

**ABDULLAH ABDUL MOHSIN AL-KHODARI SONS
COMPANY**
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH INDEPENDENT AUDITOR'S REPORT**

ABDULLAH ABDUL MOHSIN AL-KHODARI SONS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

(1/6)

To the Shareholders of
Abdullah Abdul Mohsin Al-Khodari Sons Company
(A Saudi Joint Stock Company)
Dammam, Kingdom of Saudi Arabia

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Abdullah Abdul Mohsin Al-Khodari Sons Company, (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2018, 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.

We do not express an opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for Disclaimer of Opinion

1. Opening balances

The consolidated financial statements of the Group for the year ended December 31, 2017 have been audited by another auditor who expressed a qualified opinion on Rajab 14, 1439H (corresponding to March 31, 2018). As at December 31, 2017, 'trade and other receivables' and 'contracts assets' amounted to SR 593 million and SR 1,386.3 million respectively (before restatement); of which, SR 305 million and SR 1,010 million, respectively, were outstanding for more than one year. The predecessor auditor was not provided with detailed workings substantiated with proper evidence to support the assumptions and basis used in the impairment exercise done by the Group's management. Accordingly, predecessor auditor was unable to determine whether any adjustment for impairment was required to these balances as at December 31, 2017.

We draw attention to note 34 to the accompanying consolidated financial statements which states that these balances were restated by management during the year ended December 31, 2018 and these restated balances of 'trade and other receivables' and 'contract assets' amounted to SR 549.4 million and SR 1,410.8 million, respectively, as at December 31, 2017. The restatement included a provision for impairment loss amounted to approximately SR 235.1 million which was estimated based on management's assumptions and estimates of expected recoveries on these balances. The restatement was accounted by management retrospectively as a prior period correction. We were unable to obtain sufficient audit evidence that support these management's assumptions which were used in the impairment exercise and accordingly, were unable to assess / conclude the reasonableness of these assumptions. Consequently, we were unable to satisfy ourselves if any adjustments are required in these consolidated financial statements for the year ended December 31, 2017 and balances as of January 1, 2017 as a result of this matter.

2. Trade and other receivables, contract assets and advances to vendors

As at December 31, 2018, the carrying values of 'trade and other receivables' and 'contract assets' amounted to SR 360 million and SR 336 million respectively; net of total cumulative provisions for impairment loss of SR 230.3 million. We have not received any responses on the balance confirmations of trade and other receivables nor have we been provided with sufficient supporting documents to apply alternative audit procedures. Additionally, we were unable to satisfy ourselves as to the sufficiency and appropriateness of the evidences provided by management to conclude whether the assumptions and estimates used for provision of impairment loss calculations for trade and other receivables and contract assets under the expected credit loss (ECL) model were reasonable.

In addition, as at December 31, 2018 the Group had an outstanding balance of advances to vendors amounted to SR 72.4 million. Based on the information provided, we were unable to satisfy ourselves in respect of subsequent clearance for these balances. Accordingly, we were unable to obtain sufficient and appropriate audit evidence to assess the recoverability of these balances.

As a result, we were unable to assess the existence and valuation of the trade and other receivables, contract assets and advances to vendors and the sufficiency of the provision required under the current circumstances. Consequently, we are unable to determine whether any adjustments are required to be made against trade and other receivables and contract assets and advances to vendors.

INDEPENDENT AUDITOR'S REPORT (Continued)

(2/6)

To the Shareholders of
Abdullah Abdul Mohsin Al-Khodari Sons Company
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Dammam, Kingdom of Saudi Arabia

Basis for Disclaimer of Opinion (Continued)

3. Revenue recognition

During the year, various negotiations were made with projects' owners for the resumption / cancelation of some of these projects. Based on these negotiations, some of these projects were accordingly canceled while others were temporarily put on hold. Consequently, a write off amounted to SR 741.4 million was recognized by management on these contracts, hence affecting both contracts assets and contracts costs. While, we have been provided with the cancellation letters for the cancelled projects however, it did not include sufficient detailed information with respect to the discharge documents, related guarantees, advance payments, and future status of on these projects. Accordingly, we were unable to determine whether any adjustments are required to the revenues recognized during the year, and related contracts assets and actual costs in addition to the related advances from customers.

In accordance with the Group's policies, revenue on long term contracts is recognized under percentage of completion method by reference to the stage of completion of the contract activity. During 2018, management re-assessed the cost to complete (CTC) for all of its construction contracts. The reassessment resulted in additional costs being incurred on these contracts hence the percentage of completion was revised accordingly and net losses were ultimately increased by SR 170.6 million.

The assessment made by the management for the CTC did not consider all the updates in costs incurred on these contracts up to the date of our audit report including additional cost overruns, deferred mobilization cost, deferred revenues, provision for contract losses, accounts payable, delays encountered and other relevant matters / factors associated with these contracts. Additionally, the assessment did not provide the basis used by management in allocating common cost to these projects including depreciation, amortization of deferred mobilization cost and deferred revenue, labor and other related costs. Further, the assessment did not consider expected penalties and delay fines associated with the delay in the execution of these projects, and we have not been provided with agreement or contracts extensions for the waiver of such penalties.

Based on the above aforementioned points, it was not possible for us to assess the reasonableness of the cost to complete estimates and its corresponding impact on various captions of the accompanying consolidated financial statements for the year ended December 31, 2018.

4. Cash and cash equivalents and borrowings

We have not received direct balance confirmations from certain banks for current accounts amounted to SR 11 million, margins against letters of guarantees amounted to SR 2.6 million, bank performance and advances guarantees amounted to SR 79 million, bank borrowings amounted to SR 18.2 million and related supporting documents for finance cost amounted to SR 56.6 million and accrued interest cost amounted to SR 31.4 million. In addition, cash on hand includes an amount of SR 24.2 million which is held by Ministry of Labor to settle the outstanding dues of the employees of the Group, and in addition it includes cash in hand by an amount of SR 8.2 million, and based on the information provided, we were unable to satisfy ourselves in respect of subsequent utilization of cash held by Ministry of Labor. Further, we were not able to perform alternative procedures to verify the cash in hand. Accordingly, we were not able to verify the existence, completeness and valuation of cash and cash equivalents, outstanding borrowings, margins against letter of guarantees, bank performance and advances guarantees, finance cost and accrued interest cost.

As stated in note 19 to the accompanying consolidated financial statements, the group was required to comply with financial covenants attached with borrowings. During the year, the Group was in breach of certain covenants. We were not able to assess the impact of the breach of covenants on the Group's financial position as of December 31, 2018.

INDEPENDENT AUDITOR'S REPORT (Continued)

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To the Shareholders of
Abdullah Abdul Mohsin Al-Khodari Sons Company
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Dammam, Kingdom of Saudi Arabia

Basis for Disclaimer of Opinion (Continued)

4. Cash and cash equivalents and borrowings (Continued)

Moreover, we were not provided with the supporting documents for transactions made during the year with the related parties and their respective cash receipt and payment. Accordingly, we were unable to obtain sufficient and appropriate audit evidence to assess the valuation and completeness of the disclosed transactions with related parties in the accompanying consolidated financial statements.

5. Property and equipment, assets classified as held for sale and inventories

As at December 31, 2018 the Group has property and equipment, assets classified as held for sale and inventories amounted to SR 85.7 million, 14.2 and SR 34.1 million, respectively. We did not observe the physical count of inventory and property and equipment taken as at December 31, 2018 because the date was prior to our initial engagement as auditors for the Group and the Group's records do not permit retrospective verification of inventory quantities, nor have we been able to perform alternative audit procedures to verify property and equipment, assets classified as held for sale and inventories.

Management conducted an impairment study during the year and recorded impairment losses on property and equipment, assets classified as held for sale and inventories by SR 10.9 million, SR 1.3 million and SR 9 million, respectively. We were not provided with the supporting evidence for these estimates or the assumptions used to arrive to such impairments to enable us to determine whether the estimates and assumptions used by the Group's management are reasonable taking into consideration the expected future use, current economic conditions and the status of the Group's projects. In addition, we were not able to reconcile the disposal proceeds received of assets classified as held for sale to accounting records. Accordingly, we were unable to determine whether any adjustments are required to be made in connection with the existence, completeness and valuation of property and equipment, assets classified as held for sale and inventories were necessary.

6. Trade payables and other accruals

As at December 31, 2018, the Group has accrued employee salaries and unsettled benefits of non-existing employees amounted to SR 124 million, classified under other payables and other employee's accruals for vacation, tickets and bonus payables classified under provisions and other liabilities amounted to SR 12.1 million. Based on the data provided to us we were unable to satisfy ourselves in respect of existence, completeness, and valuation of employees' accrual as a whole as well as employees cost charged to cost of revenue, selling and distribution expenses and general and administration expenses. Moreover, on trade payables, differences were identified when reconciling the balances for a certain subcontractor having a total outstanding balance as of December 31, 2018 amounting to SR 42.7 million, where we have neither been provided with balance confirmation as of December 31, 2018 nor have we been able to reconcile the related subsequent transactions. Accordingly, we were unable to apply any alternative audit procedures to satisfy ourselves for the completeness, existence and valuation of the sub-contractor balance as of December 31, 2018.

INDEPENDENT AUDITOR'S REPORT (Continued)

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To the Shareholders of
Abdullah Abdul Mohsin Al-Khodari Sons Company
(A Saudi Joint Stock Company)
Dammam, Kingdom of Saudi Arabia

Basis for Disclaimer of Opinion (Continued)

7. Zakat position and value added tax

The Group has not filed its zakat return to the General Authority of Zakat and Tax (GAZT) for the years ended December 31, 2018 and 2019. The Group received zakat assessments for the years from 2014 to 2018 claiming additional preliminary zakat payments amounted to SR 293.8 million. In addition, the Group has already recorded Zakat provision for the year 2018 by an amount of SR 0.5 million, based on its zakat calculation, in which it had not considered the changes in zakat regulations, which may result in an additional impact of SR 28.8 million. Moreover, the Group received an assessment related to value added tax (VAT) claiming for additional VAT payments and penalties amounted to SR 28.3 million and SR 31.2 million, respectively. We have not been provided with an assessment for the expected outcomes of these claims and accordingly, we were unable to assess the adequacy of the zakat and VAT provisions required as at December 31, 2018 and whether any adjustments are required to be made in the provision for zakat and VAT as at December 31, 2018 in this respect.

8. Going concern assessment

We draw attention to note 2.4 to the accompanying consolidated financial statements which states that the Group's net working capital was in deficit by SR 1,149 million as at December 31, 2018 and the accumulated losses at December 31, 2018 amounted to SR 1,832.9 million, which exceeded the Group's share capital of SR 557.8 million. In compliance with Article 150 of the Regulations for Companies, the shareholders are therefore, required to resolve to increase the company's share capital or decrease it to the extent that the accumulated losses doesn't exceed 50% of the share capital or liquidate the company before its maturity as per its bylaws.

Moreover, in the Extra Ordinary General Assembly Meeting (EOGAM), held on March 13, 2019, shareholders resolved to continue the Group's operations and proceed with capital restructuring through several stages including increasing and decreasing capital, so that the accumulated losses ratio to share capital are reduced to become below 50%. The Group's shares were suspended from Tadawul on April 30, 2019.

On May 29, 2019, the Group received an official notice from the Commercial Court in Dammam to initiate the financial reorganization procedures under Bankruptcy law based on the request of one of the Group's creditors. The First Commercial Chamber of the Commercial Court in Dammam held its meeting on Shawwal 9, 1440H (June 12, 2019) to consider the request for the start of the financial reorganization procedures. On July 1, 2019, the Commercial Court in Dammam approved the start of financial reorganization procedures and also approved the appointment of the trustee.

Further to the appointment of trustee of financial restructuring, the trustee made an official announcement dated July 10, 2019 on bankruptcy commission website inviting the creditors of the Group to submit their claims not later than 90 days from the date of this announcement.

The total liabilities submitted to the court by the Group's creditors amounted to SR 1,712.7 million of which, part was fully approved, partially approved or rejected by the court according to the sufficiency of the documentation provided to the court. In case the liability was rejected by the court, the creditor has the right to file an appeal against the group and provide the appropriate documentation to support his claim. There are other number of claims with the court awaiting resolution as of the date of the approval of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (Continued)

(5/6)

To the Shareholders of
Abdullah Abdul Mohsin Al-Khodari Sons Company
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Dammam, Kingdom of Saudi Arabia

Basis for Disclaimer of Opinion (Continued)

8. Going concern assessment (Continued)

In accordance with Article 45 of the Bankruptcy Law and Article 42 of its Implementing Regulations, the request for the start of the financial reorganization procedures, as mentioned above, exempts the Group from applying the provisions of the Company's law in respect of the accumulated losses of 50% or more of the capital.

On May 12, 2020, the Group announced the receipt of an email from the financial restructuring trustee with an attachment of the final list of creditors approved by Dammam Commercial court.

On November 1, 2020, the Group announced for a shareholders' meeting to present the final financial reorganization plan which will include current challenges, restructuring and operational plan and the expected time line.

On January 3, 2021, the Group announced the appointment of an independent consultant firm to carry out special audit work against the responsibility of the previous board of directors and the previous executive management, results of which cannot be ascertained at this stage.

These conditions, along with other matters described in the paragraphs above indicate the existence of multiple uncertainties that cast significant doubts about the Group's ability to continue as going concern. Accordingly, we are unable to satisfy ourselves about the continuity of the Group as a going concern and its ability to realize its assets and discharge its liabilities in normal course of business.

The Group's ability to continue as a going concern is heavily dependent on the approval of the financial restructuring plan from the shareholders, creditors and the relevant authorities, in addition to successful implementation of the restructuring milestones by the Group and hence cannot be determined at this stage.

