SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
AND INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAUDI CABLE COMPANY (A SAUDI JOINT STOCK COMPANY)

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

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

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia (KSA) and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively, referred to as "IFRS as endorsed in KSA").

Basis for Qualified Opinion

- As stated in note 10, the consolidated financial statements include investment in an associate (50% ownership) with a carrying value of SR 319.12 million and share of results of SR 1.52 million as at and for the year ended 31 December 2020 (SR 318.18 million and SR 0.40 million as of and for the year ended 31 December 2019). The associate had trade receivables amounting to SR 48 million, out of which the Group's share is SR 24 million; that are overdue for more than one year, against which management has not recognized any allowance for expected credit losses. Management was unable to provide us with sufficient appropriate audit evidence to ensure the recoverability of those trade receivables balances. Consequently, we were unable to determine whether any adjustments to the Group's share of results of an associate and the carrying value of the associate were necessary for and as of the year ended 31 December 2020.

- As stated in note 18, the Group received assessments from the General Authority for Zakat and Tax (GAZT), claiming additional Zakat liabilities of SR 201.9 million in respect of the assessment for prior years against which the Group has filed appeals. It is management's assertion that they have grounds to contest against items included in the assessments raised by GAZT, that the outcome of the appeals is uncertain at this stage and, therefore, it is not possible to determine the potential Zakat provision. No provision has been made in these consolidated financial statements for the items under appeal and for any potential exposure relating to open years not yet assessed by GAZT. We have not been provided details or basis of certain appeals the assessments, including details of zakat computation and appeals in respect of certain open years and of certain subsidiaries. We are, therefore, unable to determine whether any adjustments are necessary to the Group's current or prior years' zakat charges and corresponding liability.

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the KSA. Our responsibilities under those standards are further described in the 'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements' section of our report. We are independent of the Company in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to note1 to the consolidated financial statements which states that the Group incurred a net loss of SR 55.73 million during the year ended 31 December 2020 and, as of that date, the Group's current liabilities exceeded its current assets by SR 34.64 million. These events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not further modified in respect of this matter.

Other Matters

The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by another auditor who expressed a modified opinion on those financial statements on 30 March 2020.

Key Audit Matters

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

We have fulfilled the responsibilities described in the 'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements' section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements:

Key Audit Matters	*How our audit addressed key audit matters*
Impairment of inventories As at 31 December 2020, the Group had gross inventories amounting to SR 148.00 million (2019 SR 140.99 million) against which a provision for slow moving and obsolete inventories amounting to SR 42.28 million (2019 SR 42.11 million) maintained. These inventories comprise mainly raw materials, finished goods, work in progress and spare parts. For inventories, the Group adopts a policy of providing for inventories when there are specific quality/net realisable value concerns. Also, when there is evidence of deterioration in the physical condition, technological changes and/or no movements in the specific period. We considered this as a key audit matter because establishing a provision for slow-moving, obsolete and damaged inventories involves significant management judgement in respect of factors such as identifying those slow moving, dormant and obsolete inventories, and assessing their future use and respective allowance. The gross inventories and related provision are material to the financial statements.	We tested the inventory provision calculations against the Group's policy for obsolete and slow-moving inventories. We attended stock counts at the year-end to observe and understand the Company's procedures for identifying obsolete inventory and we observed such inventories at the count. We evaluated the assumptions and reasonableness of judgements used by management for provision assessment. For finished goods and work in progress, we traced, on a sample basis, inventories to sales subsequent to the year end and ensured that they were sold at more than net book value. For raw materials, spares, including supplies and other items, which are assessed for impairment as per policy, on a sample basis, we performed the following procedures: ▪ We obtained an understanding of how the Company's management identifies the slow-moving and obsolete inventories and assessed the amount of allowance for inventories;

Key Audit Matters (continued)

Key Audit Matters	*How our audit addressed key audit matters*
Refer to note 3.12 to the financial statements for the accounting policy relating to the inventories, note 2 for the critical accounting estimates and judgements and note 12 for the disclosures of movement in provision for slow moving and obsolete inventories.	▪ We obtained an understanding and evaluated the appropriateness of the basis of identification of the slow-moving, dormant and obsolete inventories; and ▪ We have tested the accuracy of the aging analysis of inventories, on a sample basis. We have also assessed the disclosures in the consolidated financial statements, including the reasonableness of disclosure of judgment, estimates and assumptions applied by the management in assessing the provision against inventories.
Impairment loss on accounts and retentions receivables and unbilled contract assets The gross balance of accounts and retentions receivables and unbilled contract asset as at 31 December 2020 amounted to SR 422.93 million and SR 31.36 million, respectively (as at 31 December 2019: SR 386.58 million and SR 54.37 million, respectively), against which an allowance for impairment of SR 180.40 million and 10.37 million respectively (2019: SR 151.61 million and SR 8.15million) was maintained. The Group has applied significant judgment in the determination of Expected Credit Loss (ECL). The Group's management has applied a simplified ECL model to determine the allowance for impairment of accounts receivable. The ECL model involves the use of various assumptions covering macro-economic factors and study of historical trends. We considered this as a key audit matter given the judgements and assumptions regarding the ECL impairment against trade receivables and the potential impact on the Group's consolidated financial statements *Refer to note 3.26 to the consolidated financial statements for the significant accounting policy, note 2 for the critical accounting estimates and judgements and note 11 and 14 which details the disclosure of impairment against trade receivables and unbilled contract asset.*	We assessed the appropriateness of significant judgements, estimates and assumptions made by the management keeping in view the uncertainty due to the COVID 19 pandemic. We obtained and updated our understanding of management's assessment of ECL against trade receivables. We compared the Group's accounting policy for ECL allowance and the ECL methodology with the requirements of IFRS 9. We involved our specialists to review methodology implemented by the Group in relation to the requirements of IFRS (9). Particularly, we assessed the Group's approach regarding assessment of the probability of default and incorporation of forward-looking information in the calculation of ECL, as well as the changes in loss given default parameter. We reviewed the appropriateness of the Group's criteria and judgement for the determination of individually impaired receivable. We tested the completeness and accuracy of data, on a sample basis, supporting the ECL calculations. We also assessed the reasonableness and adequacy of disclosures in the consolidated financial statements as required by IFRS 9 and IFRS 7 *Financial instruments: Disclosure*.

Key Audit Matters (continued)

Key Audit Matters	*How our audit addressed key audit matters*
Reversal of a provision During the current year, the Group reversed a provision of SR 89.74 million (2019: Nil) recorded in prior year against a legal case as the Group received a favorable court order dismissing the plaintiff claim and received an independent legal opinion which states that the decision of Court of Appeal will not be different from the original decision issued by court of first instance as no new evidence has been lodged. The court hearing against the appeal is ongoing and the fact is disclosed as contingent liability in the consolidated financial statements. Due to significance of amounts involved, inherent uncertainties with respect to the outcome of the matters and use of significant management judgement, we considered contingent liabilities as a key audit matter. *Refer to note 3.16 to the consolidated financial statements for the significant accounting policy on provisions, note 2 for the related critical accounting estimates and judgements and note 28 for the related disclosures.*	We performed the following audit procedures: • Obtained understanding of the legal case and discussed with the management the overall process and key inputs of their assessments of reversing provisions and disclosing as contingent liability. • Evaluated reasonableness and appropriateness of Group's policies related to recognition and measurement of provisions, in accordance with the requirements of relevant IFRSs. • Evaluated independent legal opinions, and other evidence to corroborate management's assessment in respect of possible outflow of the legal claims. • Requested and received confirmations from the Group's legal counsel of their views on open legal cases and assessments thereon. • Ensured that adequate disclosure has been made in the consolidated financial statements in accordance with the requirements of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Key Audit Matters (continued)

Key Audit Matters	*How our audit addressed key audit matters*
Impairment assessment of property, plant and equipment At 31 December 2020, the carrying value of the Group's property, plant and equipment including capital work in progress, amounted to SR 301.59 million (2019: SR 330.42 million). The Group's property, plant and equipment primarily parcels of land, buildings, machinery, equipment and vehicles and furniture, fixtures and office equipment. The Group's property, plant and equipment are subject to impairment assessment where there are internal or external indicators of impairment. The Group reviews the carrying amount of these non-financial assets to determine whether the carrying amount exceeds the recoverable amounts, which is higher of value in use or their fair values less cost to sell. For the purpose of the Group's impairment assessment, management used value in use model to determine the recoverable amount, under which the future cash flows relating to each cash generating unit (CGU) were discounted and compared to their respective carrying amount. The Group's assessment of the recoverable amount of CGU involves use of modelling techniques and requires a significant amount of judgement and estimation. It also requires estimates of future cash flows and associated discount and growth rates based on management's view of future business prospects at the time of assessment. We considered impairment assessment of property plant and equipment as a key audit matter due to involvement of significant judgements and estimation uncertainty. *Refer to note 3.8 for the accounting policy relating to property, plant and equipment and intangible assets, respectively, significant judgements in 2 and related disclosure in note 6.*	In order to evaluate management's assessment of impairment estimate of the CGU, we performed, among other audit procedures, the following: • discussed with the management the overall process and key inputs of the impairment estimation. • evaluate and obtained reasonableness of the assumptions, methodologies, CGU determination, the discount rates and other data used by the Group. We also evaluated the sensitivity of key assumptions used by management in assessing recoverable amount. • evaluated the financial forecast, the methodology of the financial forecast preparation process and the reasonability of the forecasts at the level of individual entities as well as at the Group level. • evaluated management's outlook in the explicit period as well as the long-term growth rate, in particular around forecasted revenues, earnings and capital expenditures. • assessed whether the CGU structure is aligned with the organizational structure; We also assessed the appropriateness of the related disclosures in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAUDI CABLE COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)

Other information included in the Group's 2020 annual report

Other information consists of the information included in the Group's 2020 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2020 annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as endorsed in KSA, the applicable requirements of the Companies' Law, the Company's By-Laws and for such internal control as management determine 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, 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 are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the KSA, will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Building a better working world

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAUDI CABLE COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)

As part of an audit in accordance with International Standards on Auditing that are endorsed in the KSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

