2019	-	-	2,718	-
Joint ventures:					
Amiblu Germany GmbH	**2020**	-	-	**198**	-
	2019	-	-	39	-
Subor	**2020**	-	-	**128**	-
	2019	-	-	3,877	-
Amitech Algeria	**2020**	-	-	**1,101**	-
	2019	-	-	360	-
Total	**2020**	-	-	**1,649**	-
	2019	-	-	6,994	-

Amounts due from related parties as at December 31, 2020 is net of an impairment loss of SR 10.07 million (2019: SR 17.18 million) (refer note 21).

* The amounts are classified as trade receivables and accounts payable, respectively.

		Interest received from/ (paid to) related parties	Amounts due from/(to) related parties
		SR'000	SR'000
Loans from / to related parties			
Associates:			
East Gas Company	**2020**	-	-
	2019	-	(2,322)
Others	**2020**	-	**(101)**
	2019	-	(183)
Joint venture:			
Amiblu Tech AS	**2020**	-	**(1,005)**
	2019	-	(1,714)
Total	**2020**	-	**(1,106)**
	2019	-	(4,219)

Compensation of key management personnel of the Group

	2020	2019
	SR'000	SR'000
Short term benefits	**5,579**	5,772
Termination benefits	**418**	468
Total compensation for key management personnel	**5,997**	6,240

The amounts disclosed in the table are the amounts recognised as an expense during the year for the top five executives.

36. SHARE CAPITAL

	2020	2019
Authorized, issued and fully paid		
Number of ordinary shares with a nominal value of SR 10 per share	**32,000,000**	34,451,700
Share capital (SR'000)	**320,000**	344,517

On December 1, 2020 (corresponding to 16 Rabi' II 1442H), the Company's shareholders in their Extraordinary General Assembly (EGA) approved a share capital reduction from SR 344.5 million to SR 200.0 million by reducing the number of shares from 34.5 million shares to 20.0 million shares of SR 10 each to offset SR 144.5 million of the Company's accumulated losses. In the same EGA, the shareholders also approved rights issue of 12 million ordinary shares of SR 10 each to increase the number of shares from 20.0 million shares to 32.0 million shares of SR 10 each and use the net proceeds to finance the working capital as well as repayment of certain dues to suppliers and commercial banks.

On September 8, 2019 (corresponding to 9 Muharram 1441H), the Company's shareholders in their Extraordinary General Assembly approved a share capital reduction from SR 1,155 million to SR 344.5 million by reducing the number of shares from 115.5 million shares to 34.5 million shares of SR 10 each to offset SR 810.5 million of the Company's accumulated losses. The capital market authority approved the reduction in its decision on August 21,2019.

Having reviewed the financial statement of the Company for the second quarter of 2020, which has been approved by the Board of Directors on August 20, 2020, the total accumulated losses reached approximately SR 206.9 million, which represented 60% of the share capital. In accordance with Article 130 of the Companies' Law which allows to use the legal statutory reserve to offset accumulated losses, and in accordance with the powers conferred upon the Board of Directors by virtue of the Company's bylaws, the Board of Directors has resolved on August 26, 2020 to reduce the legal statutory reserve to 30.2% by conversion of SR 57.3 million to offset part of the accumulated losses.

37. EMPLOYEE SHARE OWNERSHIP PLAN AND RESERVE

The Company had implemented an Employee Share Ownership Plan ("ESOP"), which provides an award for service to certain levels of employees effective January 1, 2012. During 2012, the Company purchased 2.5 million of its own shares, through a financial institution, for the purpose of the ESOP which have been recorded under "Employee share ownership plan and reserve" in the consolidated statement of financial position. These employees, subject to their subscription to ESOP, after completing employment with the Group for a period of three years and maintaining a required level of performance, were awarded shares of the Company, at no cost, upon the vesting date during 2015. The total number of shares awarded in 2015 was 564,309 shares.

During the year, the Company assigned the number of earmarked share options to the trustee that represented the value of the remaining shares held in the of the Company for future options. The Company intends to transfer the same to employees in the coming years. The Company recorded a net loss of SR 26.8 million upon remeasurement of the Employee Share Option Plan (refer note 12).

As at December 31, 2020, 536 thousand shares are held by the Group as treasury shares (2019: 577 thousand shares).

38. INTEREST RATE SWAP

As at December 31, 2020, the Group's interest rate swap ("IRS") contract with a local commercial bank in relation to loans with variable profit rates has been concluded either because we ended up the loans with the commercial banks or the banks did not fix the swap deal due to the loans of the Group getting rolled over every month. As at December 31, 2020, the nominal amount of the IRS contract was SR nil million (December 31, 2019: SR 12.9 million). The fair value of the IRS contract has already reached as at December 31, 2020 to SR nil million (December 31, 2019: a decline of SR 0.030 million).