The accompanying consolidated financial statements have been prepared on a going concern basis considering the restructuring plan made by management in line with the regulations in this respect as discussed earlier.

Other Matter

The financial statements of the Group for the year ended December 31, 2017 were audited by another auditor who expressed a qualified opinion dated March 31, 2018.

Responsibilities of the board of the director and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the 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 has 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

(6/6)

To the Shareholders of
Abdullah Abdul Mohsin Al-Khodari Sons Company
(A Saudi Joint Stock Company)
Dammam, Kingdom of Saudi Arabia

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and to issue an auditor's report. However, because of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Group's consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Report on Other Legal and Regulatory Requirements

Based on the information that has been made available to us while performing our audit procedures, and except for the possible impacts of matters that has been mentioned in the "Basis for Disclaimer of Opinion" section in our report, nothing has come to our attention that causes us to believe that the Group is not in compliance, in all material respects, with the applicable requirements of the Regulation for Companies in the Kingdom of Saudi Arabia and the Company's By-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

Al-Bassam & Co.
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Al Khobar 31952
Kingdom of Saudi Arabia



Ibrahim A. Al Bassam
License No.337
January 12, 2021
Jumada Al- Awwal 28, 1442

ABDULLAH ABDUL MOHSIN AL-KHODARI SONS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

(Expressed in Saudi Riyals)

		December 31, 2018	December 31, 2017 (Restated) (Note 34)	January 1, 2017 (Restated) (Note 34)
ASSETS	Notes			
Non-current assets				
Property and equipment	6	85,665,872	190,132,054	314,727,108
Intangible assets	7	772,143	1,279,630	1,715,034
Deposits, prepayments and other assets	11	2,230,761	55,891,864	85,405,170
		88,668,776	247,303,548	401,847,312
Current assets				
Trade and other receivables, net	8	359,963,900	549,392,582	579,042,567
Inventories, net	9	34,134,977	49,269,131	60,050,792
Contracts assets, net	10	335,992,018	1,410,848,688	1,326,831,252
Deposits, prepayments and other assets, net	11	96,771,064	208,430,087	254,816,976
Cash and cash equivalents	12	61,958,817	35,116,663	73,784,743
		888,820,776	2,253,057,151	2,294,526,330
Assets classified as held for sale	13	14,179,540	1,015,864	2,460,075
		903,000,316	2,254,073,015	2,296,986,405
TOTAL ASSETS		991,669,092	2,501,376,563	2,698,833,717
EQUITY, NON CONTROLLING INTEREST AND LIABILITIES				
Equity				
Share capital	14	557,812,500	557,812,500	557,812,500
Statutory reserve	15.1	70,988,856	70,988,856	70,988,856
Loans from a shareholder	20	8,841,155	24,119,229	15,278,074
Translation reserve	15.2	(365,762)	(351,902)	(392,753)
Other reserve	15.3	558,911	558,911	558,911
Re-measurement reserve		5,338,563	5,602,300	-
Accumulated losses		(1,832,875,815)	(255,103,731)	(198,690,683)
Equity attributable to the shareholders		(1,189,701,592)	403,626,163	445,554,905
Non-controlling interest	16	547,085	547,612	555,816
TOTAL EQUITY AND NON CONTROLLING INTEREST		(1,189,154,507)	404,173,775	446,110,721
Non-current liabilities				
Advances from customers	18	56,964,268	87,064,399	119,949,952
Borrowings	19	-	411,883,764	300,340,926
Loans from a shareholder	20	45,926,563	106,158,845	124,621,253
Employee benefit obligations	21	33,006,277	59,054,300	61,003,800
Provisions and other liabilities	22	7,093,797	31,465,115	31,531,954
		142,990,905	695,626,423	637,447,885
Current liabilities				
Trade and other payables	18	959,379,608	870,859,754	977,373,047
Borrowings	19	756,096,042	355,497,607	579,596,216
Loans from a shareholder	20	242,000,576	129,706,859	-
Provisions and other liabilities	22	80,356,468	45,512,145	58,305,848
		2,037,832,694	1,401,576,365	1,615,275,111
Total liabilities		2,180,823,599	2,097,202,788	2,252,722,996
TOTAL EQUITY, NON CONTROLLING IN- TEREST AND LIABILITIES		991,669,092	2,501,376,563	2,698,833,717

Commitments and contingent liabilities

32, 33

These consolidated financial statements were approved and authorised for issue by the board of directors on behalf of the shareholders on January 11, 2021

Sohail Saeed
Financial Manager

Sultan Al Hajri
Chairman

Ali Al Busalch
Chief Executive Officer

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


ABDULLAH ABDUL MOHSIN AL-KHODARI SONS COMPANY
(A SAUDI JOINT STOCK COMPANY)

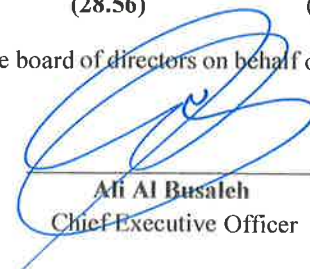
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(Expressed in Saudi Riyals)

		December 31, 2018	December 31, 2017 (Restated) (Note 34)
	Notes		
Revenue	23	164,688,523	519,466,019
Cost of revenue	24	(1,528,039,400)	(526,707,328)
Gross loss		(1,363,350,877)	(7,241,309)
Selling and distribution expenses	25	(3,091,004)	(4,593,042)
General and administrative expenses	26	(27,952,984)	(33,826,318)
(Charge) / reversal for impairment on trade receivables	8	(135,361,029)	8,607,147
Impairment of property and equipment and assets classified as held for sale	6 , 13	(12,221,204)	-
Operating loss		(1,541,977,098)	(37,053,522)
Finance cost	19 , 27	(89,170,667)	(73,888,061)
Other income, net	28	38,597,072	56,770,219
Loss before zakat		(1,592,550,693)	(54,171,364)
Zakat	29	(500,000)	(2,250,000)
Net loss for the year		(1,593,050,693)	(56,421,364)
Other comprehensive (loss) / income			
<i>Items that may be reclassified to profit or loss</i>			
(Loss) / gain on translation of foreign operations		(13,852)	40,963
<i>Items that will not be reclassified to profit or loss</i>			
(Loss) / gain on re-measurement of employees benefit obligations	21	(263,737)	5,602,300
Other comprehensive (loss) / income		(277,589)	5,643,263
Total comprehensive loss for the year		(1,593,328,282)	(50,778,101)
Net loss attributable to:			
Shareholders of the Group		(1,593,050,158)	(56,413,048)
Non-controlling interests	16	(535)	(8,316)
		(1,593,050,693)	(56,421,364)
Total comprehensive loss attributable to:			
Shareholders of the Group		(1,593,327,755)	(50,769,897)
Non-controlling interests	16	(527)	(8,204)
		(1,593,328,282)	(50,778,101)
Loss per share			
Basic and diluted	17	(28.56)	(1.01)

These consolidated financial statements were approved and authorised for issue by the board of directors on behalf of the shareholders on January 11, 2021.


Suhail Saeed
Financial Manager


Sultan Al Hajri
Chairman


Ali Al Busaleh
Chief Executive Officer

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

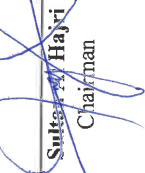
ABDULLAH ABDUL MOHSIN AL-KHODARI SONS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018
(Expressed in Saudi Riyals)

	Share capital	Statutory reserve	Contribution from a shareholder	Translation reserve	Other reserve	Re-measurement reserve	Accumulated losses	Equity attributable to the shareholders	Non controlling interest	Total
At January 1, 2017 (before restatement)	557,812,500	70,988,856	15,278,074	(392,753)	558,911	-	81,441,463	725,687,051	555,816	726,242,867
Restatement (note 34)	-	-	-	-	-	-	(280,132,146)	(280,132,146)	-	(280,132,146)
At January 1, 2017 (restated)	557,812,500	70,988,856	15,278,074	(392,753)	558,911	-	(198,690,683)	445,554,905	555,816	446,110,721
Loss for the year (restated – note 34)	-	-	-	-	-	-	(56,413,048)	(56,413,048)	(8,316)	(56,421,364)
Other comprehensive income for the year	-	-	-	40,851	-	5,602,300	-	5,643,151	112	5,643,263
Total comprehensive loss for the year	-	-	-	-	-	-	-	-	-	-
(restated – note 34)	-	-	-	40,851	-	5,602,300	(56,413,048)	(50,769,897)	(8,204)	(50,778,101)
Present value impact of loan from a shareholder (note 20)	-	-	8,841,155	-	-	-	-	8,841,155	-	8,841,155
At December 31, 2017 (restated – note 34)	557,812,500	70,988,856	24,119,229	(351,902)	558,911	5,602,300	(255,103,731)	403,626,163	547,612	404,173,775
At January 1, 2018 (before restatement)	557,812,500	70,988,856	24,119,229	(351,902)	558,911	5,602,300	(19,995,189)	638,734,705	547,612	639,282,317
Restatement (note 34)	-	-	-	-	-	-	(235,108,542)	(235,108,542)	-	(235,108,542)
At January 1, 2018 (restated)	557,812,500	70,988,856	24,119,229	(351,902)	558,911	5,602,300	(255,103,731)	403,626,163	547,612	404,173,775
Loss for the year	-	-	-	-	-	-	(1,593,050,158)	(1,593,050,158)	(535)	(1,593,050,693)
Other comprehensive (loss) / income for the year	-	-	-	(13,860)	-	(263,737)	-	(277,597)	8	(277,589)
Total comprehensive loss for the year	-	-	-	(13,860)	-	(263,737)	(1,593,050,158)	(1,593,327,755)	(527)	(1,593,328,282)
Transfer of contribution from a shareholder to accumulated losses (note 20)	-	-	(15,278,074)	-	-	-	15,278,074	-	-	-
At December 31, 2018	557,812,500	70,988,856	8,841,155	(365,762)	558,911	5,338,563	(1,832,875,815)	(1,189,701,592)	547,085	(1,189,154,507)

These consolidated financial statements were approved and authorised for issue by the board of directors on behalf of the shareholders on January 11, 2021


Sohail Saeed
Financial Manager


Sultan Al Hajri
Chairman


Ali Al Busaleh
Chief Executive Officer

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

ABDULLAH ABDUL MOHSIN AL-KHODARI SONS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2018
(Expressed in Saudi Riyals)

	December 31, 2018	December 31, 2017 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss before zakat	(1,592,550,693)	(54,171,364)
<i>Adjustments for:</i>		
Depreciation	60,817,737	95,349,728
Amortisation of intangible assets	507,487	562,772
Amortisation of deferred mobilization cost	108,352,807	7,467,768
Impairment of property & equipment and assets classified as held for sale	12,221,204	-
Impairment of other assets	7,685,667	-
Income from interest free loan	(6,941,840)	-
Provision for slow moving and obsolete inventories	9,027,700	-
Provision for foreseeable losses	30,230,949	-
Provision for warranty, net	1,824,970	1,553,222
Net (reversal) / provision for site restoration	(2,677,615)	54,305
Charge / (reversal) for impairment on trade receivables	135,361,029	(8,607,147)
(Reversal) for impairment on contract assets	-	(36,416,457)
Written off of contracts assets due to change in estimates	170,638,293	-
write off of contract assets due to cancellation of projects	741,404,822	-
Provision for employees' benefit obligations	7,331,390	10,381,900
Gain on disposal of assets classified as held for sale	(18,398,584)	(30,804,750)
Finance cost	89,170,667	73,888,061
<i>Working capital adjustments</i>		
Inventories	6,106,454	10,781,661
Trade and other receivables	54,067,653	38,257,132
Contract assets	162,813,555	176,951,827
Deposits, prepayments and other assets	49,281,652	68,432,427
Trade and other payables	90,213,369	(329,897,986)
Advances from customers	(87,492,116)	(49,648,866)
Provisions and other liabilities	(37,711,959)	(13,326,610)
Cash used in operating activities	(8,715,402)	(39,192,377)
Finance cost paid	(30,544,491)	(48,685,457)
Zakat paid	-	(3,391,459)
Employee benefit obligations paid	(6,097,446)	(6,729,100)
Net cash used in operating activities	(45,357,339)	(97,998,393)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(325,528)	(9,301,536)
Proceeds from disposal of assets classified as held for sale	36,987,677	70,795,823
Purchase of intangible assets	-	(127,368)
Net cash generated from investing activities	36,662,149	61,366,919
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loans	(11,285,329)	(112,555,771)
Loan from a shareholder, net	46,836,525	111,675,252
Dividends paid	-	(1,197,050)
Net cash generated from/(used in) financing activities	35,551,196	(2,077,569)
Net change in cash and cash equivalents	26,856,006	(38,709,043)
Net foreign currency translation of foreign operations	(13,852)	40,963
Cash and cash equivalents at the beginning of the year	35,116,663	73,784,743
Cash and cash equivalents at the end of the year	61,958,817	35,116,663

Supplemental cash flow information (note 12.3)

These consolidated financial statements were approved and authorised for issue by the board of directors on behalf of the shareholders on January 11, 2021

Sohail Saeed
Financial Manager

Sultan Al Hajri
Chairman

Ali Al Busaleh
Chief Executive Officer

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

ABDULLAH ABDUL MOHSIN AL-KHODARI SONS COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Expressed in Saudi Riyals)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Late Sheikh Abdullah Abdul Mohsin Al-Khodari founded a sole proprietorship in the Kingdom of Saudi Arabia in 1966 as general contracting. It was converted to a Saudi limited partnership under the name of Abdullah Abdul Mohsin Al-Khodari Sons Company on 25 Rajab 1412H (corresponding to January 30, 1992). It was again converted into a Saudi Closed Joint Stock Company in accordance with Ministerial Resolution Number 152/Q dated Jumad Awwal 16, 1430H (corresponding to May 11, 2009).