For Ernst & Young

Abdullah Ali AlMakrami
Certified Public Accountant
Licence No. 476

24 Shaban 1442H
6 April 2021
Jeddah

شركة ارنست ويونغ وشركاهم محاسبون قانونيون
ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 December 2020

	Notes	***2020***	*2019*
		SR'000	*SR'000*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	**301,593**	330,415
Investment properties	7	**39,865**	2,975
Intangible assets	8	**23,125**	25,764
Right of use assets	9	**8,449**	8,096
Investment in an associate	10	**319,117**	318,180
Financial assets at fair value through other comprehensive income		**45**	45
Retentions receivable, net	11	**44,862**	32,077
Deferred tax asset	18	**9,086**	8,346
TOTAL NON-CURRENT ASSETS		**746,142**	725,898
CURRENT ASSETS			
Inventories	12	**105,726**	98,879
Accounts and retentions receivables	11	**197,667**	202,894
Prepaid expenses and other balances	13	**146,060**	166,401
Unbilled contract asset	14	**20,998**	46,213
Due from related party	19	**113**	187
Cash and bank balances	15	**18,793**	7,064
TOTAL CURRENT ASSETS		**489,357**	521,638
TOTAL ASSETS		**1,235,499**	1,247,536
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	21	**360,614**	110,614
Hedging reserve		**8,632**	826
Foreign currency translation reserve		**(6,529)**	(6,403)
Actuarial valuation reserves		**(11,612)**	(3,320)
Accumulated losses		**(62,421)**	(7,409)
Equity attributable to the shareholders of the Parent		**288,684**	94,308
Non-controlling interest		**(3,262)**	(2,543)
TOTAL SHAREHOLDERS' EQUITY		**285,422**	91,765
NON-CURRENT LIABILITIES			
Term loans and borrowings	16	**353,647**	378,181
Retentions payable		**3,175**	8,066
Employees' benefit obligation	17	**61,372**	52,168
Lease liabilities	9	**7,881**	8,623
TOTAL NON-CURRENT LIABILITIES		**426,075**	447,038
CURRENT LIABILITIES			
Term loans and borrowings	16	**156,630**	220,850
Provision for zakat and income tax	18	**37,377**	69,435
Due to related parties	19	**65,565**	56,022
Accounts payable, accrued expenses and other liabilities	20	**262,669**	361,333
Lease liabilities	9	**1,761**	1,093
TOTAL CURRENT LIABILITIES		**524,002**	708,733
TOTAL LIABILITIES		**950,077**	1,155,771
TOTAL LIABILITIES AND EQUTIY		**1,235,499**	1,247,536

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	***2020*** ***SR'000***	*2019* *SR'000*
Revenue	22	**368,779**	381,274
Costs of revenue	23	**(426,441)**	(416,451)
GROSS LOSS		**(57,662)**	(35,177)
General and administrative expenses	24	**(62,694)**	(51,369)
Selling and distribution expenses	25	**(16,616)**	(20,856)
Expected credit losses	26	**(32,839)**	(1,931)
OPERATING LOSS FOR THE YEAR		**(169,811)**	(109,333)
Finance costs, net	27	**(12,774)**	(13,551)
Share of result of an associate	10	**1,524**	395
Other income, net	28	**133,060**	70,569
LOSS BEFORE ZAKAT AND INCOME TAX		**(48,001)**	(51,920)
Zakat	18	**(8,585)**	(11,666)
Income tax	18	**855**	26
NET LOSS FOR THE YEAR		**(55,731)**	(63,560)
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified to profit or loss			
Changes in foreign currency translation reserve		**(126)**	300
Changes in actuarial valuation reserves		**(8,292)**	(5,570)
Items that are or may be reclassified subsequently to profit or loss			
Hedging reserve		**7,806**	(132)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(56,343)**	(68,962)
Loss for the year attributable to			
Parent Company shareholders		**(55,012)**	(61,831)
Non-controlling interests		**(719)**	(1,729)
		(55,731)	(63,560)
Total comprehensive loss attributable to			
Parent Company shareholders		**(55,624)**	(67,260)
Non-controlling interests		**(719)**	(1,702)
		(56,343)	(68,962)
Loss per share (basic and diluted):			
Basic and diluted loss per share from net loss for the year attributable to the Shareholders' of the Parent - restated	29	**(1.53)**	(2.79)

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements

SAUDI CABLE COMPANY (A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Equity attributable to the shareholders of the Parent Company							
	Share capital SR'000	*Hedging reserve SR'000*	*Foreign currency translation reserve SR'000*	*Actuarial valuation reserve SR'000*	*Accumulated losses SR'000*	*Total SR'000*	*Non-controlling interest SR'000*	*Total shareholders' equity SR'000*
Balance at 1 January 2020	110,614	826	(6,403)	(3,320)	(7,409)	94,308	(2,543)	91,765
Loss for the year	-	-	-	-	(55,012)	(55,012)	(719)	(55,731)
Other comprehensive loss	-	7,806	(126)	(8,292)	-	(612)	-	(612)
Total comprehensive loss	-	7,806	(126)	(8,292)	(55,012)	(55,624)	(719)	(56,343)
Issuance of share capital (note 21)	250,000	-	-	-	-	250,000	-	250,000
Balance at 31 December 2020	**360,614**	**8,632**	**(6,529)**	**(11,612)**	**(62,421)**	**288,684**	**(3,262)**	**285,422**
Balance at 1 January 2019	110,614	958	(6,703)	2,277	55,006	162,152	(355)	161,797
Loss for the year	-	-	-	-	(61,831)	(61,831)	(1,729)	(63,560)
Other comprehensive loss	-	(132)	300	(5,597)	-	(5,429)	27	(5,402)
	-	(132)	300	(5,597)	(61,831)	(67,260)	(1,702)	(68,962)
IFRS 16 application adjustments	-	-	-	-	(584)	(584)	-	(584)
Net movement in non-controlling interests	-	-	-	-	-	-	(486)	(486)
Balance at 31 December 2019	110,614	826	(6,403)	(3,320)	(7,409)	94,308	(2,543)	91,765

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	*2020* *SR'000*	*2019* *SR'000*
OPERATING ACTIVITIES:			
Loss for the year before zakat and income tax		**(48,001)**	(51,920)
Adjustments to reconcile profit before zakat and income tax to net cash flows:			
Depreciation of PPE, investment properties and right of use assets	6,7&9	**35,577**	34,756
Expected credit losses	26	**32,839**	1,931
Reversal of provision for slow-moving inventories	12	**(165)**	(13,518)
Gain from loans restructuring with commercial banks		**-**	(17,607)
Loss from disposal of property, plant and equipment		**-**	32
Amortization of intangible assets	8	**2,639**	8,311
Deferred tax asset	18	**115**	88
Group's share of result in an associate -net	10	**(1,524)**	(395)
Provision for employee benefit obligations	17	**6,888**	6,761
Finance cost		**12,774**	13,551
Reversal of provisions	28	**(111,673)**	(45,027)
Fair value gains on financial liabilities	27	**(15,854)**	-
Working capital changes:			
Inventories		**(6,682)**	26,926
Accounts and retentions receivables		**(36,353)**	88,703
Prepaid expenses and other balances		**(19,057)**	5,590
Unbilled contract asset		**23,002**	(27,368)
Due from related parties		**74**	25,522
Accounts payables, accrued expenses and other liabilities		**5,650**	(50,366)
Due to related parties		**9,543**	5,273
Cash resulted from operating activities		**(110,208)**	11,243
Zakat paid		**(40,643)**	(11,387)
Finance cost paid		**(9,665)**	(11,954)
Employee benefits paid	17	**(5,085)**	(2,427)
Net cash used in operating activities		**(165,601)**	(14,525)
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	6	**(4,599)**	(1,670)
Additions to intangible assets		**-**	(780)
Dividends received from an associate	10	**6,787**	-
Net cash generated / (used in) by investing activities		**2,188**	(2,450)
CASH FLOW FROM FINANCING ACTIVITIES			
Net movement in long and short-term loans		**(72,900)**	9,957
Net movement in lease liabilities		**(1,958)**	(1, 406)
Proceeds from rights issue		**250,000**	-
Net cash generated from financing activities		**175,142**	8,551
Net increase / (decrease) in cash and cash equivalents		**11,729**	(8,424)
Cash and cash equivalents at the beginning of the year		**7,064**	15,488
Cash and cash equivalents at the end of the year		**18,793**	7,064
Non-cash items:			
Fair value adjustments		**(6,326)**	(132)
Actuarial gains / (losses) from revaluation of employee benefits reserve		**8,038**	(5,570)
Movement in foreign currency translation reserve		**(126)**	300

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi Cable Company ("the Company" or "the Parent Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030009931 dated 27 Rabi Al Thani 1396H, (corresponding to April 27, 1976).

The Group's ("Parent Company" and its "subsidiaries") activities comprises manufacturing and supplying electrical and telecommunication cables, copper rod, PVC compounds, wooden reels and related products. The Group is also engaged in the contracting, trading, distribution and supply of cables, electronic products, information technology products and related accessories.