The Group accounts for the IRS contract as an effective cash flow hedge. Accordingly, the Group recorded the decline in fair value of the IRS contract in other comprehensive income and a corresponding non-current liability was recorded in the consolidated statement of financial position.

39. COMMITMENTS AND CONTINGENCIES

39.1 **Commitments for capital expenditure:**

The capital expenditure contracted by the Group but not yet incurred at December 31, 2020 was SR 2.6 million (December 31, 2019: SR 2.7 million).

39.2 **Contingencies**

39.2.1 The Group owns a parcel of industrial land in Jeddah which it has fully impaired and 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.

39.2.2 As at December 31, 2020, the Group is involved in certain law-suits for an amount of SR 31.0 million (2019: SR 26.4 million) by a number of vendors and customers against the Group. The Group management believes that no material loss will arise upon the ultimate resolution of these matters and accordingly, no provision has been recorded in the accompanying financial statements.

39.3 **Guarantees:**

The Group was contingently liable for bank guarantees issued in the normal course of the business amounting to SR 73.0 million as at December 31, 2020 (December 31, 2019: SR 108.2 million). The Group, collectively with other shareholders of equity accounted investments, is also contingently liable for corporate guarantees amounting to SR 554.0 million at December 31, 2020 (December 31, 2019: SR 543.0 million) in relation to the borrowing facilities of related joint ventures and associated companies.

40. IMPACT OF COVID 19

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and declared as Public Health Emergency of International Concern on January 30, 2020 by World Health Organization. Covid-19 has spread across multiple geographic regions around the world, causing disruptions to businesses and economic activity. The spread of Covid-19 was reported in Saudi Arabia in March 2020, resulting in lockdown of major cities. The Group has evaluated the Covid-19 related effects in respect of current and future operation. Based on the assessment performed, adjustments where necessary have been recognized in these consolidated financial statements. As the situation is fluid and rapidly evolving, the estimates, assumptions and judgments made by the Group in respect of the carrying amounts of assets and liabilities as presented in these consolidated financial statements represent their best estimate under the current circumstances.

41. SUBSEQUENT EVENT

Subsequent to the year ended December 31, 2020, one of the Company's subsidiary ("AIH") has sold 50% of its ownership in Amitech Morocco to the Company's Joint venture (Amiblu) for an amount of EURO 2.7 million, the investment was fully impaired prior to the disposal. Since as at the date of our reporting, only the terms and conditions between AIH and Amiblu were signed, the Company only disclosed the transaction according to IAS 10 and has not recorded an amount of EURO 2.7 million as gain on disposal of investment in equity accounted investment on the consolidated statement of profit or loss.

42. REARRANGEMENTS. COMPARATIVE INFORMATION AND CORRECTION OF PRIOR PERIOD ERRORS

42 Certain comparative information has been rearranged/reclassified in order to conform to the presentation adopted in the current year. Significant re-arrangements and re-classifications are as follows:

From	December 31. 2019	To	December 31. 2019
	SR'000		SR'000
Consolidated statement of profit or loss:			
Selling. general and administrative expenses	101,001	Selling and marketing expenses	23.115
		General and administrative expenses	73.753
		Impairment loss on financial assets	4.133
	101.001		101.001

42 During the current year, errors in previously recorded liabilities amounting to SR 14,075 were identified which did not represent any present obligation of the Group and management does not expect any futrue outflow of the resources in respect of those erroneously recorded liabilities. Hence, the identified error has been corrected in these consolidated financial statements and opening equity balance of 2019 has been restated accordingly. The effect of the restatement is summarized as follows:

From	December 2019	January 1, 2019	To	December 2019	January 1, 2019
	SR'000	SR'000		SR'000	SR'000
Consolidated statement of financial position:					
Other non-current liabilities	13,564	13,511	Other non-current liabilities	30	182
Less: reversal of provision	(14,075)	(14,075)			
Add: Deferred tax assets reclass	541	746			
	30	182		30	182
Deferred tax assets:					
Deferred tax assets	-	-	Deferred tax assets	541	746
Equity:					
Accumulated losses	(32,369)	(500,995)	Accumulated losses	(18.294)	(486.920)
Add: reversal of provision	14,075	14,075			
	(18.294)	(486.920)		(18.294)	(486.920)

43. DATE OF AUTHORIZATION

These consolidated financial statements were authorized for issue by the Group's Board of Directors on 12 Sha'aban 1442H corresponding to 25 March 2021G.