On June 27, 2010, Capital Market Authority accepted the application of the management of the Company for initial public offering of 12.8 million shares at SR 48 per share with the subscription date from 4 to 10 October 2010. From October 23, 2010, the shares of the Company have been listed at Saudi Stock Exchange. As at December 31, 2018, the share capital of the Company comprises of 55,781,250 shares of SR 10 each. The Group shares were suspended on April 30, 2019 (see note 2.4).

The Company is registered in the Kingdom of Saudi Arabia under Commercial Registration number 2050022550. The head office of the Company is located in Dammam, Kingdom of Saudi Arabia and following are the details of the branches of the Company:

Sr. No.	Commercial Registration Number of Branch	Branch Location	Commercial Registration Expiry Date
1	2055010732	Al-Jubail, Kingdom of Saudi Arabia	19/07/1440H
2	2051022661	Al-Khobar, Kingdom of Saudi Arabia	19/02/1444H
3	2050046483	Al-Dammam, Kingdom of Saudi Arabia	09/06/1440H
4	4700004976	Yanbu, Kingdom of Saudi Arabia	09/06/1440H
5	2051020011	Al-Khobar, Kingdom of Saudi Arabia	09/06/1440H
6	4030091835	Jeddah, Kingdom of Saudi Arabia	09/06/1440H
7	4650023682	Al-Madina Al-Munawara, Kingdom of Saudi Arabia	09/06/1440H
8	2050055132	Al-Dammam, Kingdom of Saudi Arabia	17/05/1439H*
9	2051022869	Al-Khobar, Kingdom of Saudi Arabia	13/06/1444H
10	CN-1207723	Abu Dhabi, United Arab Emirates	21/10/2018G*
11	EXT-707	Republic of Ghana	21/05/2017G*
12	343067	State of Kuwait	26/09/2018G*
13	1010366806	Al-Riyadh, Kingdom of Saudi Arabia	27/04/1444H
14	86824-1	Kingdom of Bahrain	12/09/2018G*
15	3450015250	ARAR, Kingdom of Saudi Arabia	02/08/1442H
16	1010461107	Al-Riyadh, Kingdom of Saudi Arabia	02/08/1442H
17	5900034604	Jizan, Kingdom of Saudi Arabia	02/08/1442H
18	4032050375	Taif, Kingdom of Saudi Arabia	02/08/1442H
19	2511024989	Hafr Al-Batin, Kingdom of Saudi Arabia	02/08/1442H

* As at December 31, 2018, CRs of certain branches of the Group were expired. The management of the Group is in the process of renewing the expired CRs.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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1. ORGANIZATION AND PRINCIPAL ACTIVITIES (Continued)

At December 31, 2018, the Company has investments in the following subsidiaries (collectively referred to as "the Group"):

Subsidiary name	Country of incorporation	Ownership interest (%)	
		2018	2017
Abdulla Abdul Mohsin Al Khodari Sons Company, Qatar	Qatar	100%	100%
Al Khodari International group of Contracting L.L.C., Kuwait	Kuwait	99%	99%
Al Khodari International, Abu Dhabi	UAE	49%	49%

The Group is having 49% shareholding in Al Khodari International, Abu Dhabi, however, the Group administratively and operationally have full control over its subsidiary in UAE.

The Group is engaged in the following activities:

- General contracting works related to construction, renovation and demolition, roads, water and sewage system works, mechanical works, marine works, dams and well drilling.
- Maintenance and operation of roads and tunnels, irrigation sewage and dams, airports, power plants-sewage systems, training and educational centers, playgrounds, provisional and permanent exhibitions.
- Janitorial services, municipality works, commercial and residential building cleaning - landscaping, park cleaning and maintenance, disposal of wastes - cleaning of petroleum tanks and pipes.
- Air conditioning and refrigeration works.
- Travel and tourism.
- Cargo haulage.
- Publicity and advertisement.
- Management and operation of hospitals and health centers.
- Training centers.
- Management of hazardous industrial wastes.
- Manufacturing of waste squeezing equipment for vehicles, water and diesel tanks, waste containers different trailers, cement tanks, concrete moulds, arms for cranes, chassis, water boilers, pressure systems, heat exchangers, cement mixers, chinaware, electric bulbs and paraffin wax.
- Wholesale and retail trade of building materials, electric items, iron and steel, copper, lead, aluminium, hardware, medical and surgical equipment, hospital requirements, communication systems, cameras and accessories, electronic calculators, safety equipment, watches, glasses, industrial tools and equipment, road construction equipment, sewage treatment equipment, industrial cleaning equipment, industrial equipment control system, cement factory equipment, gypsum factory equipment, textile machines, heat exchangers, truck mounted cement mixers, axle fans, tunnel ventilation equipment, sound proof systems, agricultural machines, vehicles and spare parts, decoration items, chemical materials for industrial works, industrial equipment, chemical materials for sewage treatment, oils collection, treatment and burning of gases resulting from waste burial, indirect fans, emergency ventilation, engineering, fans, industrial jet, complete air tunnels, examination platforms, boilers and pressure regulators, petrochemical parts and equipment, acoustic cleaners, industrial blowers, gypsum machines, electrical and thermal probes, equipment for industry/ roads/ constructions, generators and turbines, stoves, stacks and rust removal machines.
- Construction, operation and maintenance of power plants, electrical utilities, desalination plants, sewerage treatment plants, petrochemical factories, gas and oil refineries, cement factories, industrial facilities.
- Industrial work contracts related to construction of factories, extension of oil and gas pipelines and petrochemical works.
- Commercial services related to brokerage other than exchange and real estate works.
- Commercial agencies, after registration of each agency with the ministry of commerce.
- Operation and maintenance of electrical and electronic systems and computers.
- Import and export services, marketing for others, cooked and uncooked food services, inspection interview services, packaging and shipment
- Maintenance and repair of cars.
- Wholesale and retail trading/ renting of light arid heavy equipment.
- Water works, sewerage, maintenance, landscaping and cleaning contracts.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

As required by the Capital Market Authority ("CMA") through its circular dated October 16, 2016 the Group needs to apply the cost model to measure the property and equipment, investment properties and intangible assets upon adopting the IFRS for three years' period starting from the IFRS adoption date which was later extended till December 31, 2021.

The consolidated financial information has been prepared under the historical cost convention, unless it is allowed by the IFRS to be measured at other valuation method as illustrated in significant accounting policies note.

2.2 Preparation of the consolidated financial statements

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts in consolidated financial statements. The estimates that are significant to the consolidated financial statements are disclosed in note 3.

2.3 Basis of Consolidation

The consolidated financial statements comprise those of Abdullah Abdul Mohsin Al-Khodari Sons Company and of its subsidiaries (the Group) as detailed in note 1.

Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses 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 listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the Consolidated Statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018
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2. BASIS OF PREPARATION (Continued)

2.3 Basis of Consolidation (Continued)

Consolidated Statement of profit or loss and each component of other comprehensive income are attributed to the shareholders of the Group. Total comprehensive income of subsidiary is attributed to the shareholders of the Group.

When necessary, adjustments are made to the consolidated financial statements of subsidiary to bring its accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognized in the consolidated statement of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified consolidated statement of profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2.4 Going concern

The Group's net working capital was in deficit by SR 1,149 million as at December 31, 2018 and the accumulated losses at December 31, 2018 amounted to SR 1,832.9 million, which exceeded the Group's share capital of SR 557.8 million. In compliance with Article 150 of the Regulations for Companies, the shareholders are therefore, required to resolve to increase the company's share capital or decrease it to the extent that the accumulated losses doesn't exceed 50% of the share capital or liquidate the company before its maturity as per its bylaws.

Moreover, in the Extra Ordinary General Assembly Meeting (EOGAM), held on March 13, 2019, shareholders resolved to continue the Group's operations and proceed with capital restructuring through several stages including increasing and decreasing capital, so that the accumulated losses ratio to share capital are reduced to become below 50%. The Group's shares were suspended from Tadawul on April 30, 2019.

On May 29, 2019, the Group received an official notice from the Commercial Court in Dammam to initiate the financial reorganization procedures under Bankruptcy law based on the request of one of the Group's creditors. The First Commercial Chamber of the Commercial Court in Dammam held its meeting on Shawwal 9, 1440H (June 12, 2019) to consider the request for the start of the financial reorganization procedures. On July 1, 2019, the Commercial Court in Dammam approved the start of financial reorganization procedures and also approved the appointment of the trustee.

Further to the appointment of trustee of bankruptcy, the trustee made an official announcement dated July 10, 2019 on bankruptcy commission website inviting the creditors of the Group to submit their claims not later than 90 days from the date of this announcement.

The total liabilities submitted to the court by the Group's creditors amounted to SR 1,712.7 million of which, part was fully approved, partially approved or rejected by the court according to the sufficiency of the documentation provided to the court. In case the liability was rejected by the court, the creditor has the right to file an appeal against the Company and provide the appropriate documentation to support his claim. There are other number of claims with the court awaiting resolution as of the date of the approval of these consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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2. BASIS OF PREPARATION (Continued)

2.4 Going concern (Continued)

In accordance with Article 45 of the Bankruptcy Law and Article 42 of its Implementing Regulations, the request for the start of the financial reorganization procedures, as mentioned above, exempts the Group from applying the provisions of the Company's law in respect of the accumulated losses of 50% or more of the capital.

On May 12, 2020, the Group announced the receipt of an email from the financial restructuring trustee with an attachment of the final list of creditors approved from Dammam Commercial court.

On November 1, 2020, the Group announced for a shareholders' meeting to present the final financial reorganization plan which will include current challenges, restructuring and operational plan and the expected time line.

The Group's ability to continue as a going concern is heavily dependent on the approval of the financial restructuring plan from the shareholders, creditors and the relevant authorities, in addition to successful implementation of the restructuring milestones by the Group and hence cannot be determined at this stage.

The accompanying consolidated financial statements have been prepared on a going concern basis considering the restructuring plan made by management in line with the regulations in this respect as discussed earlier.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEEMENTS

The preparation of these consolidated financial statements in conformity with International Financial Reporting Standards (IFRSs) requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following critical accounting estimates and judgments have the most significant effect on the amounts recognized in the consolidated financial statements:

- Percentage of completion of contracts
- Useful lives and residual value of property and equipment
- Provision for inventory obsolescence
- Impairment of non-financial assets
- Employees benefits – defined benefit plan
- Fair value measurements
- Capitalisation of mobilisation cost
- Impairment of financial assets

Percentage of completion of contracts

The Group uses the percentage of completion method (cost to cost method) to measure the progress of its construction contracts. At each reporting date, the Group estimates the stage of completion and the associated cost to complete on its construction contracts. This assessment requires the Group to measure estimates of future costs to be incurred on these contracts, cost of potential claims by subcontractors or projects owners and other contractual obligations associated with these contracts and respective customers (i.e project owners). Effect of any revision in these estimates are reflected in the year which these estimates were revised since contract costs can vary from initial estimates, the reliance on the total contract cost represent an uncertainty inherent in the revenue recognition process. When the expected contract cost exceeds the total expected contract revenue, the total expected loss is recognized immediately. The Group uses its engineering team to estimate the costs to complete of construction contracts based on best estimates available and considering the trends and experience in these contracts.

Useful lives and residual value of property and equipment

The Management determines the estimated useful lives of property and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Provision for inventory obsolescence

The Group determines its provision for inventory obsolescence based upon historical experience, expected inventory turnover, inventory aging and current condition, and current and future expectations with respect to sales. Assumptions underlying the provision for inventory obsolescence include future sales trends, and the expected inventory requirements and inventory composition necessary to support these future sales and offerings. The estimate of the Group's provision for inventory obsolescence could materially change from period to period due to changes in product offerings of those products.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use.

For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of income. Impairment losses recognized on goodwill are not reversible.

Fair value measurements

The Group measures financial instruments at fair value at each balance sheet 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 by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are 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, 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

External valuers are involved for valuation of significant assets, such as unquoted financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEEMENTS (Continued)

Employees benefits – defined benefit plan

The cost of employees' end of service benefits are determined using actuarial valuation. Certain actuarial assumptions have been adopted as disclosed in note 21 to the consolidated financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect gains and losses in those years.

Capitalisation of mobilization cost

The Group capitalize the costs incurred to fulfill a contract, those directly associated to existing or specific anticipated contract and those costs that generate or enhance resources of the entity that will be used to satisfy the performance obligations in the future and those costs that are expected to be recovered. Mobilization cost are amortized using the percentage of completion of the respective contract and are reviewed annually for impairment. During the 4th quarter of 2018, the Group has changed the method of amortizing the mobilization cost for construction contracts from percentage of billing to percentage of completion using the input method. This results in significant increase in amortization of mobilization in the 4th quarter of 2018.

Impairment of financial assets

Allowance for financial assets is based on assumptions about risk of default, expected loss rates and time value of money. The Group uses judgement in making these assumptions and selecting the inputs for the impairment calculations based on the group's past history, existing market conditions as well as forward looking estimates at the end of each year.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 365 days past due for private customers, however for Governmental, Semi Governmental and Corporate clients, the group is not expected any default based on its historical experience with these clients. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been constantly applied to all the years presented, unless otherwise stated.

4.1 Financial instruments

4.1 (A) Classification of financial assets and financial liabilities

Financial assets

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The Group classifies its financial assets generally based on the business model in which a financial asset is managed and its contractual cash flows.

(i) Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets 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 profit on the principal amount outstanding.