The registered head office of the Parent Company is located at the following address:

Saudi Cable Company
P. O. Box 4403, Jeddah 21491
Kingdom of Saudi Arabia

These consolidated financial statements include assets, liabilities and the results of the operations of the Parent Company and its following subsidiaries collectively referred to as "the Group":

Company's name	*Principal activities*	*Country of incorporation*	*Percentage of ownership*	
			2020	*2019*
Domestic				
Saudi Cable Company for Marketing Limited	Purchase and sale of electrical cables and related products	Saudi Arabia	**100%**	100%
Mass Projects for Power and Telecommunications Limited	Turnkey power and telecommunication projects	Saudi Arabia	**100%**	100%
Mass Centers for Distribution of Electrical Products Limited	Electrical and telecommunication distribution services	Saudi Arabia	**100%**	100%
International				
Mass Kablo Yatirim Ve Ticaret Anonim Sirketi	Holding Company (Previously Mass Holding Company)	Turkey	**100%**	100%
Mass International Trading Company Limited (note a)	International trading	Ireland	**100%**	100%
Saudi Cable Company (U.A.E) L.L.C.	Sale of cables and related products	United Arab Emirates	**100%**	100%
Elimsan Salt Cihazlari ye Elektromekanik San ve Tic. A.S	Manufacture and distribution of electronic gears and goods	Turkey	**94%**	94%
Elimsan Metalurji ve Makine San. Ve Tic. A.S.	Manufacture and distribution of electronic gears and goods	Turkey	**100%**	100%
Fairhaven Holdings Ltd	Holding company	Seychelles	**100%**	100%
Kablat Holding Limited	Holding company	Malta	**100%**	100%
Gozo Gayrimenkul Anonim Sirketi	Holding company	Turkey	**100%**	100%
Valleta Gayrimenkul Anonim Sirketi	Holding company	Turkey	**100%**	100%

As at December 31, the Group has the following investments in equity accounted investees:

Associates				
Midal Cables W.L.L.	Conductors & related products	Bahrain	**50%**	50%
XECA International Information Technology (note b)	Implementation of information Systems and network services	Saudi Arabia	**25%**	25%

a) This subsidiary is not operational (dormant).

b) The Group has reduced the carrying value of investment in XECA International Information Technology to nil in the previous years.

c) All subsidiaries and associates have the same year-end as the Parent Company.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (continued)

Going concern
The Group incurred a net loss of SR 55.73 million during the year ended 31 December 2020 and, as of that date, the Group's current liabilities exceeded its current assets by SR 34.64 million (2019: SR 187.09 million). These events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The Parent Company management has made an assessment of the Company's as well as the Group's ability to continue as a going concern and is satisfied that it has the adequate resources to continue its business for the foreseeable future. In recent years, the management has implemented various initiatives at the Group level. Coupled with successful execution of a capital raise by way of rights issue during the year (note 21) and subsequent to the year end (note 34), financial restructuring agreement with Al Rajhi bank (Note 16), improved order backlog, better terms with suppliers, provided management adequate evidence that going concern assumption is appropriate for the Group as a whole.

In addition, Mass Kablo Ve Ticaret Anonim Sirketi, a fully owned subsidiary of the Group, has accumulated losses amounting to SR 344.05 million as of 31 December 2020 and, as of that date, the subsidiary's current liabilities exceeded its current assets by SR 0.73 million is a matter for going concern and its ability to meet obligations as and when they fall due. The subsidiary has made an assessment of the subsidiary ability to continue as a going concern and is satisfied that the subsidiary have has the resources to continue its business for the foreseeable future. Management has prepared a comprehensive business plan and, already, has successfully implemented certain elements of the plan including among others, rescheduled of financing arrangements, agreed sustainable repayments plans with major creditors, secured and continue to securing assets of the Subsidiary through legal means and renegotiations with counterparties to enhance the Subsidiary's operational position. Accordingly, management believe that the going concern assumption used in the preparation of the subsidiary financial information is appropriate.

2. BASIS OF PREPARATION

Statement of compliance
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards "IFRS" that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

Basis of measurement
These consolidated financial statements have been prepared under the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) and derivative financial instruments which are carried at their fair values.

Functional and presentation currency
These financial statements are presented in Saudi Arabian Riyals (SR), which is also the Group's functional and reporting currency. All financial information presented in SR has been rounded to the nearest thousand except where otherwise indicated.

Significant accounting judgements, estimates and assumptions
The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Significant judgement include assessment of going concern the details of which are included in note 1.

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

Useful lives and residual value of property, plant and equipment
The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

2. BASIS OF PREPARATION (Continued)

Allowance for inventory losses

The Group recognizes an allowance for inventory losses due to factors such as obsolescence, technical faults, physical damage etc. The estimation of such losses includes the consideration of factors including but not limited to introduction of new models or technology by the specific manufacturer and both existing and emerging market conditions.

Provision for expected credit losses (ECL) of trade receivables

The Group uses a provision matrix to calculate ECL for trade receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECL on the Group's trade receivables is disclosed in note 32.

Provisions

Provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Impairment of non-financial assets

The Group assesses, at each reporting date or more frequently if events or changes in circumstances indicate, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell, or its value in use, and is determined for the individual asset, unless the asset does not generate cash inflows which are largely independent from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is decreased to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate source is used, such as observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets exist, it is based on discounted future cash flow calculations.

Defined benefit plan

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employee turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on high quality Corporate/Government bonds. The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country. Further details about employee benefits obligations are provided in note 17.

Impact of COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the globe including Saudi Arabia. During the year ended 31 December 2020, the Saudi Arabian government rightly took many initiatives to contain the spread of virus, which included restrictions on travel, gathering of people and enactment of curfew timings. This resulted in many non-essential businesses to curtail or suspend activities until further notice. Considering these factors, the Group's management carried out an impact assessment on the overall Group's operations and business aspects and concluded that, as at the issuance date of these financial statements, the Group did not have significant impact on its operations and businesses due to COVID-19 pandemic and no significant changes are required to the judgements, assumptions and key estimates. The activities of the Group were not significantly impacted by the restrictions imposed on account of COVID-19. The operational and financial impacts of the COVID-19 pandemic to date have been reflected in these financial statements. The strong financial position, including access to funds, nature of activities coupled with the actions taken by the Group to date and the continued activity at the terminal ensures that the Group has the capacity to continue through the challenges caused by impacts of the COVID-19 pandemic. However, in view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently, except for new standards adopted during the year as disclosed in note 4, in the preparation of these consolidated financial statements.

3.1 Basis of consolidation

The Group's consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary is as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

Profit or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated statement of profit or loss. Any investment retained is recognised at fair value. These consolidated financial statements comprising the financial statements the Parent Company and its subsidiaries as set out in note 1. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Parent Company.

3.2 Business combinations and goodwill

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Business combinations and goodwill (continued)

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3.3 Investments in associates and joint ventures

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

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

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

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

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

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

When the Group's share of losses exceeds its interest in associates, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has a corresponding obligation.

3.4 Foreign currencies

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised as profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised as OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss in the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

3.6 Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Saudi Riyals at exchange rates at the reporting date. Dividends received from foreign associates are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the consolidated statement of other comprehensive income.

When a foreign operation is disposed of, the relevant amount in the translation reserve is transferred to the consolidated statement of profit or loss as part of the profit or loss on disposal. On the partial disposal (without loss of control) of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest.

Foreign exchange gains or losses arising from a monetary item receivables from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in the foreign exchange translation reserve via other comprehensive income.

3.7 Current versus non-current classification

Assets

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when:

- It is expected to be realised or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realised within twelve months after the reporting period; or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

Liabilities

A liability is current when:

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

The Group classifies all other liabilities as non-current.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Property, plant and equipment

Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in consolidated statement of profit or loss.

Subsequent costs
The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the consolidated statement of profit or loss as incurred.

Capital work-in-progress
Capital work-in-progress are carried at cost less any recognised impairment loss and is capitalized as property, plant and equipment when ready for the intended use.

Depreciation
Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets, development cost of leasehold land and building on leasehold land are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively if required. For discussion on impairment assessment of property and equipment. The estimated useful lives are as follows:

Description	**Years**
Buildings	15-50
Machinery, equipment and vehicles	4 – 20
Furnitures, fixtures and office equipment	4 - 10

Projects under construction
Projects under construction are measured at cost which comprises construction costs, equipment, and related direct costs. Projects under construction which will be used by the Group are not depreciated until its ready for use where its transferred to property, plant and equipment or investment properties based on the nature of asset use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Intangibles

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible asset.

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

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss

Research and development costs

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

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

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

3.10 Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost, including transaction costs. Subsequently investment properties are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the investment properties and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of investment properties are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All repairs and maintenance costs are recognised in the consolidated statement of profit or loss as incurred.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in consolidated statement of profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15 – "*Revenue from Contract with Customers*".

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the depreciated value at the date of change in use. If owner-occupied property becomes an investment property, the Group account for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (s) Impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivables, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.12 Inventories

Inventories represent spare parts and other supplies. These are measured at lower of cost and net realisable value. The cost of inventories is principally based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. The Group recognizes an allowance for inventory losses due to factors such as obsolescence, technical faults, physical damage etc.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand, cash at banks and other short-term highly liquid deposits / investments with original maturities of three month or less, if any, which are available to the Group without any restrictions. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, bank balances and Murabaha deposits.

3.14 Financial instruments

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

The Group's financial assets consist of cash and bank balances, trade receivables, investments at fair value through other comprehensive income, investment in associates, due from related parties and financial liabilities consist of long term loans and bank facilities, trade and other payables.

i) Financial assets

Initial recognition and measurement

Financial assets at initial recognition, are measured at their fair values. Subsequent measurement of a financial asset is dependent on its classification and is either at amortised cost or fair value through other comprehensive income (OCI) or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in following categories:

a) Financial assets at amortised cost
b) Financial assets at fair value through OCI (FVOCI)
c) Financial assets at fair value through profit or loss (FVTPL)

a) Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in consolidated statement of profit or loss when the asset is derecognised, modified or impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt instruments
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Equity instruments
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

b) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including consolidated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

Business model assessment
The Group makes an assessment of the objective of a business model under 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 interest revenue, maintaining a particular interest 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 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 stated objective for managing the financial assets is achieved and how cash flows are realized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial instruments (continued)

Business model assessment (continued)
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 realised in a way that is different from the Group's 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. Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVIS because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessments whether contractual cash flows are solely payments of principal and profit ("SPPP" criteria)
For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Profit' is the consideration for the time value of money, the credit and other basic lending risk associated with the principal amount outstanding during a particular period and other basic financing costs (e.g. liquidity risk and administrative costs), along with profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:
- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money- e.g. periodical reset of profit rates.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or at amortised cost. All financial liabilities are recognised initially at fair value and, in the case of financing and payables, net of directly attributable transaction costs.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Financial liabilities at amortised cost
After initial recognition, financial liabilities, other than at fair value through profit or loss are measured at amortised cost using the EIR method. Gains and losses as a result of unwinding of profit cost through EIR amortization process and on de-recognition of financial liabilities are recognized in the consolidated statement of profit or loss.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

iii) Derecognition

Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

iv) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.15 Impairment of financial and non-financial assets

Financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and a loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as economic conditions that correlate with defaults.

The Group recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. For trade receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL 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 90 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. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Impairment of financial and non-financial assets (continued)

Non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The fair value less costs of disposal is determined by taking into account recent market transactions. If no such transactions can be identified, an appropriate valuation model is used. The value in use is assessed by discounting the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in the statement of profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU (group of units) on a pro rata basis.

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

3.16 Provisions

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

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

3.17 Actuarial valuation reserves

Short-term employee benefits

Short-term employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment benefits

The Group's obligation under employee end of service benefit is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in OCI. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in employee costs in the statement of profit or loss.

3.18 Cash dividend and non-cash distribution to equity holders of the Parent

The Group recognises a liability to pay a dividend when the distribution is authorised and no longer at the discretion of the Group. As per the bye-laws of the Group, a distribution is authorised when it is approved by the shareholders. Interim dividends are recorded as liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the period in which they are approved by the shareholders.
A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the consolidated statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Revenue
The Group through its subsidiaries, jointly controlled entity and associates is engaged in the following businesses:

Cable manufacturing and installation
Revenue is recognized when obligations under the terms of a contract with the customer are satisfied; generally, this occurs with the transfer of control of the products or services. Revenue is measured as the amount of consideration the Group expects to receive in exchange for transferring goods or providing services. The expected costs associated with the base warranties continue to be recognized as expense when the products are sold. The Group does not provide extended maintenance coverages beyond the base warranties. The Group does not have any material significant payment terms as payment is received in advance, at or shortly after the point of sale.

Performance Obligations
In most cases, the entire contract is accounted for as one performance obligation. Less commonly, however, the Group may promise to provide distinct goods or services within a contract in which case the contracts are separated into more than one performance obligation. Mostly the Group sells standard products with observable standalone sales. In such cases, the observable standalone sales are used to determine the standalone selling price.

Timing of revenue recognition
The Group generally recognizes revenue at a point in time except for certain long-term contracts, which are on a cost-to-cost method. The Group transfers control and recognizes a sale when the product is delivered to the customer, for the majority of the revenue contracts. The amount of consideration received and revenue recognized rarely changes. The Group adjusts the estimate of revenue, if any, at the earlier of when the most likely amount of consideration expected to be received changes or when the consideration becomes fixed. Management uses an observable price to determine the stand-alone selling price for separate performance obligations or a cost-plus margin approach when one is not available.

Cash received in advance of revenue being recognized is treated as current deferred revenue and classified under advances from customers, except for the portion expected to be settled beyond 12 months of the consolidated statement of financial position date, which is classified as non-current deferred revenue.

The timing of revenue recognition, billings and cash collections results in billed accounts receivables, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on the consolidated statement of financial position. In most instances, amounts are billed as work progress in accordance with agreed-upon contractual terms, upon achievement of contractual milestones. These assets and liabilities are reported on the consolidated statement of financial position on a contract-by-contract basis at the end of each reporting period. In certain instances, deposits are generally received from customers upon contract execution and upon achievement of contractual milestones. These deposits are liquidated when revenue is recognized.

Contract Assets — Contract assets include unbilled amounts typically resulting from sales under long-term contracts when the cost-to-cost method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer, and right to payment is not just subject to the passage of time. Amounts may not exceed their net realizable value. Contract assets are generally classified as current, except when the contract is greater than 12 months.

Contract Liabilities — the contract liabilities consist of advance payments and billings in excess of revenue recognized and deferred revenue. The Group may also receive up-front payments, which in most cases are recognized ratably over the contract term OR adjusted against the subsequent invoices. The contract assets and liabilities are reported in a net position on a contract by-contract basis at the end of each reporting period.

3.20 Expenses

Direct cost
Direct cost represents all expenses directly attributable or incidental to the core operating activities of the Group including but not limited to: depreciation of property, plant and equipment, amortization of intangibles, directly attributable employee related costs etc.

Selling and distribution expenses
These include any costs incurred to carry out or facilitate selling activities of the Group. These costs typically include salaries of the sales staff, marketing, distribution and logistics expenses. These also include allocations of certain general overheads.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Expenses (continued)

General and administrative expenses
These pertain to operation expenses which are not directly related to the production of any goods or services. These also include allocations of general overheads which are not specifically attributed to direct cost or selling and distribution expenses.

Allocation of overheads between cost of revenue, selling and distribution expenses, and general and administration expenses, where required, is made on a consistent basis.

3.21 Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs comprise of interest expense on loans and bank facilities, unwinding of the discount on long term provisions.

3.22 Finance income
Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in consolidated statement of profit or loss, using the effective interest method.

3.23 Zakat and taxation

Zakat
The Group is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Provision for zakat for the Group and zakat related to the Group's ownership in the Saudi Arabian subsidiaries is charged to the consolidated statement of profit or loss.

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid for the current year to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the Kingdom of Saudi Arabia.

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:
- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the brought forward unused tax credits and unused tax losses can be utilised, except:
- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.23 Zakat and taxation

Deferred income tax (continued)
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Withholding tax
The Group companies withhold taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with GAZT regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

Value added tax (VAT)
Expenses and assets are recognised net of the amount of VAT, except when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

3.24 Segment reporting
Business segment is group of assets, operations or entities:

- engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components;
- the results of its operations are continuously analyzed by Group's executive management (Finance and operations) in order to make decisions related to resource allocation and performance assessment; and
- for which financial information is discretely available.

Segment results that are reported to the Group's executive management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

A geographical segment is group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

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

- Sale of goods
- contract revenue

3.25 Earnings per share
The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic and diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.26 Trade and retentions receivables

Trade and retentions receivables are amounts due from customers for products sold and services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade and retentions receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Subsequent recoveries of amount previously written-off are credited to profit or loss against "General and administrative expenses.

3.27 Hedge accounting

Derivative financial instrument are initially measured at their fair value at the date of transactions. Subsequent to the initial recognition, the derivatives are carried at their fair values. The Company designates derivative as hedging instruments in qualifying hedging relationships to manage exposures to variations in commodity prices and accordingly classified as cash flow hedge. The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices.

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. In order to qualify for hedge accounting, the hedge should be expected to be "highly effective", i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item, and should be reliably measurable. At inception of the hedge, the risk management objective and strategy is documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Company will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis.

A hedge is expected to be highly effective if the changes in cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognised in the consolidated statement of profit or loss.

Cash flow hedges which meet the criteria for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised initially as fair value reserve in consolidated statement of 'Other Comprehensive Income' (OCI) and the ineffective portion, if any, is recognised in the consolidated statement of profit or loss.

Hedge accounting is discontinued when the hedging instrument is expired or sold, terminated or exercised, or no longer qualifies for hedge accounting, or the forecast transaction is no longer expected to occur or the Company revokes the designation then hedge accounting is discontinued prospectively. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognised in equity from the period when the hedge was effective is transferred to the statement of profit or loss when the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur and affect the statement of profit or loss, the net cumulative gain or loss recognised in the consolidated statement of OCI is transferred immediately to the consolidated statement of profit or loss.

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.:

Amendments to IFRS 3: Definition of a business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") is engaged in a two-phase process of amending its guidance to assist in a smoother transition away from IBOR.

Phase (1) - The first phase of amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures focused on hedge accounting issues. The final amendments, issued in September 2019, amended specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by IBOR reform. The amendments are effective from 1 January 2020 and are mandatory for all hedge relationships directly affected by IBOR reform.

Phase (2) - The second phase relates to the replacement of benchmark rates (IBOR) with alternative risk-free rates (RFR). The Phase 2 amendments are effective for annual periods beginning on or after 1 January 2021 and early application is permitted. Now that the Phase 2 Amendments have been finalised, the Branch will complete its assessment of the accounting implications of the scenarios it expects to encounter as the transition from IBORs to RFRs in order to accelerate its programmes to implement the new requirements. The Phase 2 Amendments introduce new areas of judgement, the Branch needs to ensure it has appropriate accounting policies and governance in place.

Amendment to IAS 1 and IAS 8: Definition of Material
The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.

A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Group.

Amendments to IFRS 16 Covid-19 Related Rent Concessions
On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Group.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards, interpretations and amendments that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 17 Insurance contracts
In May 2018, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – *Amendments to IFRS 3*
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the framework for the preparation and presentation of financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments are not expected to have a material impact on the Group.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IAS 16: Property, plant and equipment
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual periods beginning on or after 1 January 2022 and must be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Amendments to IAS 37: Provisions – costs to fulfil a contract
In May 2020, the IASB issued amendments to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 *First-time Adoption of International Financial Reporting Standards* – Subsidiary as a first-time adopter
As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the Parent, based on the Parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

IAS 41 *Agriculture* – Taxation in fair value measurements
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not expected to have any impact on the Group.

6. PROPERTY, PLANT AND EQUIPMENT

31 December 2020	*Parcels of Land* *SR'000*	*Buildings* *SR'000*	*Machinery, equipment and vehicles* *SR'000*	*Furniture, fixtures and office equipment* *SR'000*	*Capital work in progress* *SR'000*	*Total* *SR'000*
Cost						
At the beginning of the year	**142,293**	**285,443**	**889,660**	**132,381**	**6,658**	**1,456,435**
Additions during the year	**-**	**-**	**83**	**17**	**4,499**	**4,599**
Transfer during the year (note d)	**-**	**(824)**	**3,155**	**454**	**(2,785)**	**-**
At the end of the year	**142,293**	**284,619**	**892,898**	**132,852**	**8,372**	**1,461,034**
Accumulated depreciation						
At the beginning of the year	**-**	**202,976**	**794,169**	**128,875**	**-**	**1,126,020**
Charge for the year	**-**	**7,446**	**24,746**	**1,229**	**-**	**33,421**
At the end of the year	**-**	**210,422**	**818,915**	**130,104**	**-**	**1,159,441**
Net book value:						
December 31, 2020	**142,293**	**74,197**	**73,983**	**2,748**	**8,372**	**301,593**

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

31 December 2019	*Parcels of Land* *SR'000*	Buildings *SR'000*	Machinery, Equipment and vehicles *SR'000*	Furniture, fixtures and office equipment *SR'000*	Capital work in progress *SR'000*	Total *SR'000*
Cost						
At the beginning of the year	142,293	285,889	887,148	132,919	37,343	1,485,592
Additions during the year	-	4	1,500	82	84	1,670
Disposals during the year	-	-	(27)	(5)	-	(32)
Transfer during the year (note a, d)	-	(450)	1,039	(615)	(30,769)	(30,795)
At the end of the year	142,293	285,443	889,660	132,381	6,658	1,456,435
Accumulated depreciation						
At the beginning of the year	-	197,120	767,678	127,414	-	1,092,212
Charge for the year	-	5,856	26,491	1,461	-	33,808
At the end of the year	-	202,976	794,169	128,875	-	1,126,020
Net book value:						
31 December 2019	142,293	82,467	95,491	3,506	6,658	330,415

a) Capital work in progress includes improvements in buildings and machinery. During 2019 the Group transferred costs of SR 27.01 million to development costs and SR 3.78 million to rights and licenses under intangible assets (note 8).

b) Certain machinery and equipment at 31 December 2020 having cost of SR 5.69 million (31 December 2019: SR 5.69 million) and net book value of SR 3.83 million (31 December 2019: SR 4.97 million) have been acquired under finance lease arrangement.

c) At December 31, 2020 certain assets with a net book value of SR 130.06 million (31 December 2019: SR 138.55 million) were pledged against term loans and borrowings (note 16) as collateral.

d) Included in transfers certain amounts previously included in building.