The Group initially measures its trade receivables at the transaction price given that it does not include any financing component.

Business model assessment

The Group assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

The assessment of the Group's business models was made as of the date of initial application, January 1, 2017, and then applied retrospectively to those financial assets that were not derecognized before January 1, 2017. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Financial instruments (Continued)

(ii) Financial assets at fair value through OCI (FVOCI)

Debt Instruments

A debt instrument is measured at FVOCI only if it meets both of the following conditions and it is not designated as at FVTPL

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principle and the interest on the principle amount outstanding.

Equity instruments

On the initial recognition, for an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment by investment basis.

The Group do not have any financial asset that is classified at fair value through other comprehensive income.

(iii) Financial assets at fair value through profit or loss (FVTPL)

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Financial assets that are held for trading, if any, and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss (FVTPL) because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the Effective Interest Rate (EIR).

4.1 (B) Impairment of financial assets

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FV. For Contract assets and Trade and other receivables that do not contain a significant financing component, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. As a practical expedient, the Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payment are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Financial instruments (Continued)

4.1 (C) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

4.2 Revenue recognition

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Group has applied the following accounting policy in the preparation of its consolidated financial statements:

i) Revenue from contracts with customers

At the time of entering into a contract, the Group identifies the performance obligations attached to each contract. For this purpose, the Group evaluates the contractual terms and its customary business practices to identify whether there are distinct performance obligations within each contract. The Group determines the transaction price of each contract, for the purpose of determining the transaction price of each aforementioned performance obligations, as the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Having determined the transaction price of the contract, the Group allocates the transaction price to performance obligations in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

The Group recognises revenue upon the satisfaction of performance obligations attached to contracts, which occurs when control of the good or service transfers to the customer. For performance obligations satisfied over time, the revenue is recognized by measuring the progress towards complete satisfaction of that performance obligation. In measuring the progress towards complete satisfaction of the performance obligation, the Group applies the input method based on the contract cost incurred to date. For performance obligations satisfied at the point in time, the revenue is recognized at the time which the specified performance obligation is satisfied.

Variable consideration:

If the consideration promised in a contract includes a variable amount, the Group estimate the amount of consideration by using the expected value method or the most likely amount method to which the Group would be entitled in exchange for transferring the promised goods or services to customer.

Significant financing component

Generally, the Group receives long-term advances from customers for the contracts. The transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

ii) Finance income

Finance income is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts, estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

iii) Other income

Other income that is incidental to the Group's business model is recognized as income as they are earned or accrued. Where the Group collects amounts from customers on behalf of third parties, these are not classified as income. These are shown as receivable/ payable and knocked off as the amounts are recovered from the customer.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Property and equipment

Property and equipment are carried at the historical cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is charged to the consolidated statement of profit or loss, using the straight-line method to allocate the costs of the related assets less their residual values over the following estimated economic useful lives.

	Years
Buildings	4 - 20
Construction equipments	4 - 10
Construction vehicles	4 – 6.67
Office equipments	4 – 6.67
Furniture and fixtures	4 – 6.67

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the consolidated statement of profit or loss.

Impairment

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount being the higher of their fair value less costs to sell and their value in use.

The cash generating unit (CGU) at which the impairment assessment and testing is performed, is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Annual review of residual lives and useful lives

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year. If expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate.

Componentization of assets

Property and equipment (PE) is often composed of various parts with varying useful lives or consumption patterns. These parts are (individually) replaced during the useful life of an asset. Accordingly:

- Each part of an item of PE with a cost that is significant in relation to the total cost of the item is depreciated separately, except where one significant part has a useful life and a depreciation method that is the same as those of another part of that same item of PE; in which case, the two parts may be grouped together for depreciation purposes;
- Under the component approach, the Group does not recognize in the carrying amount of an item of PPE the costs of the day-to-day servicing of the item. These costs are recognized in the consolidated statement of profit or loss as incurred. The various components of assets are identified and depreciated separately only for significant parts of an item of PPE with different useful lives or consumption patterns; however, the principles regarding replacement of parts (that is, subsequent cost of replaced part) apply generally to all identified parts, regardless whether they are significant or not.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Property and equipment (Continued)

Capitalization of costs under PPE

The cost of an item of property and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation incurred either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that year.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced.

Borrowing costs related to qualifying assets are capitalized as part of the cost of the qualified assets until the commencement of commercial production.

All other repairs and maintenance are charged to the consolidated statement of profit or loss during the reporting year in which they are incurred. Maintenance and normal repairs which do not extend the estimated economic useful life of an asset or production output are charged to the consolidated statement of profit or loss as and when incurred.

Capital work-in-progress

Assets in the course of construction or development are capitalized in the capital work-in-progress ("CWIP") account. The asset under construction or development is transferred to the appropriate category in property and equipment or intangible assets (depending on the nature of the project), once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work in progress comprises its purchase price, construction / development cost and any other directly attributable to the construction or acquisition of an item of CWIP intended by management. Costs associated with testing the items of CWIP (prior to its being available for use) are capitalized net of proceeds from the sale of any production during the testing period. Capital work-in-progress is not depreciated or amortized.

4.4 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, where applicable.

Finite life of intangible assets is amortized over the shorter of their contractual or useful economic lives. They comprise mainly management information systems with useful lives ranging from 4-5 years .

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss when the asset is derecognized.

4.5 Leased assets

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. An operating lease is a lease other than a finance lease. Generally, all leases entered by the Group are operating leases and, the leased assets are not recognised in the Group's consolidated financial statements.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 Leased assets (Continued)

If a lease is classified as a finance leases, then the lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated profit or loss. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

In case of operating leases, the leased assets are not recognised in the Group's consolidated statement of financial position. Operating lease payments are recognised as an expense in the consolidated profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

4.6 Assets classified as held for sale

The Group classifies non-current assets as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. This condition is considered as met when the sale is highly probable, the asset is available for immediate sale in its current condition and management expect to complete sale within twelve months from the date of reclassification. It is measured at the lower of their carrying amount and fair value less costs to sell. Assets classified as held-for-sale are not depreciated.

4.7 Inventories

Inventories are valued at lower of cost and net realizable value (NRV). Cost is determined using the weighted average method. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Write off recognized for the purpose of adjusting the value to reach the net realizable value is charged to the consolidated statement of profit or loss. Any reversal to that write-off is recognized in the consolidated profit or loss in the year in which the reversal occurred.

Net realizable value and provision assessment of inventory

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. The NRV assessment to write-down the inventory is normally made on an individual item basis. This would be where items relate to the same category (which have a similar purpose and end use) are produced and marketed in the same geographical area.

The practice of writing inventories down below cost to net realizable value is consistent with the view under IFRS that assets should not be carried in excess of amounts expected to be realized from their sale.

An allowance is made against slow moving, obsolete and damaged inventories. Damaged inventories are identified and written down through the inventory counting procedures. Provision for slow moving and obsolete inventories is assessed by each inventory category as part of their ongoing financial reporting. Obsolescence is assessed based on comparison of the level of inventory holding to the projected likely future use or sale.

4.8 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with the bank, all of which have original maturities of 90 days or less and are available for use by the Group unless otherwise stated. In the consolidated statement of financial position, based on nature of Group's facility, bank overdraft is presented under line item borrowings.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Contract assets

Contracts in progress

Contracts in progress represent the gross amount expected to be collected from customers for contract work performed to date. They are measured at costs incurred plus profits recognised to date less progress billings and recognised losses.

In the consolidated statement of financial position, contracts in progress for which costs incurred plus recognised profits exceed progress billings and recognised losses are presented as contracts in progress that is part of contract assets. Contracts for which progress billings and recognised losses exceed costs incurred plus recognised profits are presented as deferred revenue.

Deferred mobilization costs

Costs incurred to fulfill a contract, those directly associated to existing or specific anticipated contract and those costs that generate or enhance resources of the entity that will be used to satisfy the performance obligations in the future and those costs that are expected to be recovered are recognised as asset and are amortized over the period of the respective contracts on the basis of percentage of completion of the respective contracts. Cost capitalized as mobilization cost is included under deposits, prepayments and other assets.

4.10 Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Group's ordinary shares and treasury shares are classified as equity instruments.

4.11. Statutory reserve

As required by the Regulations of Companies and By-Laws of the Company, 10% of the Company's net income for the year is to be transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution.

4.12 Dividends

Provision or liability is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the Group, on or before the end of the reporting year but not distributed at the end of the reporting year.

4.13 Functional and presentation currency

Items included in the consolidated financial statements of the Group is measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). Accordingly, the consolidated financial statements are presented in Saudi Riyals (SR). Figures have been rounded off to the nearest Riyal except where mentioned rounding off in Saudi Riyals in millions.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Borrowings

Borrowings are initially recognized at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition long-term borrowings are measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in consolidated statement of profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are derecognized from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in consolidated statement of profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting year.

General and specific borrowing that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale, as appropriate. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the year in which they are incurred in the consolidated statement of profit or loss.

4.15 Employees benefits

Short term obligation

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting year and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations within accruals in the consolidated statement of financial position.

Employees' end-of-service benefits (EOSB)

The liability or asset recognized in the consolidated statement of financial position in respect of defined benefit. EOSB plan is the present value of the defined benefit obligation at the end of the reporting year. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.15 Employees benefits (Continued)

Employees' end-of-service benefits (EOSB) (Continued)

Defined benefit costs are categorized as follows:

Service cost

Service costs includes current service cost and past service cost are recognized immediately in consolidated statement of profit or loss.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in consolidated statement of profit or loss as past service costs.

Interest cost

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the consolidated statement of profit or loss.

Re-measurement gains or losses

Re-measurement gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized in the year in which they occur, directly in other comprehensive income.

4.16 Provisions

Provisions are recognized when the Group has:

- a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of economic resources will be required to settle the obligation in the future; and
- the amount can be reliably estimated.

If the effect of the time value of money are material, provisions are discounted using a current rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where there are a number of similar obligations, (e.g. project warranties, similar contracts or other provisions) the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Decommissioning liability

Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the consolidated profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the measurement of an existing decommissioning liability that result from changes in the estimated timing or amount of the outflow of resources required to settle the obligation, or a change in the discount rate applied are added to or deducted from the cost of the asset.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 Selling and distribution expenses

Selling and distribution expenses comprise of all costs for selling and marketing the Group's products and include expenses for advertising, marketing fees and other sales related overheads.

4.18 Administrative expenses

Administrative expenses include indirect costs not specifically part of cost of sales or the selling, marketing and logistics activity of the Group. Finance income / (expense) is presented as a separate line item in the consolidated statement of profit or loss.

4.19 Finance income and finance cost

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues in consolidated statement of profit or loss, using the effective interest method. Dividend income is recognised in consolidated profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in consolidated statement of profit or loss using the effective interest method.

4.20 Zakat

The Group is subject to zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"). Provision for zakat for the Company and zakat related to the Company's ownership in the Saudi Arabian and GCC countries' subsidiaries is charged to the consolidated profit or loss. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian income tax law.

4.21 Value-added Tax (VAT)

Expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on purchase of assets and services is not recoverable from the General Authority of Zakat and Income Tax (GAZT), in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable: and/or
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the GAZT is included as part of receivables and payables in the consolidated statement of financial position.

4.22 Foreign currency

i. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in consolidated profit or loss.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.22 Foreign currency (Continued)

ii. Foreign operations

The assets and liabilities of foreign operations including fair value adjustments arising on acquisition are translated into local currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into local currency at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in consolidated OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI. When a foreign operation is disposed off in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to consolidated profit or loss as part of the gain or loss on disposal.

If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to consolidated profit or loss.

4.23 Earnings / (Loss) per share

Basic earnings / (loss) per share

Basic earnings/ (loss) per share is calculated by dividing:

- the profit / (loss) attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings / (loss) per share

Diluted earnings/ (loss) per share adjusts the figures used in the determination of basic earnings/ (loss) per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

4.24 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items compose mainly corporate expenses.

Transactions between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same way as in the consolidated statement of profit or loss. The following summary describes the operations in each of the Group's reportable segments:

1. Contracting
2. Servicing / trading

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5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after January 1, 2019. The Group has not early adopted them in preparing these Consolidated Financial Statements.

New and revised IFRSs	Description	Effective for beginning on or after
IFRS 16	Leases	January 1, 2019
IFRS 3, IFRS 11, IAS 12 and IAS 23	Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019
IAS 28	Amendment long-term Interests in Associates and Joint Ventures	January 1, 2019
IAS 19	Plan Amendment, Curtailment or Settlement	January 1, 2019
IFRS 9	Amendments - Prepayment features with negative compensation & modification of financial liabilities	January 1, 2019
IFRS 3	Amendments to definition of a business	January 1, 2020
IAS 1 and IAS 8	Amendment on the definition of material	January 1, 2020
IFRS 9, IAS 39 and IFRS 7	Amendment relating to relief on interest rate benchmark reforms	January 1, 2020

IFRS 16 Leases

IFRS 16 replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group will recognise new assets and liabilities for its operating leases of various types of contracts including equipment and machinery and construction vehicles. The nature of expenses related to those leases will now change because the Group will recognize a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

The Group will apply IFRS 16 from January 1, 2019 and it is expected to result in an increase in assets amounted to SAR 4.6 million, a corresponding increase in liabilities amounted to SAR 4.6 million as at January 1, 2019. The Group will apply the exemption for short term leases on all the contracts related to office buildings as the period of these contracts are 12 months or less. The Group will continue recognizing these contracts as operating lease expenses on straight-line basis.

The Group plans to apply the practical expedient to the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

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6. PROPERTY AND EQUIPMENT

December 31, 2018

	Buildings	Construction equipment	Construction vehicles	Office equipment	Furniture and fixtures	Total
Cost						
Balance at January 1, 2018	83,771,036	474,293,299	396,101,979	19,922,505	49,496,156	1,023,584,975
Additions	-	295,920	-	27,918	1,690	325,528
Transferred to assets classified as held for sale	(7,095,770)	(95,577,431)	(78,002,586)	(71,835)	(1,188,430)	(181,936,052)
Balance at December 31, 2018	76,675,266	379,011,788	318,099,393	19,878,588	48,309,416	841,974,451
Accumulated depreciation						
Balance at January 1, 2018	79,048,364	387,013,351	300,736,544	18,500,231	48,154,431	833,452,921
Depreciation charged for the year	2,282,511	30,022,943	26,889,323	941,128	681,832	60,817,737
Transferred to assets classified as held for sale	(7,019,372)	(74,754,497)	(65,873,479)	(71,755)	(1,164,180)	(148,883,283)
Balance at December 31, 2018	74,311,503	342,281,797	261,752,388	19,369,604	47,672,083	745,387,375
Accumulated Impairment loss						
Impairment for the year (note 6.1)	-	7,644,841	3,276,363	-	-	10,921,204
Balance at December 31, 2018	-	7,644,841	3,276,363	-	-	10,921,204
Net Book Value						
At December 31, 2018	2,363,763	29,085,150	53,070,642	508,984	637,333	85,665,872

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6. PROPERTY AND EQUIPMENT (Continued)
December 31, 2017

<u>Cost</u>	<u>Buildings</u>	<u>Construction equipment</u>	<u>Construction vehicles</u>	<u>Office equipment</u>	<u>Furniture and fixtures</u>	<u>Total</u>
Balance at January 1, 2017	84,433,845	528,226,240	468,510,849	19,913,026	49,482,181	1,150,566,141
Additions	-	3,116,182	6,161,900	9,479	13,975	9,301,536
Transferred to assets classified as held for sale	(662,809)	(57,049,123)	(78,570,770)	-	-	(136,282,702)
Balance at December 31, 2017	83,771,036	474,293,299	396,101,979	19,922,505	49,496,156	1,023,584,975
<u>Accumulated depreciation</u>						
Balance at January 1, 2017	73,789,619	378,160,275	321,340,508	16,760,214	45,788,417	835,839,033
Depreciation charged for the year	5,905,158	45,858,529	39,480,010	1,740,017	2,366,014	95,349,728
Transferred to assets classified as held for sale	(646,413)	(37,005,453)	(60,083,974)	-	-	(97,735,840)
Balance at December 31, 2017	79,048,364	387,013,351	300,736,544	18,500,231	48,154,431	833,452,921
<u>Net Book Value</u>						
At December 31, 2017	4,722,672	87,279,948	95,365,435	1,422,274	1,341,725	190,132,054
At January 1, 2017	10,644,226	150,065,965	147,170,341	3,152,812	3,693,764	314,727,108

6.1 Impairment of assets

As at December 31, 2018, the Group's management has carried out the impairment testing of its non-current assets which resulted in impairment for the property and equipment by an amount of SR 10,921,204.

6.2 Allocation of depreciation for the year

	<u>Note</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cost of revenue	24	59,983,938	94,070,017
Selling and distribution expenses	25	41,428	67,700
General and administrative expenses	26	792,371	1,212,011
Total		60,817,737	95,349,728

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7. INTANGIBLE ASSETS

	December 31, 2018	December 31, 2017
<u>Softwares</u>		
<u>Cost:</u>		
At the beginning of the year	5,224,703	5,097,335
Additions	-	127,368
At the end of the year	5,224,703	5,224,703
<u>Accumulated amortization:</u>		
At the beginning of the year	3,945,073	3,382,301
Charge for the year (note 26)	507,487	562,772
At the end of the year	4,452,560	3,945,073
<u>Net book value:</u>		
At the end of the year	772,143	1,279,630

Amortization charge for the year has been charged to general and administration expenses.

8. TRADE AND OTHER RECEIVABLES, NET

	December 31, 2018	December 31, 2017 (Restated)	January 1, 2017 (Restated)
Trade receivables	484,265,707	538,759,538	552,065,988
Less: Provision for impairment	(167,140,535)	(42,050,199)	(47,249,854)
	317,125,172	496,709,339	504,816,134
Retentions receivables	59,437,315	59,011,136	83,961,818
Less: Provision for impairment	(16,598,587)	(6,327,893)	(9,735,385)
	42,838,728	52,683,243	74,226,433
Trade and other receivables – net	359,963,900	549,392,582	579,042,567

At December 31, 2018, receivable from Government authorities represents 79% (December 31, 2017: 81%, January 1, 2017: 78%) of total gross trade and other receivables.

The Group's management has computed its trade and other receivables credit impairment loss provision using the expected credit loss (ECL) model in the current year to comply with the requirements of IFRS 9. Considering that the Group has early adopted IFRS 9 effective from January 1, 2017, the resulting adjustment has been made retrospectively to the previously reported periods as this is deemed a correction of an error. The first period over which the adjustment has been posted is January 1, 2017. Please refer to note 34 of these consolidated financial statements where restatement details have been disclosed.

Movement in the impairment of trade and retentions receivables was as follows:

	December 31, 2018	December 31, 2017 (Restated)
At the beginning of the year (as previously presented)	48,378,093	4,798,539
IFRS 9 adjustment (note 34)	-	52,186,700
At the beginning of the year (restated)	48,378,093	56,985,239
Charge / (reverse) for the year	135,361,029	(8,607,147)
At the end of the year	183,739,122	48,378,092

Aging of trade receivables is presented in note 31.2.1.

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9. INVENTORIES, NET

	Note	December 31, 2018	December 31, 2017	January 1, 2017
Consumable materials		44,979,720	50,559,429	62,622,256
Spare parts		804,837	1,331,582	50,416
		<u>45,784,557</u>	<u>51,891,011</u>	<u>62,672,672</u>
Less: Provision for slow moving and obsolete inventory items	9.1	(11,649,580)	(2,621,880)	(2,621,880)
		<u>34,134,977</u>	<u>49,269,131</u>	<u>60,050,792</u>

9.1 Movement on the provision for slow moving and obsolete inventory items is as follows:

	Note	December 31, 2018	December 31, 2017
Balance at the beginning of the year		2,621,880	2,621,880
Charge for the year	24	9,027,700	-
Balance at the end of the year		<u>11,649,580</u>	<u>2,621,880</u>

9.2 Allowance for slow moving inventories is based on nature and type of inventories, ageing profile, expiry and future sale expectations.

10. CONTRACTS ASSETS NET

	December 31, 2018	December 31, 2017 (Restated)	January 1, 2017 (Restated)
Contract value of projects	3,382,231,540	7,085,467,518	7,495,925,256
Less: contract value of un-executed work to date	(320,680,088)	(2,170,464,465)	(2,321,722,828)
Contract value of work executed to date	3,061,551,452	4,915,003,053	5,174,202,428
Less: Progress billings to date	(2,679,037,014)	(3,312,625,376)	(3,619,425,730)
Less: impairment loss	(46,522,420)	(191,528,989)	(227,945,446)
	<u>335,992,018</u>	<u>1,410,848,688</u>	<u>1,326,831,252</u>

The movement on current running contract assets is as follows:

	Note	December 31, 2018	December 31, 2017 (Restated)
At the beginning of the year (as previously presented)		1,386,287,616	1,347,149,382
IFRS 9 adjustment (note 34)	10.1 , 34	24,561,072	(20,318,130)
At the beginning of the year (restated)		1,410,848,688	1,326,831,252
Value of work executed during the year		162,922,575	514,837,514
Reversal of credit impairment loss	24	-	36,416,457
Written off due to cancellation of projects, net of impairment provision	10.2 , 24	(741,404,822)	-
Progress billings		(325,736,130)	(467,236,535)
Written off due to change in estimates	10.3 , 24	(170,638,293)	-
		<u>335,992,018</u>	<u>1,410,848,688</u>

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10. CONTRACTS ASSETS, NET (Continued)

10.1 The Group's management has computed its contracts assets credit impairment loss provision using the Simplified Expected Credit Loss Model (the "ECL") in the current year. The Group's management engaged a qualified specialist to assist in performing this impairment testing. This has been made to comply with the requirements of IFRS 9 "Financial Instruments". Considering that the Group has early adopted IFRS 9 effective from January 1, 2017, the resulting adjustment has been made retrospectively to the previously reported periods as this is deemed a correction of an error. The adjustment has been posted based on the balances as on January 1, 2017. Please refer to note 34 of these consolidated financial statements under which the restatement details have been disclosed.

10.2 During the year, various negotiations were made with projects' owners / customers for the resumption / cancellation of some of these contracts. Based on these negotiations, some of these projects were canceled while others were temporarily put on hold. Based on that, management has written off, net of impairment provision an amount of SR 741.4 million of the Group's total contract assets associated with these projects.

10.3 During the year, management re-assessed the cost to complete (CTC) for all of its construction contracts. The reassessment resulted in additional estimated costs for these contracts hence the percentage of completion was accordingly adjusted and revenue was ultimately revised by SR 170.6 million, which was adjusted by management against cost of revenue.

11. DEPOSITS PREPAYMENTS AND OTHER ASSETS, NET

	Note	December 31, 2018	December 31, 2017	January 1, 2017
Advances to vendors		72,400,114	87,690,779	111,624,613
Deferred mobilization cost		10,104,810	118,457,617	130,048,688
Prepaid expenses		5,836,385	9,166,493	16,960,142
Margin against letters of guarantee		2,837,015	25,647,139	17,859,768
Due from related parties	30	2,492,541	2,981,894	3,576,742
Others		13,016,627	20,378,029	60,152,193
		106,687,492	264,321,951	340,222,146
Less: non-current portion	11.1	(2,230,761)	(55,891,864)	(85,405,170)
Less: Impairment	11.2	(7,685,667)	-	-
		96,771,064	208,430,087	254,816,976

11.1 The portion of deferred mobilization cost and advances to vendors that expected to be settled / amortized over periods longer than twelve months is shown as non-current portion.

11.2 Movement in the impairment of other assets was as follows:

	December 31, 2018	December 31, 2017
At the beginning of the year	-	-
Charge for the year	7,685,667	-
At the end of the year	7,685,667	-

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12. CASH AND CASH EQUIVALENTS

	December 31, 2018	December 31, 2017	January 1, 2017
Cash on hand	32,429,465	5,666,448	32,676,039
Bank balances – current accounts	29,529,352	29,450,215	41,108,704
	61,958,817	35,116,663	73,784,743

12.1 Cash on hand includes an amount of SR: 24.2 million which is held by Ministry of Labor to settle the outstanding dues of the employees of the Group.

12.2 Bank accounts of the Group in Kingdom of Saudi Arabia amounted to SR 28.4 million have been frozen, in response to a court order.

12.3 Significant non-cash transactions are as follows:

	December 31, 2018	December 31, 2017
<u>Significant non cash transactions:</u>		
Transfer of property and equipment to assets classified as held for sale	33,052,769	38,546,862
Employees' benefit obligations transferred to other payables	27,545,704	-

13. ASSETS CLASSIFIED AS HELD FOR SALE

	December 31, 2018	December 31, 2017
At the beginning of the year	1,015,864	2,460,075
Transfers from property and equipment	33,052,769	38,546,862
Disposals	(18,589,093)	(39,991,073)
Impairment	(1,300,000)	-
At the end of the year	14,179,540	1,015,864

Disposal of assets classified as held for sale usually takes place by way of selling through auctions or by direct sales. The sale of the disposal group available at the reporting date is expected to be completed within a year from the reporting date. The disposal group mainly comprise of construction equipment and vehicles which were mainly used in operation and maintenance and environmental projects. Impairment loss on a disposal group is charged to consolidated statement of profit and loss.

14. SHARE CAPITAL

	Number of shares		Share Capital	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Authorized issued and fully paid			SR	SR
Ordinary shares of SR 10 each				
fully paid in cash	55,781,250	55,781,250	557,812,500	557,812,500

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15. RESERVES

15.1 Statutory reserve

As required by the Regulations of Companies and the Company's by-law, 10% of the Company's net income for the year is to be transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. This reserve is not available for distribution.

15.2 Translation reserve

	December 31, 2018	December 31, 2017
At the beginning of the year	(351,902)	(392,753)
(Loss) / gain on translation of foreign operations	(13,860)	40,851
At the end of the year	(365,762)	(351,902)

15.3 Other reserve

This represents other reserves of the consolidated subsidiaries.

16. NON CONTROLLING INTEREST

The summarized financial information below represents amounts before intragroup eliminations related to non-controlling interest in subsidiaries:

	December 31, 2018	December 31, 2017
Non-current assets	204,505	201,022
Current assets	5,498,115	5,608,269
Non-current liabilities	32,674	29,224
Current liabilities	432,336	527,556
Equity attributable to owners of the Group	4,690,525	4,704,899
Non-Controlling interest	547,085	547,612
Revenue	-	-
Expenses	1,049	12,874
Net loss for the year	(1,049)	(12,874)
Net loss attributable to:		
Owners of the Group	(514)	(4,558)
Non-Controlling interest	(535)	(8,316)
Total Comprehensive income/(loss) attributable to:		
Owners of the Group	(14,374)	36,293
Non-Controlling interest	(527)	(8,204)
Total Comprehensive (loss) / income for the year	(14,901)	28,089

17. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following data:

	December 31, 2018	December 31, 2017 (Restated)
Loss for the year attributable to the shareholders of the Group	(1,593,050,158)	(56,413,048)
Number of shares		
Weighted average number of ordinary shares	55,781,250	55,781,250
Loss per share, based on loss for the year attributable to shareholders of the Company		
- Basic and diluted	(28.56)	(1.01)

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18. TRADE AND OTHER PAYABLES

	Note	December 31, 2018	December 31, 2017	January 1, 2017
Trade payables		453,026,111	459,921,643	532,285,104
Advances from customers		281,056,509	338,448,494	376,601,661
Due to related parties	30	83,640,228	45,104,093	35,743,343
Accrued expenses		32,548,935	22,183,724	16,549,245
Accrued Board of directors' remuneration		7,878,000	4,424,000	1,386,000
Dividend payable		466,597	466,597	1,663,647
Other payables		157,727,496	87,375,602	133,093,999
		1,016,343,876	957,924,153	1,097,322,999
Less: non-current portion of advances from customers	18.1	(56,964,268)	(87,064,399)	(119,949,952)
Current portion		959,379,608	870,859,754	977,373,047

18.1 Advances from customers classified as non-current are based on the management's best estimate for the expected dates of billing of customer invoices.