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.1 Depreciation charge for the year has been allocated as follows:

	2020 *SR'000*	*2019* *SR'000*
Costs of revenue	**31,716**	27,842
Selling and distribution expenses (note 25)	**875**	4,821
General and administrative expenses (note 24)	**830**	1,145
	33,421	33,808

7. INVESTMENT PROPERTIES

	2020 *SR'000*	*2019* *SR'000*
Cost:		
At the beginning of the year	**3,934**	3,934
Addition (note 13)	**37,918**	-
At the end of the year	**41,852**	3,934
Depreciation:		
At the beginning of the year	**959**	881
Charge for the year	**1,028**	78
At the end of the year	**1,987**	959
Net book value	**39,865**	2,975

a) Investment properties include real estate (villas) owned by subsidiaries based in Turkey. During the year, the Group acquired additional investment properties as settlement of outstanding balance (note 13). The fair values of investment properties was based on latest valuation by an independent valuer, which approximate the carrying value at the reporting date. Investment property with carrying value of SR 3.0 million is pledged with a bank in Turkey against term loan obtained by the subsidiary (note 16).

b) Fair value of the properties was determined using the market comparable method. The valuations have been performed by the valuer and are based on proprietary databases of prices of transactions for properties of similar nature, location and condition. As at the dates of valuation, the properties' fair values are based on valuations performed by BILGE GAYRIMENKUL DEGERLEME , an accredited independent valuer who has valuation experience for similar properties in Turkey.

c) The depreciation charge of investment properties has been allocated to general and administrative expense.

8. INTANGIBLE ASSETS

	2020 *SR'000*	*2019* *SR'000*
Development costs, net (note a)	**17,745**	19,863
Rights and licenses, net (note b)	**5,380**	5,901
	23,125	25,764

8. INTANGIBLE ASSETS (continued)

a) Development cost represents costs incurred related to developing electronic switchgears and other electromechanical goods for various jurisdictions complying with regulatory frameworks in place in target markets. The movement in development cost is as follows:

	2020 ***SR'000***	*2019* *SR'000*
Cost		
At the beginning of the year	**27,791**	-
Additions during the year	**-**	780
Transferred from property and equipment (note 6)	**-**	27,011
At the end of the year	**27,791**	27,791
Amortization		
At the beginning of the year	**7,928**	-
Charge for the year (note c)	**2,118**	7,928
At the end of the year	**10,046**	7,928
Net book value	**17,745**	19,863

b) The movement in rights and licenses is as follows:

Cost	***2020*** ***SR'000***	*2019* *SR'000*
At the beginning of the year	**6,757**	2,973
Transfer from capital work in progress (note 6)	**-**	3,784
At the end of the year	**6,757**	6,757
Amortization		
At the beginning of the year	**856**	473
Charge for the year (note c)	**521**	383
At the end of the year	**1,377**	856
Net book value	**5,380**	5,901

c) The amortization charge of intangible assets has been allocated to selling and distribution expense.

9. LEASES

9.1 Right of use assets

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	2020 ***SR'000***	*2019* *SR'000*
Cost		
At the beginning of the year	**8,966**	-
IFRS transition adjustments	**-**	7,959
Additions during the year	**1,481**	1,007
At the end of the year	**10,447**	8,966
Depreciation		
Accumulated depreciation	**870**	-
Depreciation for the year	**1,128**	870
Accumulated depreciation	**1,998**	870
Net value at end of the year	**8,449**	8,096

The depreciation expense was charged to the consolidated statement of profit and loss within costs of revenue.

9. LEASES

9.2 Lease liabilities

	2020	*2019*
	SR'000	*SR'000*
Lease liabilities – IFRS 16 (Note a)	**9,012**	8,504
Finance leases (Note b)	**630**	1,212
	9,642	9,716
Less: non -current portion	**(7,881)**	(8,623)
Current lease liability	**1,761**	1,093

a) Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2020	***2019***
	SR'000	*SR'000*
At the beginning of the year	**8,504**	-
IFRS transition adjustments	**-**	9,168
Unwinding of lease liability	**1,884**	382
Payments made	**(1,376)**	(1,046)
At the end of the year	**9,012**	8,504
Current lease liability	**1,187**	569
Non-current lease liability	**7,825**	7,935
	9,012	8,504

b) Finance leases relate to manufacturing equipment leases with a term of 5 years or less. The Group has options to purchase the equipment for a nominal amount at the end of the lease agreement. The Group's obligations under finance leases are secured by the lessors' title to the leased assets:

	2020	*2019*
	SR'000	*SR'000*
Minimum lease payments	**705**	1,519
Less: unearned finance charge	**(75)**	(307)
Present value of minimum lease payments	**630**	1,212
Less: current portion	**(574)**	(524)
Non - current portion	**56**	688

The weighted average incremental borrowing rate applied to lease liabilities was 4.0% (2019: 4.0%).

9.3 The following are the amounts recognized in profit or loss:

	2020	*2019*
	SR'000	*SR'000*
Depreciation expense of right-of-use assets	**1,128**	870
Interest charge on lease liabilities	**1,884**	382
Total amount recognized in profit or loss	**3,012**	1,252

10. INVESTMENT IN AN ASSOCIATE

The movement in investments in an associate is as follows:

	2020	*2019*
	SR'000	*SR'000*
As at 1 January	**318,180**	321,982
Share of results of associate, net*	**1,524**	395
Share of other comprehensive income, net	**6,326**	(4,497)
Dividend received during the year	**(6,787)**	-
Foreign currency translation	**(126)**	300
As at 31 December	**319,117**	318,180

a) Summarized financial information of associate company is as follows:

Midal Cable W.L.L.	**Ownership %**	**Assets**	**Liabilities**	**Revenues**	**Net income**
		SR'000	***SR'000***	***SR'000***	***SR'000***
2020	**50%**	**1,561,286**	**921,878**	**2,527,170**	**5,689**
2019	50%	1,515,761	880,631	2,831,996	790

b) The Parent Company does not have any direct control over management and operations of "Midal Cables W.L.L". Accordingly, it is classified as investment in associates and accounted for as such.

c) As at 31 December 2020, a foreign subsidiary of the associate had trade receivables amounting to SR 48 million which were overdue for more than one year. Management of the subsidiary estimated that the overdue trade receivables would be collected during 2021 and 2022. Accordingly, as of 31 December 2020, no expected credit losses against those trade receivables, were recorded.

* Share of results of associate (net) after considering accounting policies differences.

11. ACCOUNTS AND RETENTIONS RECEIVABLES

	2020	*2019*
	SR'000	*SR'000*
Trade receivables, net (note 11.1)	**145,229**	138,954
Retentions receivables, net (note 11.2)	**97,300**	96,017
	242,529	234,971
Less: non-current retentions receivables	**(44,862)**	(32,077)
	197,667	202,894

11.1 The trade receivables, net comprised of as follows:

	2020	*2019*
	SR'000	*SR'000*
Gross trade receivables (note 33)	**306,304**	288,518
Less: allowance for expected credit losses (note a)	**(161,075)**	(149,564)
Trade receivables, net	**145,229**	138,954

11. ACCOUNTS AND RETENTIONS RECEIVABLES (continued)

a) The movement in allowance for expected credit losses against accounts receivables is as follows:

	2020	*2019*
	SR'000	*SR'000*
At the beginning of the year	**149,564**	147,633
Charge during the year	**11,511**	1,931
At the end of the year	**161,075**	149,564

11.2 The retentions receivables, net comprised of:

	2020	*2019*
	SR'000	*SR'000*
Gross retentions receivables	**116,630**	98,063
Less: allowance for expected credit losses (note b)	**(19,330)**	(2,046)
Retentions receivables, net	**97,300**	96,017

b) The movement in allowance for expected credit losses against retentions receivables, net is as follows:

	2020	*2019*
	SR'000	*SR'000*
At the beginning of the year	**2,046**	2,046
Charge during the year	**17,284**	-
At the end of the year	**19,330**	2,046

12. INVENTORIES

	2020	*2019*
	SR'000	*SR'000*
Raw materials	**50,595**	43,587
Finished goods	**41,579**	37,490
Work in process	**23,573**	20,397
Spare parts and wooden reels	**32,254**	39,515
	148,001	140,989
Less: allowances for slow moving and obsolete inventories	**(42,275)**	(42,110)
	105,726	98,879

The movement in allowance for slow moving and obsolete inventories are as follows:

	2020	*2019*
	SR'000	*SR'000*
At the beginning of the year	**42,110**	55,628
Charge / (reversals) for the year	**165**	(13,518)
At the end of the year	**42,275**	42,110