19. BORROWINGS

	Note	December 31, 2018	December 31, 2017	January 1, 2017
Loans repayable upon collections	19.1 (a)	426,711,206	476,807,295	480,510,659
Loans repayable in periodical installments	19.1 (b)	262,823,763	199,779,311	141,231,081
Revolving loans	19.1 (c)	40,000,000	40,000,000	121,905,290
Total term loans		729,534,969	716,586,606	743,647,030
Short term loans	19.2	26,561,073	50,794,765	136,290,112
Total Loans		756,096,042	767,381,371	879,937,142
Current portion:				
Loans repayable upon collections		426,711,206	212,184,273	357,987,367
Loans repayable in periodical installments		262,823,763	92,518,569	85,318,737
Revolving loans		40,000,000	-	-
Short term loans		26,561,073	50,794,765	136,290,112
Borrowings – current portion		756,096,042	355,497,607	579,596,216
Non-current portion:				
Loans repayable upon collections		-	264,623,022	122,523,292
Loans repayable in periodical installments		-	107,260,742	55,912,344
Revolving loans		-	40,000,000	121,905,290
Borrowings – non-current portion		-	411,883,764	300,340,926

19.1 Term loans

These loans are secured against the assets of the Group and promissory notes.

The projects financing loans are additionally covered against assignment of proceeds of the related projects. These loans carry commission at commercial rates. The Group is required to comply with certain covenants under certain loan agreements. The Group was in breach of covenants as of December 31, 2018, accordingly all term loans have been presented as current in consolidated statement of financial position.

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19. BORROWINGS (Continued)

19.1 Term loans (Continued)

- a) These loans were obtained from various commercial banks and are repayable, based on a percentage ranging from 20% to 70% (December 31, 2017: 20% to 70%, January 1, 2017: 25% to 70%), out of expected proceeds from the contracts. Accordingly, no fixed repayment date as it is linked to the collections from the respective projects.
- b) These loans are repayable in various fixed periodical installments with last installment due in 2021.
- c) These loans were drawn up for the purpose of financing working capital. Management intends to renew these loans for a further period.
- d) Loan commission rates are based on relevant periodic SAIBOR, EIBOR, and LIBOR plus banks' margin. The banks' margin is ranging between 1.00% pa to 3.75% pa.

19.2 Short term loans

Short term loans bear commission at the commercial rates and are secured against assignment of proceeds from certain contracts, assets of the Group and promissory notes. During 2010, the facilities were converted to Islamic short term loan facilities.

19.3 The aggregate discounted repayment schedule of borrowings is as follows:

	December 31, 2018	December 31, 2017	January 1, 2017
-2017	-	-	579,596,216
-2018	-	355,497,607	130,327,842
-2019	402,877,558	304,942,935	115,567,935
-2020	304,942,935	85,922,137	41,692,873
-2021	48,275,549	21,018,692	12,752,276
	756,096,042	767,381,371	879,937,142

20. LOANS FROM A SHAREHOLDER

	December 31, 2018	December 31, 2017	January 1, 2017
Face value of loans from a Shareholder	300,000,000	250,000,000	135,000,000
Present value of loans	287,927,139	235,865,704	124,621,253
Less: Non-current portion	(45,926,563)	(106,158,845)	(124,621,253)
Current portion	242,000,576	129,706,859	-

On December 30, 2015, December 21, 2017 and June 3, 2018, the Group has received three interest free loans amounted to SR 135 million, SR 115 million and SR 50 million respectively, from a shareholder (Al Khodari Investment Holding Company) for the purpose of funding the working capital and capex requirements of the Group. The loans are repayable within periods not exceeding December 31, 2018, December 31, 2019 and May 31, 2020, respectively. At initiation, loans were recorded at its fair value, which was calculated by discounting the future loan repayments using an estimated weighted average cost of capital (WACC) and difference was recorded as a component of equity. Subsequently, loans are stated at its amortized cost at the statement of financial position date. The loans are secured against a promissory note for an amount equal to the face value of each loan.

The difference between the Present Value and the face value of the loans at the initiation dates of the loans, having the total of SR 31,061,069 (SR 15,278,074 for SR 135 million of loan and SR 8,841,155 for SR 115 million of loan) has been charged as a separate component in equity as a contribution from a shareholder.

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20. LOANS FROM A SHAREHOLDER (Continued)

At December 30, 2018, a loan amounting SR 135 million got matured and the amount of SR 15,278,074 which was charged to "contribution from a shareholder" at the inception of the loan, has been reclassified to accumulated losses. The amount of SR 15,278,074 represents the difference between the Present Value and the face Value of the loan at its inception.

21. EMPLOYEES BENEFIT OBLIGATIONS

The Group operates an unfunded employees' end of service benefits scheme for its permanent employees.

The amount recognized in the Consolidated Statement of financial position is as follows:

	December 31, 2018	December 31, 2017	January 1, 2017
Present value of defined benefit obligations	33,006,277	59,054,300	61,003,800

Movement in net defined liability

The movement in the defined benefit obligation is as follows:

	December 31, 2018	December 31, 2017
Balance at the beginning of the year	59,054,300	61,003,800
Charged to profit or loss		
Current service cost	5,427,200	8,202,700
Interest cost	1,904,190	2,179,200
Charged to other comprehensive income		
Actuarial (gain)/loss arising from:		
- financial assumptions	(1,601,342)	1,956,200
- experience adjustments	1,865,079	(7,558,500)
Benefits paid	(6,097,446)	(6,729,100)
Due but unpaid benefits transferred to other payables	(27,545,704)	-
Balance at the end of the year	33,006,277	59,054,300

Expenses charged to profit or loss for the year are recognised in the following line items:

	December 31, 2018	December 31, 2017
Direct costs	4,168,028	6,299,580
Finance cost	1,904,190	2,179,200
General and administration expenses	1,124,108	1,698,984
Selling and marketing	135,064	204,136
	7,331,390	10,381,900

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21. EMPLOYEES BENEFIT OBLIGATIONS (Continued)

Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date:

	December 31, 2018	December 31, 2017
Discount rate per annum	4.1%	3.4%
Salary increase rate per annum	0-2.5%	0-2.5%
Employees turnover rates:		
- Voluntary	8.6-2.7%	2.68-10.07%
- Involuntary	48.5-.5%	0.47-1.78%
Retirement age	60 years	60 years

The sensitivity of end of service benefits to changes in the weighted principal assumptions is as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations		
-Discount rate - 100 basis points	35,423,008	61,190,900
-Discount rate + 100 basis points	30,934,301	57,079,000
-Salary increase rate - 100 basis points	31,227,244	57,053,300
-Salary increase rate + 100 basis points	35,065,341	61,200,300
Weighted average duration of defined benefit obligations (in years)	6.23	6.95

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the end-of-service indemnities recognized within the consolidated statement of financial position.

22. PROVISIONS AND OTHER LIABILITIES

	Note	December 31, 2018	December 31, 2017	January 1, 2017
Provision for foreseeable losses	22.2	30,2 30,949	-	-
Deferred revenue		22,561,640	38,498,833	37,602,054
Employees accruals		12,105,738	23,068,852	36,466,713
Provision for Zakat	29	10,141,246	9,641,246	10,782,705
VAT Payable	22.1	7,565,889	-	-
Warranty provision	22.2	3,402,806	1,577,836	24,614
Provision for site restoration	22.2	1,441,997	4,119,612	4,065,307
Deferred liability		-	70,881	896,409
Total		87,450,265	76,977,260	89,837,802
(Less): non-current portion		(7,093,797)	(31,465,115)	(31,531,954)
Current portion		80,356,468	45,512,145	58,305,848

22.1 The Group received subsequent to year 2018, an assessment related to value added tax (VAT) claiming for additional VAT payments and penalties amounted to SR 28.3 million and SR 31.2 million, respectively.

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22. PROVISIONS AND OTHER LIABILITIES (Continued)

22.2 Movement of provisions for warranty, site restoration and foreseeable losses are as follows;

At December 31, 2018	Warranty Provision	Provision for site restoration	Foreseeable losses
At the beginning of the year	1,577,836	4,119,612	-
Additions during the year	3,402,806	37,032	30,230,949
Reversal during the year	(1,577,836)	(2,714,647)	-
At the end of the year	3,402,806	1,441,997	30,230,949

At December 31, 2017	Warranty Provision	Provision for site restoration	Foreseeable losses
At the beginning of the year	24,614	4,065,307	-
Additions during the year	1,577,836	135,466	-
Reversal during the year	(24,614)	(81,161)	-
At the end of the year	1,577,836	4,119,612	-

23. SEGMENT REPORTING

The accounting policies used by the Group in reporting segments internally are the same as those contained in Note 4 of these consolidated financial statements.

Segment analysis of the Group's operations for the year consist of the following:

	Contracting	Servicing / Trading	Total
<u>As at December 31, 2018</u>			
Non-current assets	88,664,998	3,778	88,668,776
Total assets	989,132,846	2,536,246	991,669,092
Total liabilities	2,178,462,930	2,360,669	2,180,823,599
<u>For the year ended December 31, 2018</u>			
Revenue	162,922,575	1,765,948	164,688,523
Cost of revenue	(1,526,280,020)	(1,759,380)	(1,528,039,400)
Segment (loss)/ profit before zakat	(1,592,557,261)	6,568	(1,592,550,693)
	Contracting	Servicing / Trading	Total
<u>As at December 31, 2017</u>			
Non-current assets	240,238,152	7,065,396	247,303,548
Total assets	2,485,339,600	16,036,963	2,501,376,563
Total liabilities	2,081,987,566	15,215,222	2,097,202,788
<u>For the year ended December 31, 2017</u>			
Revenue	514,837,514	4,628,505	519,466,019
Cost of revenue	(520,162,682)	(6,544,646)	(526,707,328)
Segment loss before zakat	(52,255,223)	(1,916,141)	(54,171,364)

The operations of the group are mainly carried in the Kingdom of Saudi Arabia.

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24. COST OF REVENUE

		December 31, 2018	December 31, 2017 (Restated)
	Note		
Written off of contract assets due to cancellation of projects	10	741,404,822	-
Written off of contracts assets due to change in estimates	10	170,638,293	-
Employees' related costs		151,329,985	212,644,044
(Reversal) of credit impairment loss contract assets	10	-	(36,416,457)
Amortisation of deferred mobilization cost		108,352,807	7,467,768
Sub-contracting costs		101,635,078	74,582,785
Provision for foreseeable losses	22	30,230,949	-
Depreciation	6.2	59,983,938	94,070,017
Material costs		53,652,278	81,588,418
Provision for slow moving and obsolete inventory items	9.1	9,027,700	-
Others		101,783,550	92,770,753
		<u>1,528,039,400</u>	<u>526,707,328</u>

25. SELLING AND DISTRIBUTION EXPENSES

		December 31, 2018	December 31, 2017
	Note		
Employees' related costs		2,403,728	2,943,729
Advertisement		149,456	467,353
Depreciation	6.2	41,428	67,700
Bidding expenses		-	553,775
Others		496,392	560,485
		<u>3,091,004</u>	<u>4,593,042</u>

26. GENERAL AND ADMINISTRATION EXPENSES

		December 31, 2018	December 31, 2017
	Note		
Employees' related costs		17,023,055	20,618,713
Board of directors remuneration		3,454,000	2,868,000
Professional fees		1,478,366	1,412,715
Depreciation	6.2	792,371	1,212,011
Rent		706,815	2,018,998
Travel		531,010	598,199
Amortization of intangibles	7	507,487	562,772
Others		3,459,880	4,534,910
		<u>27,952,984</u>	<u>33,826,318</u>

27. FINANCE COST

		December 31, 2018	December 31, 2017
Financial liabilities measured at amortised cost – mark-up		56,598,769	37,436,635
Unwindup of discount – net		12,162,779	8,410,354
Bank and other charges		2,098,488	11,248,822
Other mark-up		18,310,631	16,792,250
		<u>89,170,667</u>	<u>73,888,061</u>

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28. OTHER INCOME, NET

	Note	December 31, 2018	December 31, 2017
Gain on disposal of assets classified as held for sale		18,398,584	30,804,750
Income from interest free loan	20	6,941,840	2,166,863
Refund of work permit levy	28.1	9,667,200	22,552,800
Others		3,589,448	1,245,806
		38,597,072	56,770,219

28.1 In November 2015, the Group has submitted claims for eligible projects to the Government under the Human Resources Development Fund (HRDF) scheme for the refund of increased work permit levy. During the year ended December 31 2018, SR 9.7 million (December 31, 2017 SR. 22.6 million) has been received by the Group in this regard.