13. PREPAID EXPENSES AND OTHER BALANCES

	2020 ***SR'000***	*2019* *SR'000*
Receivables from sale of a subsidiary (note a)	**41,250**	77,170
Guarantee margins and deposits	**30,649**	30,516
Advances to suppliers, net (note c)	**41,613**	26,682
Derivative gain and prepayments (note b)	**16,310**	8,375
Value added tax, net	**3,180**	10,457
Other receivables	**13,058**	13,201
	146,060	166,401

a) In 2018, the Group sold its investment in subsidiary which also owned two Villas located in Turkey. The terms of sale contract require the buyer to transfer back the two villas to the Group after completing the legal requirements. During the current year, one of the villas was transferred back to the Group and is recorded as investment property (note 7). The amount outstanding represent the agreed price of the second villas which will be transferred back to the Group once legal formalities are complete.

b) The amount included, fair value gain of derivatives entered into for cash flow hedges. The fair values and notional amounts of the derivative are as follows:

	2020 ***SR'000***	*2019* *SR'000*
Notional amount	**45,327**	79,180
Fair value	**4,183**	2,703

The forward contract is assessed to be effective and as at 31 December 2020, net un-realised gain of SR 7.81 million (2019: SR 0.13 million) has been included in the consolidated other comprehensive income', as 'cash flow hedging reserve'.

c) This amount is net of impairment losses of SR 1.8 million (2019: nil) refer note 26.

d) This amount includes cash deposited amounting to SR 29.58 million(2019: SR 29.33) with financial institutions to issue guarantees on behalf of the Group

14. UNBILLED CONTRACT ASSET

	2020 ***SR'000***	*2019* *SR'000*
Gross unbilled contract asset (note below)	**31,369**	54,371
Less: allowance for expected credit losses (note b)	**(10,371)**	(8,158)
Unbilled contract asset, net	**20,998**	46,213

This represents projects in Saudi Arabia and outside Saudi Arabia.

a) The movement in gross unbilled contract asset is as follows:

	2020 ***SR'000***	*2019* *SR'000*
Cost incurred plus profit/(loss) recognised	**1,278,821**	1,213,577
Less: progress billings	**(1,247,452)**	(1,159,206)
Unbilled contract asset	**31,369**	54,371

14. UNBILLED CONTRACT ASSET (continued)

b) The movement in allowance for expected credit losses is as follows:

	2020 ***SR'000***	*2019* *SR'000*
At the beginning of the year	**8,158**	8,158
Charge during the year	**2,213**	-
At the end of the year	**10,371**	8,158

15. CASH AND BANK BALANCES

	2020 ***SR'000***	*2019* *SR'000*
Cash in hand	**588**	1,119
Cash at banks	**18,205**	5,945
	18,793	7,064

16. TERM LOANS AND BORROWINGS

The Group's term loans and borrowings comprised the following:

	2020 ***SR'000***	*2019* *SR'000*
Long term loans:		
Local commercial bank (note a)	**245,613**	264,176
Loan from a SIDF (note b)	**105,290**	107,290
Foreign banks (note c)	**38,770**	44,630
Suppliers financing (note d)	**119,656**	166,551
	509,329	582,647
Less: non-current portion of term loans	**(353,647)**	(378,181)
Current portion of long- term loans	**155,682**	204,466
Local banks (note e)	**700**	16,076
Foreign banks (note e)	**248**	308
Current portion of loans and borrowings	**156,630**	220,850

a) The Parent Company entered into a syndicated loan in February 2016, combining it's borrowings from four commercial banks under a "Restructuring Framework Agreement". Through a final settlement agreement signed in December 2018, two of the three local commercial banks were settled, leaving Al Rajhi Bank ("ARB") as the sole remaining lender to the syndicate. During the current year, the Company and ARB entered into a Murabaha Facilities Agreement to restructure the balance outstanding under the syndicated loan. The terms of the loan require the Company to repay the amount outstanding in two tranches. Tranche A is interest free and is repayable in two years through equal quarterly installments with six months as grace period, while tranche B carry three months SIBOR plus 3% and is repayable in equal quarterly installments over six years, extendable by another year, with two years as being grace period. The loan is secured against signed promissory notes.

Management assessed the above restructuring of the loan qualitatively and quantitatively in accordance with IFRS 9 "Financial Instruments" and, as a result, concluded that restructuring of the previous agreement has resulted in derecognition of the old loan and recognition of a new loan. Accordingly, the Company recorded the new loan at its fair value at the effective date, which has resulted in gain of SR 14 million. Unamortised balance of the gain as at 31 December 2020 is of SR 8.8 million will be amortised over the remaining period of the term loan, using effective interest rate.

16. TERM LOANS AND BORROWINGS (continued)

b) The loan from the Saudi Industrial Development Fund ("SIDF"), was restructured in December 2019. The loan is repayable in 5 unequal installments over the period of 3 years starting December 2020 and carry a fee charged biannually. This loan is secured by certain plant building and machinery.

c) These are outstanding balances to lenders outside the Kingdom of Saudi Arabia who extended facilities to subsidiaries of the Group. These borrowings are mainly denominated in US dollars. These loans are guaranteed by industrial factory land and carry interest rates between 5% to 7% per annum for US dollar denominated or equivalent loans and an average 11% per annum for facilities in Turkish Lira.

d) Short-term loans are due within twelve months where local bank loans consist of letter of credit discounting advances that are to be cleared with customer balances upon expiration of credit period.

e) In earlier years, the Company through an agreement had credit facility with Noble Resources International Pte Ltd ("Noble"), to purchase raw material at a deferred payment. The Company was required to pay cost of financing in the event payment was not made within a stipulated time. On 29 July 2020, the facility was restructured were revised terms required the Parent Company to repay the outstanding balance of SR 180.8 million as of the effective date in monthly installments till October 2022. The facility was unsecured throughout and presently carries a fixed finance cost of 7.75% per year. Management assessed the above restructuring of the facility, qualitatively and quantitatively, in accordance with IFRS 9 and, as a result, concluded that restructuring has resulted in a new financing. Accordingly, the Company derecognized the earlier facility and recorded a new financing at its fair value at the effective date, resulting in a gain of SR 5.4 million. Unamortised balance of the loss of SR 0.54 million as at 31 December 2020 will be amortised over the remaining period of the term loan, using effective interest rate.

17. EMPLOYEES' BENEFIT OBLIGATION

The movement in the provision of employee benefit obligation are summarized below:

	2020 ***SR'000***	*2019* *SR'000*
At the beginning of the year	**54,368**	44,464
Included in statement of profit or loss		
Current service cost	**5,394**	4,901
Interest cost	**1,494**	1,860
Included in statement of other comprehensive income		
Actuarial loss	**8,292**	5,570
Benefits paid	**(5,085)**	(2,427)
Benefits payable to outgoing members	**(891)**	-
	63,572	54,368
Advances against Employee benefits obligation.	**(2,200)**	(2,200)
	61,372	52,168

Actuarial assumptions
The defined benefit plan is exposed to many actuarial risks, the most significant of which are final salary risk, discount / interest rate fluctuation risk, longevity risk and inflation risk. The following were the principal actuarial assumptions at the reporting date:

	2020	*2019*
Discount rate	**1.85%**	2.85%
Future salary growth / expected rate of salary increase	**1.85%**	2.85%
Retirement age	**60 years**	60 years

The weighted average duration of the defined benefit obligation is 7.48 years (2019: 7.38 years).

17. EMPLOYEES' BENEFIT OBLIGATION (continued)

The 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 has been applied when calculating the employee benefit obligation.

	2020	*2019*
50% change in interest rate:	***SR'000***	*SR'000*
Increase in discount rate	**(2,648)**	(2,083)
Decrease in discount rate	**1,906**	1,750

18. ZAKAT AND INCOME TAX

a) Charge for the year

	2020 ***SR'000***	*2019* *SR'000*
Zakat charge for the year related to Saudi partners (b)	**8,585**	11,666
Deferred tax recognized for the year related to non – Saudi partner (d)	**(855)**	(26)
Zakat and income tax charge for the year	**7,730**	11,640

Zakat computation for the years ended December 31, 2020 and 2019 was based on the financial statements of the Parent Company and its subsidiaries. Foreign subsidiaries are subject to income tax in accordance with the tax laws of the countries of their incorporation.

b) Provision for Zakat

Movement in provision for zakat is as follows:

	2020 ***SR'000***	*2019* *SR'000*
At the beginning of the year	**69,435**	101,946
Charge for the year	**8,585**	11,666
Amounts paid during the year	**(40,643)**	(11,387)
Reversal of provision	**-**	(32,790)
At the end of the year	**37,377**	69,435

c) Components of zakat base

The Group's local subsidiaries file separate zakat and income tax declarations on unconsolidated basis. The significant components of the zakat base of each company under zakat and income tax regulations are principally comprised of shareholders' equity, provisions at the beginning of year, long-term borrowings and estimated taxable income, less deductions for the net book value of property, plant and equipment, investments and certain other items.

d) Deferred tax asset

The movement in deferred tax during the year ended December 31 is as the follows:

	2020 ***SR'000***	*2019* *SR'000*
At the beginning of the year	**8,346**	8,408
Deferred tax recogized for the year	**855**	26
Deferred tax related to equity	**(115)**	(88)
At the end of the year	**9,086**	8,346

The deferred tax relates to a foreign subsidiary of the Group and the management believes that it is recoverable.

18. ZAKAT AND INCOME TAX (continued)

The Group received certain assessments from the General Authority for Zakat and Tax (GAZT), claiming additional Zakat liabilities totaling SR 201.9 million in respect of the assessment for prior years against which the Group has filed appeals. This mainly relate to the Parent Company, Mass Centers for Distribution of Electrical Products Limited, Mass Projects for Power & Telecommunications Limited, Saudi Cable Company for Marketing Ltd.

e) Assessment status

The Parent Company
During 2020, the Parent Company reached a final settlement to pay SR 65.8 million, with the General Authority of Zakat and Tax (GAZT) for the years 2005 to 2012 through Committee for the Settlement of Zakat and Tax Disputes. In accordance with the settlement terms, the Company made an upfront payment of 10% and 4 monthly installments totaling SR 30.4 million in 2020 where the remaining will be paid in 6 installments totaling SR 35.4 million in 2021.

The Company filed the Zakat declaration for the year 2013. GAZT requested additional information and documents for the purpose of issuing the final assessment.