29. ZAKAT

	Note	December 31, 2018	December 31, 2017	January 1, 2017
Provision for Zakat	29.1	10,141,246	9,641,246	10,782,705

The principal elements of the zakat base of the (Company of the Group) are as follows:

	December 31, 2018	December 31, 2017
Non-current assets	88,668,776	247,303,548
Non-current liabilities	142,990,905	695,626,423
Opening equity	403,626,163	445,554,905
Net loss before zakat	(1,592,550,693)	(54,171,364)

29.1 The movement in zakat provision

	December 31, 2018	December 31, 2017
At the beginning of the year	9,641,246	10,782,705
Charged during the year	500,000	2,250,000
Paid during the year	-	(3,391,459)
At the end of the year	10,141,246	9,641,246

29.2 Status of Zakat Assessments

The Group has not filed its zakat returns to the General Authority of Zakat and Tax (GAZT) for the years ended December 31, 2018 and 2019.

Zakat assessments have been finalized with the General Authority of Zakat and Income Tax ("GAZT") up to year 2006. The GAZT has requested certain information for the years 2007 to 2011 which were duly submitted by the Company.

Pursuant to the initial public offering during 2010, Al Khodari Sons Investment Holding Company (shareholder), on behalf of the Company, has agreed to pay to the GAZT any additional zakat liability which may arise upon the finalization of zakat assessments for the years 2007 through 2009.

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29. ZAKAT (Continued)

29.2 Status of Zakat Assessments

In December 2016, the GAZT has conducted a field inspection for the years 2007 to 2015 on the basis of which the GAZT has requested certain additional information from the Company. The Company has submitted the required information to the GAZT.

In November 2020, the GAZT has issued an assessment orders for the years 2014 to 2018 and raised an additional preliminary Zakat claims amounted to SR 293.8 million. The Company is in the process of filing appeal against these assessment orders. An assessment order issued by GAZT for the year 2018 was based on their self-assessment, as the Company have not yet submitted its Zakat return to GAZT for the year 2018.

30. RELATED PARTY TRANSACTIONS AND BALANCES

The transactions with related parties are made at agreed terms. Outstanding balances at the year ended December 31, 2018 are interest free and to be settled in cash. There have been no guarantees provided or received for the balances due from / to any related party receivables or payables. For the year ended December 31, 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties.

a) Transactions with key management personnel

Key management personnel compensation includes the following:

	December 31, 2018	December 31, 2017
Short term employee benefits	860,000	860,000
Post-employment benefits	71,120	71,120

Compensation to Group's key management personnel includes salaries, non-cash benefits, and contributions to post-employment defined benefit plan.

b) Other related party transactions

Related parties represent major shareholders, directors and key management personnel of the Group and entities controlled or significantly influenced by such parties. Following is the list of major related parties of the Group:

<u>Name of related party</u>	<u>Nature of relationship</u>
Al Khodari Investment Holding Company	Shareholder
Al Khodari and Sons Company	Affiliate
Al Khodari Heavy Industries	Affiliate
Al Khodari Industrial Trading and Services	Affiliate
Al Khodari Travel and Tourism Agency	Affiliate
Abdullah Abdul Mohsin Al Khodari Sons and Hertel Company	Affiliate
Al Khodari LV Shipping Company Limited	Affiliate
Hammon D'Hondt Middle East Company Limited	Affiliate
Mace Saudi Arabia Company Limited	Affiliate
Fleet Tracking Technology	Affiliate
Karrena Arabia Company Limited	Affiliate
Masahaat Al Aqariyah	Affiliate
Madh Real Estate Company	Affiliate
Bahrath Al Dhana Establishment	Affiliate
Fawwaz and Partners Company	Affiliate
Al-Khodari Charity Office	Affiliate
Housing and Construction Real Estate Company	Affiliate
Total Care Saudi Third Party Administrators	Affiliate
Manpower Services Company (ESAD)	Affiliate

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30. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

c) Significant transactions with related parties during the year are as follows:

	Note	December 31, 2018	December 31, 2017
Payments made to and on behalf of the Group, net		33,159,264	-
Loan from a shareholder	20	50,000,000	-
Remuneration of board of directors and committees' members		3,454,000	2,868,000
Purchases, services and sub-contracting		3,416,767	11,407,560
Services rendered		704,807	863,698
Sale of assets		390,600	-
Expenses recharged to affiliates		429,623	99,719
Air tickets		204,693	933,914

Payments made to and on behalf of the Group includes direct payment to the Group by an amount of SR 60.3 million, which paid by checks in the name of cashier of the Group and the loan from a shareholder was not been paid in cash, but used as partial settlement to these cash payments.

d) Balances with related parties

At the end of reporting year, balances with other related parties comprise of the following:

Due from related parties

	December 31, 2018	December 31, 2017	January 1, 2017
Housing and Construction Real Estate Company	1,137,744	-	-
Abdullah Abdul Mohsin Al Khodari Sons and Hertel Company	971,112	1,616,952	1,616,952
Al-Khodari Charity Office	130,456	130,456	130,456
Mace Saudi Arabia Company Limited	-	697,806	1,392,962
Al Khodari Industrial Trading and Services	-	133,023	132,573
Hammon D'Hondt Middle East Company Limited	-	197,392	197,392
Other affiliates	253,229	206,265	106,407
	2,492,541	2,981,894	3,576,742

Due to related parties

	December 31, 2018	December 31, 2017	January 1, 2017
Al Khodari Investment Holding Company	43,052,613	7,343,198	7,078,770
Al-Khodari Travel and Tourism Agency	15,528,249	15,432,198	13,866,715
AL Khodari Heavy Industries	12,106,734	12,427,438	5,400,694
Masahaat Al Aqariyah	6,710,959	6,267,870	6,280,751
Al-Khodari and Sons Company	2,187,976	2,789,942	564,149
Manpower Services Company (ESAD)	2,049,895	-	-
Al Khodari Industrial Trading and Services	1,675,514	-	-
Fleet Tracking Technology	-	464,454	1,140,063
Housing and Construction Real Estate Company	-	68,077	1,113,003
Other affiliates	328,288	310,916	299,198
	83,640,228	45,104,093	35,743,343

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31. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to the following financial risks from its use of the financial instruments:

- Credit risk and concentration of credit risk
- Liquidity risk
- Market risk (including interest rate risk and Foreign currency exchange risk)
- Capital risk management

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

31.1 Financial instruments by category

	December 31, 2018	December 31, 2017 (Restated)	January 1, 2017 (Restated)
Financial assets at amortized cost:			
Trade and other receivable	359,963,900	549,392,582	579,042,567
Contracts assets	335,992,018	1,410,848,688	1,326,831,252
Margin against letters of guarantees	2,837,015	25,647,139	17,859,768
Due from related parties	2,492,541	2,981,894	3,576,742
Other assets	5,330,960	20,378,029	60,152,193
Cash and cash equivalents	61,958,817	35,116,663	73,784,743
Total financial assets	768,575,251	2,044,364,995	2,061,247,265
Financial liabilities at amortized cost:			
Trade and other payables	651,647,139	574,371,566	684,977,995
Due to related parties	83,640,228	45,104,093	35,743,343
Borrowings	756,096,042	767,381,371	879,937,142
Loans from a related party	287,927,139	235,865,704	124,621,253
Provisions and other liabilities	47,181,490	28,766,300	40,556,634
Total financial liabilities	1,826,492,038	1,651,489,034	1,765,836,367

The Group has no financial assets or liabilities at fair value through profit and loss.

31.2 Risk management of financial instruments

The Group reviews and agrees policies for managing each of the risks and these policies are summarized below:

31.2.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Group has policies in place to minimize its exposure to credit risk. The maximum exposure to credit risk at the reporting date is as follows:

	December 31, 2018	December 31, 2017 (Restated)	January 1, 2017 (Restated)
Trade and other receivable	359,963,900	549,392,582	579,042,567
Contracts assets	335,992,018	1,410,848,688	1,326,831,252
Margin against letters of guarantees	2,837,015	25,647,139	17,859,768
Due from related parties	2,492,541	2,981,894	3,576,742
Other assets	5,330,960	20,378,029	60,152,193
Bank balances	29,529,352	29,450,215	41,108,704
	736,145,786	2,038,698,547	2,028,571,226

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31. FINANCIAL RISK MANAGEMENT (Continued)

31.2 Risk management of financial instruments (Continued)

31.2.1 Credit risk and concentration of credit risk (Continued)

Due to Group's long standing relations with counterparties and after giving due consideration to their financial standing, the management does not expect non-performance by these counter parties on their obligations to the Group except when trade receivables considered doubtful.

Receivable balances are monitored on ongoing basis as 79% of trade and other receivables is due from Government Authorities.

The Group's credit period is 60 days after which trade receivables are considered to be past due. The aging of trade and other receivables as at the consolidated statement of financial position date is as under:

	Total	Not yet due	1-90 days	91 – 180 days	181-365 days	Above 1 year
December 31, 2018	359,963,900	38,801,330	40,753,797	27,772,019	46,043,274	206,593,480
December 31, 2017	549,392,582	114,382	116,515,763	78,462,317	93,178,095	261,122,025
January 1, 2017	579,042,567	63,123,702	192,186,715	51,466,996	105,340,397	166,924,757

31.2.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The Group's liquidity has been impacted severely by its current financial position, especially for those related to equity deficit and the continuous losses. For the purpose of resolving the current financial situation of the Group and its related impacts on the Group's liquidity, subsequent to the year-end, the Group filed for capital restructuring plan. The financial restructuring is aimed of providing the Group with a tool to restructure its liabilities and financial commitments and at same time reserving sufficient funds to meet its current and future commitments as they arise.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments;

	Carrying amount	Contractual cash flows	Less than 3 months	3 to 12 Months	1 to 5 Years
2018:					
Interest bearing loans and borrowings	756,096,042	757,207,095	-	402,877,558	354,329,537
Loans from a shareholder	287,927,139	300,000,000	135,000,000	115,000,000	50,000,000
Trade and other payable	1,016,343,876	1,016,343,876	124,397,785	834,981,823	56,964,268
	2,060,367,057	2,073,550,971	259,397,785	1,352,859,381	461,293,805
2017:					
Interest bearing loans and borrowings	767,381,371	768,828,311	-	355,497,607	413,330,704
Loan from a related party	235,865,704	250,000,000	-	135,000,000	115,000,000
Trade and other payables	957,924,153	957,924,153	86,866,045	783,993,709	87,064,399
	1,961,171,228	1,976,752,464	86,866,045	1,274,491,316	615,395,103

31.2.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments due to fluctuation in the related financial instruments value. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns.

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31. FINANCIAL RISK MANAGEMENT (Continued)

31.2 Risk management of financial instruments (Continued)

31.2.4 Currency risk

Foreign currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates. The Group's major financial assets and financial liabilities are denominated in Saudi Riyal, Arab Emirates Dirham (AED), US Dollars (USD), Kuwaiti Dinar (KWD), Qatari riyal (QAR) and Lebanese pound (LBP). Saudi riyals are pegged to the US Dollar.

Management monitors the fluctuations in currency exchange rates with Saudi Riyals and manages its effect on the consolidated financial statements accordingly. The Group did not have any significant foreign currency denominated monetary assets or liabilities at the reporting date for which it was exposed to foreign currency fluctuations.

The group is exposed to foreign currency risk as follows:

Exposure and Sensitivity analysis as at December 31, 2018:

	USD	AED	KWD	QAR	LBP
Amount in foreign currency					
Cash and cash equivalent	1,603,148	329,777	78,265	206,040	336,115
Trade and other receivables	32,384,985	502,244	39,560	-	-
Borrowings	(152,929,454)	(3,889,332)	-	-	-
Trade and other payables	(4,064,008)	(217,479)	(23,797)	-	-
Net consolidated statement of financial position exposure	(123,005,329)	(3,274,790)	94,028	206,040	336,115
Amount in SR	(462,068,000)	(3,349,770)	1,165,960	212,648	837
Impact by increase / decrease by 10% against SAR	(46,206,800)	(334,977)	116,596	21,265	84

Exposure and Sensitivity analysis as at December 31, 2017:

	USD	AED	KWD	QAR	LBP
Amount in foreign currency					
Cash and cash equivalent	1,369,724	594,337	91,913	206,040	187,760
Trade and other receivables	32,384,985	502,096	14,885	-	-
Borrowings	(150,850,967)	(4,337,000)	-	-	-
Trade and other payables	(1,522,315)	(474,276)	(122,477)	-	-
Net consolidated statement of financial position exposure	(118,618,573)	(3,714,843)	(15,679)	206,040	187,760
Amount in SR	(445,136,000)	(3,795,790)	(195,303)	213,943	468
Impact by increase / decrease by 10% against SR	(44,513,600)	(379,579)	(19,530)	21,394	47

31.2.5 Interest rate

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has interest bearing loans at December 31, 2018 and 2017. Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

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31. FINANCIAL RISK MANAGEMENT (Continued)

31.2.6 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or obtain / repay financing from / to financial institutions.

Consistent with others in the industry, the Group manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debts is calculated as total of long term finance and short term borrowings. Total capital employed comprises shareholders' equity as shown in the consolidated statement of financial position under 'share capital and reserves' and net debt (net of cash and cash equivalent).

The salient information relating to capital risk management of the Group as of December 31, 2018 and 2017 were as follows:

	December 31, 2018	December 31, 2017
Total borrowings	1,044,023,181	1,003,247,075
Less: cash and cash equivalents	(61,958,817)	(35,116,663)
Net debt	982,064,364	968,130,412
Total equity	(1,189,154,507)	404,173,775
Net Debt to equity ratio as of December 31	(0.83)	2.40

31.2.7 Fair values of financial instruments

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 Group's financial assets consist of cash and cash equivalents, trade receivables, contract assets and some other assets, while its financial liabilities consist of borrowings, trade payables, some accrued expenses and other liabilities. The fair values of financial instruments are not materially different from their carrying values.