The GAZT issued an assessment for the years 2014 with additional zakat liability of SR 24.2 million. The Parent Company has appealed against the assessment with the Committee for the Settlement of Tax Violations and Disputes.

During the current year, the GAZT issued assessment for the years from 2015 to 2018 claiming an additional Zakat liability of SR 148 million. The Parent Company has filed an appeal with GAZT against the assessment raised. The Parent Company has been advised by its Zakat advisor that, for the significant items against which the Zakat liability was assessed by GAZT, it is not possible to estimate the expected outcome as it is dependent upon multiple objections, appeal forums as well as grounds of appeals. The Group’s management believe that, they have reasonable grounds to contest against items included in the assessment raised by GAZT, it is uncertain at this stage and, therefore, not possible to determine the potential Zakat provision with reasonable accuracy. Consequently, no provision for Zakat has been recorded in the consolidated financial statements.

The Parent Company has filed its zakat declaration for the year 2019 with the GAZT. Up to the date of these consolidated financial statements, GAZT is yet to raise the assessment for the year 2019.

Mass Centers for Distribution of Electrical Products Limited
The GAZT issued the Zakat assessment for the years from 1998 to 2007 with additional Zakat liability of SR 1 million. The Company filed an appeal with Higher Appeal Committee ("HAC") which has not been decided it to date.

The subsidiary filed its Zakat returns for the years 2008 to 2010. The GAZT did not issue the final Zakat assessment for the said years till to date. The subsidiary is dormant and is the in process to file the Zakat returns for the years from 2011 to 2019.

Mass Projects for Power & Telecommunications Limited
The GAZT issued the zakat assessment for the years from 1999 to 2004 with additional zakat liability of SR 3.2 million. The Company filed an appeal against the assessment with the GAZT. GAZT has issued the amended Zakat assessment. The subsidiary has filed an appeal with Preliminary Appeals Committee (PAC). PAC issued an order to decrease the zakat liability by SR 2.1 million. The Company filed an appeal against PAC Higher Appeal Committee ("HAC"), which is still under review.

The GAZT issued the zakat assessments for the years from 2005 to 2012 with additional zakat liability of SR 34.7 million and also a withholding tax and delay penalties. The Company filed an objection against the GAZT assessments, and GAZT issued amended zakat assessment by reducing the zakat liability by SR 6.9 million and the objection was escalated with the POC and is still under study by the committee. The subsidiary filed its zakat returns for the years 2013 to 2015.

The GAZT issued an assessment for the 2016 with additional zakat liability of SR 2.7 million. The subsidiary filed an appeal with the Committee for the Resolution of Tax Violations and Disputes. For the years from 2017 to 2019, the GAZT requested additional information and documents in order to issue the final assessment.

Saudi Cable Company for Marketing Ltd.
The GAZT issued the Zakat assessment for the years from 1996 to 2004 with additional zakat liability of SR 17 million. The Company filed an appeal which are still under review by GAZT. The Company filed the financial statements and Zakat declarations for the years 2005 to 2007 with the GAZT. The subsidiary is dormant and is the in process to file the Zakat returns for the years from 2008 to 2019.

19. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders, Directors and key management personnel of the Parent Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the parent Company's management.

a) Significant related party transactions for the year ended 31 December are as follows:

Due from related party

	Relationship	*Nature of transaction*	*Transactions during the year*		*Balance as of*	
			2020	*2019*	***2020***	*2019*
Transaction with			***SR'000***	*SR'000*	***SR'000***	*SR'000*
Affiliate						
Hidada Limited		Others	**74**	-	**113**	187

Due to related parties

Transaction with	*Nature of transaction*	*Transactions during the year*		*Balance as of*	
		2020	*2019*	***2020***	*2019*
		SR'000	*SR'000*	***SR'000***	*SR'000*
Associates					
Midal Cables W. L. L	Purchase of raw material	**19,403**	11,461		
	Directors remuneration	**1,407**	2,344		
	Dividends received	**6,787**	-		
	Others	**330**	1,868		
				18,644	9,101
Xeca International Information Technology	Expenses incurred by the Group	**-**	445	**1,274**	1,274
Shareholders					
Xenel Industries Limited	Expenses recharged by the Group	**-**	8	**43,531**	43,531
Affiliate					
Chem Global Limited	Expenses incurred by the Group	**-**	-	**664**	664
Hidada Limited	Expenses incurred by the Group	**-**	-	**1,452**	1,452
				65,565	56,022

b) Remuneration of Directors

Key management includes personnel / executive directors and members of the Board of Directors.

	2020	*2019*
	SR'000	*SR'000*
Meeting attendance fees	**214**	141
Other remuneration	**1,165**	980
	1,379	1,121

In addition to the above remuneration, the Chairman of the Board received SR 1.4 million from the associate.

19. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

c) The remuneration of the key management personnel during the year was as follows:

	2020 ***SR'000***	*2019* *SR'000*
Short term benefits	**5,022**	4,519
Post-employment benefit	**227**	237
	5,249	4,756

Short term benefits include the basic salary, allowances and other incentives.

Post-employment benefits include the current service cost for the employees' end of service benefit.

20. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

	2020 ***SR'000***	*2019* *SR'000*
Accounts payable	**104,360**	116,471
Accrued finance charges	**6,924**	6,652
Accrued expenses	**24,664**	39,925
Payable to shareholders of subsidiary (note 28)	**-**	89,745
Advances from customers	**55,689**	49,445
Billing in excess of work performed (note below)	**37,724**	32,178
Provision of legal claims	**13,643**	15,803
Other	**15,454**	11,114
Current portion of retentions payable	**4,211**	-
	262,669	361,333

This represents billing in excess related to projects in progress (note 14).

21. SHARE CAPITAL

The share capital consisted of 36,061,406 shares of Saudi Arabian Riyals 10 each as at 31 December 2020. (As at 31 December 2019: 11,061,406 shares).

On 16 April 2019 (corresponding to 11 Sha'ban 1440H), the Board of Directors of the Parent Company recommended an increase in the Parent Company's capital by way of a right issue with a total value of SR 250 million by issuing 25,000,000 shares at SR 10 each. The Parent Company's request for capital increase was approved by the Capital Market Authority on 2 December 2019 and subsequently presented and unanimously approved by the Parent Company's shareholders at the Extraordinary General Assembly held on 31 December 2019.

During the current year, the Parent Company completed all legal formalities related to the increase in share capital.

22. REVENUE

	2020 ***SR'000***	*2019* *SR'000*
Sale of goods	**310,566**	291,289
Contract revenue	**58,213**	89,985
	368,779	381,274

23. COSTS OF REVENUE

	2020 ***SR'000***	*2019* *SR'000*
Costs of goods sold	**374,587**	337,894
Costs of contract revenue	**51,854**	78,557
	426,441	416,451

24. GENERAL AND ADMINISTRATIVE EXPENSES

	2020 ***SR'000***	*2019* *SR'000*
Salaries and related benefits	**33,184**	34,301
Legal and professional fees	**14,174**	7,332
Repairs and maintenance	**3,306**	2,354
Depreciation and amortizations (note 6 & 7)	**1,858**	1,223
Bank charges	**2,080**	718
Utilities	**1,357**	1,056
Rent and insurance	**1,389**	956
Printing, stationery and advertisements	**831**	175
Traveling and transportation expenses	**565**	1,661
Others	**3,950**	1,593
	62,694	51,369

25. SELLING AND DISTRIBUTION EXPENSES

	2020 ***SR'000***	*2019* *SR'000*
Salaries and related benefits	**7,002**	6,709
Freight, insurance and transportation	**5,143**	6,360
Depreciation and amortization (note 6 and 8)	**3,514**	4,821
Others	**957**	2,966
	16,616	20,856

26. EXPECTED CREDIT LOSSES

	2020 ***SR'000***	*2019* *SR'000*
Accounts receivables (note 11)	**11,511**	1,931
Retentions receivables (note 11)	**17,284**	-
Unbilled revenue (note 14)	**2,213**	-
Advances to suppliers	**1,831**	-
	32,839	1,931

27. FINANCE COSTS, NET

	2020	*2019*
	SR'000	*SR'000*
Financial charges on loans and bank facilities	**9,177**	7,410
Financial charges on suppliers financing	**15,235**	12,475
Fair value gain on financial liabilities *	**(15,854)**	-
Financial charges on right of use liabilities	**353**	382
Foreign exchange gain/ (loss)	**2,918**	(7,853)
Other financial charges	**945**	1,137
	12,774	13,551

* This represents fair value gain related to local commercial bank and suppliers financing (note 16).

28. OTHER INCOME, NET

	2020	*2019*
	SR'000	*SR'000*
Reversal of legal provision (note a)	**89,743**	-
Reversal of other provisions and payables (note b)	**21,930**	45,027
Net foreign exchange gains / (loss)	**16,333**	(954)
Gain from loan restructuring with commercial banks	**-**	17,607
Income from shared services	**-**	3,233
Other income	**5,054**	5,656
	133,060	70,569

a) During the period, a court in Turkey issued a verdict in favor of Mass Kablo Yatırım ve Tic. A.Ş (Mass Kablo), a subsidiary, for a case filed by the minority shareholders of Elimsan Salt Cihazlari ye Elektromekanik San ve Tic. A.S. The minority shareholders have filed an appeal against court verdict. However, based on a legal opinion obtained from an independent counsel which is of the view that the decision of Court of Appeal will not be different from the original decision issued by court of first instance as no new evidence has been lodged. A subsequent independent legal opinion by a legal counsel issued in 5 October 2020 reaffirmed the opinion issued dated 16 February 2021. Accordingly, the Group recorded an income amounting to SR 89.74 million for the provision recorded in earlier year as no longer required (Note 20). In addition, the Group assessed and recorded a contingent liability amounting to SR 53 million.

b) Based on management assessment, certain long outstanding provisions and payables are reversed as no longer required.

29. LOSS PER SHARE

Basic and diluted loss per share for the year have been calculated by dividing the net loss for the year by the weighted average number of outstanding shares at the year end.