The carrying value of financial assets not measured at fair value have a reasonable approximation to its fair value. All financial liabilities are at amortized cost and their fair value is a reasonable approximation to its fair value.

32. COMMITMENTS

(a) The Group's bankers have issued performance and advances guarantees amounted to SR 695.1 million (December 31, 2017: SR 371 million).

(b) The Group enters into operating lease arrangements for renting motor vehicles, and equipment etc. Leases are negotiated and rentals are fixed for a period from one to 3 years. Future rental commitment under operating leases are as follows:

	December 31, 2018	December 31, 2017	January 1, 2017
Within one year	2,896,656	16,842,221	34,539,586
From one to three years	1,892,215	15,763,847	15,952,800
	4,788,871	32,606,068	50,492,386

33. CONTINGENT LIABILITIES

The Group has number of legal cases and claims raised by certain suppliers which are at different legal stages. As of the consolidated statement of financial position date, the aggregate amount of those claims and legal cases amounted to approximately SR: 65.2 million, against which the Group has provided for an amount of approximately SR 26.3 million which represents the Group's management best estimate of those legal cases and claims financial impact.

In addition, subsequent to year 2018, as stated in note 35, the group has filed for capital restructuring, which resulted in claim submission by several banks , suppliers, subcontractors and employees. by a total amount of SR 1,712.7 million.

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34. RESTATEMENT OF PRIOR YEAR

As at December 31, 2017, The Group decided to early adopt IFRS-9, but it had erroneously reported contract assets and trade and other receivables impairment loss provision using the incurred loss model rather than the expected loss model (ECL) and hence it was not in line with IFRS' requirements. Accordingly, the Group's management has adjusted the amount of provision in the current year and accounted for it as a correction of prior years. As such, the contract assets and trade and other receivables impairment loss provision balance reported in the Group's consolidated financial statements for the year ended December 31, 2017 was not in line with IFRS 9 requirements. Accordingly, the prior years presented in these consolidated financial statements had been restated to retrospectively adjust for the impairment loss provision error on contract assets and trade and other receivables.

Summarized below is the reconciliation between the previously reported balances and amounts presented in the Group's prior years consolidated financial statements along with the restatement and reclassification and amounts presented in consolidated financial statements.

34.1 Effect of restatement and reclassification on consolidated statement of financial position:

		December 31, 2017				January 1, 2017			
	Note	Audited	Restatement	Classification	Restated	Audited	Restatement	Classification	Restated
ASSETS									
Non-current assets									
Property and equipment		190,132,054	-	-	190,132,054	314,727,108	-	-	314,727,108
Intangible assets		1,279,630	-	-	1,279,630	1,715,034	-	-	1,715,034
Deposits, prepayments and other assets		55,891,864	-	-	55,891,864	85,405,170	-	-	85,405,170
		247,303,548	-	-	247,303,548	401,847,312	-	-	401,847,312
Current assets									
Trade and other receivables, net	a	592,972,135	(43,579,553)	-	549,392,582	631,229,267	(52,186,700)	-	579,042,567
Inventories, net		49,269,131	-	-	49,269,131	60,050,792	-	-	60,050,792
Contracts assets	b	1,386,287,616	(191,528,989)	216,090,061	1,410,848,688	1,347,149,382	(227,945,446)	207,627,316	1,326,831,252
Deposits, prepayments and other assets		208,430,087	-	-	208,430,087	254,816,976	-	-	254,816,976
Cash and cash equivalents		35,116,663	-	-	35,116,663	73,784,743	-	-	73,784,743
		2,272,075,632	(235,108,542)	216,090,061	2,253,057,151	2,367,031,160	(280,132,146)	207,627,316	2,294,526,330
Assets classified as held for sale		1,015,864	-	-	1,015,864	2,460,075	-	-	2,460,075
		2,520,395,044	(235,108,542)	216,090,061	2,501,376,563	2,771,338,547	(280,132,146)	207,627,316	2,698,833,717
TOTAL ASSETS									

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34. RESTATEMENT OF PRIOR YEAR (Continued)

34.1 Effect of restatement and reclassification on consolidated statement of financial position: (Continued)

	December 31, 2017				January 1, 2017				
	Note	Audited	Restatement	Re- Classification	Restated	Audited	Restatement	Re- Classification	Restated
EQUITY, NON CONTROLLING INTEREST AND LIABILITIES									
Equity									
Share capital		557,812,500	-	-	557,812,500	557,812,500	-	-	557,812,500
Statutory reserve		70,988,856	-	-	70,988,856	70,988,856	-	-	70,988,856
Contribution from a shareholder		24,119,229	-	-	24,119,229	15,278,074	-	-	15,278,074
Translation reserve		(351,902)	-	-	(351,902)	(392,753)	-	-	(392,753)
Other reserves		558,911	-	-	558,911	558,911	-	-	558,911
Re-measurement reserves		5,602,300	-	-	5,602,300	-	-	-	-
Accumulated losses	c	(19,995,189)	(235,108,542)	-	(255,103,731)	81,441,463	(280,132,146)	-	(198,690,683)
Equity attributable to the shareholders		638,734,705	(235,108,542)	-	403,626,163	725,687,051	(280,132,146)	-	445,554,905
Non-controlling interest		547,612	-	-	547,612	555,816	-	-	555,816
TOTAL EQUITY, NON CONTROLLING INTEREST AND LIABILITIES		639,282,317	(235,108,542)	-	404,173,775	726,242,867	(280,132,146)	-	446,110,721
Non-current liabilities									
Advances from customers		87,064,399	-	-	87,064,399	119,949,952	-	-	119,949,952
Borrowings		411,883,764	-	-	411,883,764	300,340,926	-	-	300,340,926
Loans from a shareholder		106,158,845	-	-	106,158,845	124,621,253	-	-	124,621,253
Employee benefit obligations		59,054,300	-	-	59,054,300	61,003,800	-	-	61,003,800
Provisions and other liabilities		31,465,115	-	-	31,465,115	31,531,954	-	-	31,531,954
		695,626,423	-	-	695,626,423	637,447,885	-	-	637,447,885
Current liabilities									
Trade and other payables	b	654,769,693	-	216,090,061	870,859,754	769,745,731	-	207,627,316	977,373,047
Borrowings		355,497,607	-	-	355,497,607	579,596,216	-	-	579,596,216
Loans from shareholder		129,706,859	-	-	129,706,859	-	-	-	-
Provisions and other liabilities		45,512,145	-	-	45,512,145	58,305,848	-	-	58,305,848
		1,185,486,304	-	216,090,061	1,401,576,365	1,407,647,79	-	207,627,316	1,615,275,111
Total liabilities		1,881,112,727	-	216,090,061	2,097,202,788	2,045,095.68	-	207,627,316	2,252,722,996
TOTAL EQUITY, NON CONTROLLING INTEREST AND LIABILITIES		2,520,395,044	(235,108,542)	216,090,061	2,501,376,563	2,771,338,547	(280,132,146)	207,627,316	2,698,833,717

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34. RESTATEMENT OF PRIOR YEAR (Continued)

34.2 Effect of restatement and reclassification on the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2017:

	Note	December 31, 2017		
		Audited	Restatement	Re-classification Restated
Revenues		519,466,019	-	519,466,019
Cost of revenue	b	(563,123,785)	36,416,457	(526,707,328)
Gross loss		(43,657,766)	36,416,457	(7,241,309)
Selling and distribution expenses		(4,593,042)	-	(4,593,042)
General and administrative expenses		(33,826,318)	-	(33,826,318)
Reversal for impairment for trade receivables	a	-	8,607,147	8,607,147
Operating loss		(82,077,126)	45,023,604	(37,053,522)
Finance cost		(73,888,061)	-	(73,888,061)
Finance income		2,166,863	-	(2,166,863)
Other income, net		54,603,356	-	2,166,863
Loss before zakat		(99,194,968)	45,023,604	-
Zakat		(2,250,000)	-	(2,250,000)
Net loss for the year		(101,444,968)	45,023,604	(56,421,364)
Other comprehensive income				
<i>Items that may be reclassified to profit or loss</i>				
Gain on translation of foreign operations		40,963	-	40,963
<i>Items that will not be reclassified to profit or loss</i>				
Gain on re-measurement of employees benefit obligations		5,602,300	-	5,602,300
Other comprehensive income		5,643,263	-	5,643,263
Total comprehensive loss for the year		(95,801,705)	45,023,604	(50,778,101)
Net loss attributable to:				
Shareholders of the Group		(101,436,652)	45,023,604	(56,413,048)
Non-controlling interests		(8,316)	-	(8,316)
		(101,444,968)	45,023,604	(56,421,364)
Total comprehensive loss attributable to:				
Shareholders of the Group		(95,793,501)	45,023,604	(50,769,897)
Non-controlling interests		(8,204)	-	(8,204)
		(95,801,705)	45,023,604	(50,778,101)
Loss per share				
Basic and diluted		(1.82)	0.81	(1.01)

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34. RESTATEMENT OF PRIOR YEAR (Continued)

34.3 Notes to the reconciliation

- a) The impact of restatement for the error of the application of IFRS-9 for the ECL of trade and other receivables as on January 1, 2017, amounts to SR 52.2 million. In year 2017, this impact was reduced in respect to the unwinding of time value of money as a result of the time lapse at each reporting date and the actual settlements which happened during the respective year, which results in restatement of SR 43.6 million as on December 31, 2017. This has resulted in a reversal for impairment for trade receivables amounted to SR 8.6 million, which has been credited to the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2017.
- b) The impact of restatement for the error of the application of IFRS-9 for the ECL of contract assets as on January 1, 2017, amounts to SR 227.9 million. In year 2017, this impact was reduced in respect to the unwinding of time value of money as a result of the time lapse at each reporting date and the actual settlements which happened during the respective year, which results in restatement of SR 191.5 million as on December 31, 2017. This has resulted in a reversal for impairment for contract assets amounted to SR 36.4 million, which has been credited to the cost of revenue for the year ended December 31, 2017.

In addition, during prior years, certain portion of advances received from customers were netted off with contract assets related to respect customer. These has been re-classified in January 1, 2017 and December 31, 2017 by the amounts of SR 207.6 million and SR 216.1 million respectively to conform with the presentation of the current year.

- c) The impact of restatement for the error of the application of IFRS-9 for equity amounts to SR 280.1 million as of January 1, 2017. In year 2017, this impact was reduced in respect to the unwinding of time value of money as a result of the time lapse at each reporting date and the actual collection which happened during the respective year. This results in net impact of SR 235.1 million on equity as of December 31, 2017.

Certain comparative figures for December, 31 2017 and January 1, 2017 have been reclassified, to conform with the presentation of the current year.

35. SUBSEQUENT EVENTS

- 1) In the Extra Ordinary General Assembly Meeting (EOGAM), held on March 13, 2019, shareholders resolved to continue the Group's operations and proceed with capital restructuring through several stages including increasing and decreasing capital, so that the accumulated losses ratio to amended share capital are reduced to become below 50%.
- 2) On May 29, 2019, The Group received an official notice from the Commercial Court in Dammam to initiate the financial reorganization procedures under Bankruptcy law based on the request of one of the Group's creditors. The First Commercial Chamber of the Commercial Court in Dammam held its meeting on Shawwal 9, 1440H (June 12, 2019) to consider the request for the start of the financial reorganization procedures. The Commercial Court in Dammam approved the start of financial reorganization procedures on July 1, 2019 and also approved the appointment of the trustee. Further to the appointment of trustee of bankruptcy, the trustee made an official announcement dated July 10, 2019 on bankruptcy commission website inviting the creditors of the Group to submit their claims not later than 90 days from the date of this announcement. In accordance with Article 45 of the Bankruptcy Law and Article 42 of its Implementing Regulations, the request for the start of the financial reorganization procedures, as mentioned above, exempts the Group from applying the provisions of the Company's law in respect of the accumulated losses of 50% or more of the capital. On May 12, 2020, the Group announced the receipt of an email from the financial restructuring trustee with an attachment of the final list of creditors approved from Dammam Commercial court. On November 1, 2020, the Group announced for a shareholders' meeting to present the final financial reorganization plan which will include current challenges, restructuring and operational plan and the expected time line.

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35. SUBSEQUENT EVENTS (Continued)

- 3) On September 9, 2019, the group's bank has received a letter from Ministry of Health calling the advance payment letter of guarantee of value SR: 62,634,355 which was issued for 200 Bed Al Rass Hospital. The said project was officially withdrawn from the group and the group has made an announcement on Tadawul dated May 16, 2019, regarding this event. On September 26, 2019, the group's bank had released the amount of SR: 62,634,355 to its corresponding bank in Saudi Arabia to further release to the Ministry of Health. Since the group is going through the financial restructuring procedure under the bankruptcy law, a trustee has written a letter to the Saudi Bank (Corresponding Bank) mentioning not to release the amount of advance payment LG to Ministry of Health as all the liabilities of the group will be settled through financial restructuring procedure. At 31, December 2018, all the liabilities related to this letter of guarantee have been classified under Current Liabilities. The group has established a provision of SR: 1.6 million as at December 31, 2018 to cover any losses due to calling the advance payment LG.
- 4) On November 5, 2020, the Group announced that the head office has been transferred to Al-Sheikh tower, Al-Khobar 34424- Kingdom of Saudi Arabia.
- 5) On January 3, 2021, the Company announced the appointment of an independent consultant firm to carry out special audit work against the responsibility of the previous board of directors and the previous executive management.

36. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved by the Group's Board of Directors on January 11, 2021.