The weighted average number of shares has been retrospectively adjusted for the prior year to reflect the bonus element of the right issue as required by IAS 33, "Earnings per share" as follows:

	2020	*2019*
Issue ordinary shares as at 1 January	**11,061,406**	11,061,406
Adjusted right shares	**25,000,000**	-
Effect of right issue of shares	**-**	11,061,406
Weighted average number of ordinary shares (restated)	**36,061,406**	22,122,812

29. LOSS PER SHARE (Continued)

The weighted average number of ordinary shares for prior year is computed using an adjustment factor of 2 which is a ratio of the theoretical ex-rights of SR 19 and unadjusted closing price per share of SR 37.9 on 31 December 2020, the last day on which the shares were traded before the rights issue.

The basic and diluted earnings/(loss) per share is calculated as follows

	2020 ***SR'000***	*2019* *SR'000*
Loss for the period attributable to ordinary equity holders of the Parent Company	**(55,012)**	(61,831)
Weighted average number of ordinary shares in issue	**36,061**	22,123
Basic and diluted earnings per share (Saudi Riyal)	**(1.53)**	(2.79)

The diluted EPS is same as the basic EPS as the Group does not have any dilutive instruments in issue.

30. COMMITMENTS AND CONTINGENCIES

	2020 ***SR'000***	*2019* *SR'000*
Letters of Guarantee (note below)	**142,560**	171,068
Contingent liabilities	**100,422**	44,433
Authorized and contracted for capital expenditure commitments	**12,383**	3,738

In addition to providing guarantees in respect of bank facilities available to certain subsidiaries, the Parent Company has also provided undertakings to support such subsidiaries in meeting their liabilities as they fall due.

31. OPERATING SEGMENT

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

The Group has the following main business segments:

- Sale of manufactured goods.
- Turnkey power and telecommunication projects (based on the contracts).

These business segments are located within the Kingdom of Saudi Arabia and are the Group's strategic business units.

The Parent Company's top management reviews internal management reports of each strategic business unit at least quarterly. Segment results that are reported to the top management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

31. OPERATING SEGMENT (Continued)

These form the basis of internal management reporting of main business segments

31 December 2020	***Sale of goods SR'000***	***Contract Revenue SR'000***	***Total SR'000***
External total revenues	**328,951**	**58,213**	**387,164**
Inter-segment revenue	**(3,289)**	**(15,096)**	**(18,385)**
Segment revenue	**325,662**	**43,117**	**368,779**
External total direct costs	**392,972**	**51,854**	**444,826**
Inter-segment direct costs	**(3,289)**	**(15,096)**	**(18,385)**
Segment cost	**389,683**	**36,758**	**426,441**
Segment gross profit	**(64,021)**	**6,359**	**(57,662)**
Loss attributable to shareholders of the Parent Company	**(44,637)**	**(10,375)**	**(55,012)**
Segment assets	**1,080,220**	**155,279**	**1,235,499**
Segment liabilities	**652,451**	**297,626**	**950,077**

31 December 2019	*Sale of goods SR'000*	*Contract Revenue SR'000*	*Total SR'000*
External total revenues	334,091	89,985	424,076
Inter-segment revenue	(4,836)	(37,966)	(42,802)
Segment revenue	329,255	52,019	381,274
External total direct costs	380,696	78,557	459,253
Inter-segment direct costs	(4,836)	(37,966)	(42,802)
Segment cost	375,860	40,591	416,451
Segment gross profit	(46,605)	11,428	(35,177)
(Loss)/profit attributable to shareholders of the Parent Company	(71,055)	9,224	(61,831)
Segment assets	1,065,426	182,110	1,247,536
Segment liabilities	841,852	313,919	1,155,771

31. OPERATING SEGMENT (Continued)

Geographic Information

The Group's operations are conducted in Kingdom of Saudi Arabia, Turkey and others. Selected financial information summarized by geographic area, is as follows:

2020	**Saudi Arabia**	**Turkey**	**Other**	**Total**
	SR'000	***SR'000***	***SR'000***	***SR'000***
Assets	**836,055**	**326,424**	**73,020**	**1,235,499**
Liabilities	**735,432**	**174,317**	**40,328**	**950,077**
Net revenue	**362,378**	**6,401**	**-**	**368,779**
Net (loss)/income	**(143,249)**	**91,185**	**(2,948)**	**(55,012)**

2019	Saudi Arabia	Turkey	Other	Total
	SR'000	*SR'000*	*SR'000*	*SR'000*
Assets	841,789	368,230	37,517	1,247,536
Liabilities	846,998	306,895	1,878	1,155,771
Net revenue	355,017	26,257	-	381,274
Net (loss) / profit	(41,223)	(21,911)	1,303	(61,831)

32. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, credit risk, liquidity risk and market price risk.

Credit risk

Credit risk is the risk that one party to financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. To reduce exposure to credit risk, the Group has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. To mitigate the risk, the Group has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history.

As at 31 December 2020, the Groups gross maximum exposure to credit risk to the net amounts presented for financial assets in the consolidated statement of financial position.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer which includes government and non-governmental entities is assessed based past history and individual credit limits are defined in accordance with the assessment.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. Outstanding customer receivables are regularly monitored. Some customers are also secured, where possible, by way of cash promissory note, security deposit or advance, which are considered integral part of trade receivables and considered in the calculation of impairment.

32. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Set out below is the information about the credit risk exposure on the Group's trade and retention receivables using a provision matrix:

	31 December 2020					
	Current SR'000	***<90 days SR'000***	***91–180 days SR'000***	***181–365 days SR'000***	***>1 year SR'000***	***Total SR'000***
KSA operations:						
Exposure at default (note a)	**112,743**	**23,064**	**33,848**	**12,968**	**136,954**	**319,577**
Expected credit loss (note a)	**(10,735)**	**(881)**	**(3,706)**	**(8,958)**	**(83,210)**	**(107,490)**
	102,008	**22,183**	**30,142**	**4,010**	**53,744**	**212,087**
Tukish operations:						
Exposure at default (note b)						**35,426**
Expected credit loss (note b)						**(4,984)**
Group total						**242,529**

	31 December 2019					
	Current SR'000	*<90 days SR'000*	*91–180 days SR'000*	*181–365 days SR'000*	*>1 year SR'000*	*Total SR'000*
KSA operations:						
Exposure at default (note a)	105,226	19,676	5,396	9,469	147,008	286,775
Expected credit loss (note a)	(4,172)	(560)	(231)	(2,332)	(71,411)	(78,706)
	101,054	19,116	5,165	7,137	75,597	208,069
Tukish operations:						
Exposure at default (note b)						31,886
Expected credit loss (note b)						(4,984)
Group total						234,971

a) The amounts represent the KSA operations.

b) The exposure at default is analysed on the total amount instead of days outstanding the amount is less than one year due.

Set out below is the information about the credit risk exposure on the Group's unbilled revenue using a provision matrix:

	31 December 2020					
	Current SR'000	***<90 days SR'000***	***91–180 days SR'000***	***181–365 days SR'000***	***>1 year SR'000***	***Total SR'000***
Exposure at default	-	15,240	3,303	3,782	9,044	31,369
Expected credit loss	-	(1,327)	-	-	(9,044)	(10,371)
	-	13,913	3,303	3,782	-	20,998

32. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

	31 December 2019					
	Current	*<90 days*	*91–180 days*	*181–365 days*	*>1 year*	*Total*
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*
Exposure at default	-	31,581	12,569	1,056	9,165	54,371
Expected credit loss	-	-	-	-	(8,158)	(8,158)
	-	31,581	12,569	1,056	1,007	46,213

There were no past due or impaired receivables from related parties.

Other financial assets included cash and bank balances, other balances derivatives. The maximum credit risk of these financial assets approximates to the net amounts presented in the statement of financial position.

Foreign Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals, UAE Dirham, Bahraini Dinar, United States Dollar or Turkish Lira. Transactions and balances in other currencies are not material. For the currencies which have fixed parity with USD, the Group's management believes that their exposure to currency risk is limited. However, the functional currency of the Group's operations in Turkey is USD. However, it expose to currency risk due to its exposure to Turkish Lira. Currency risk is managed on a regular basis by each entity of the Group separately and fluctuation in the exchange rates are monitored on a continuous basis.

As the statement of financial position date, the Group's net assets/liabilities denominated in Turkish Lira were 61.9 million. A change of 10% depreciation of the rate in Turkish Lira would result in gain of USD 0.76 million and a change of 10% appreciation of the rate in Turkish Lira would result in loss of USD 0.94 million.

Commodity price risk

The Group purchases metals on an ongoing basis for its operating activities. To safeguard itself from the frequent variations of the metal prices, the group enters into commodity forward contracts. Hedging the price volatility of forecast copper purchases is in accordance with the risk management strategy of the Group.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange and commodity forward contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange and commodity forward contracts are identical to the hedged risk components. The Group compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Interest rate risk

Interest rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. Majority of the Group's borrowings are at floating rate of interest and are subject to re-pricing on a regular basis except for Saudi Industrial Development Fund which is, instead of interest or profit, charge the Group a biannually fee. These changes exposes the Group to cash flow risks. Management regularly monitors the changes in interest rates.

Increase / decrease in variable rate by 1% with all other variables held constant, the impact on the equity and profit before zakat and income tax for the year would have been SR 3.89 million (31 December 2019: SR 3.6 million).

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments and discharge liabilities as they fall due. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value.

Following are the contractual maturities at the end of the reporting period of financial liabilities. The amounts are grossed and undiscounted.

32. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

31 December, 2020	***Carrying amount SR'000***	***On demand or less than one year SR'000***	***From one year to 5 years SR'000***
Non - derivatives financial instruments			
Short term loans	**948**	**948**	**-**
Long term loans	**509,329**	**155,682**	**353,647**
Accounts payable	**111,926**	**108,751**	**3,175**
Due to related parties	**65,565**	**65,565**	**-**
Lease liabilities	**9,642**	**1,761**	**7,881**
	697,410	**332,707**	**364,703**

31 December, 2019	*Carrying amount SR'000*	*On demand or less than one year SR'000*	*From one year to 5 years SR'000*
Non - derivatives financial instruments			
Short term loans	16,384	16,384	-
Long term loans	582,647	204,466	378,181
Accounts payable	124,537	116,471	8,066
Due to related parties	56,022	56,022	-
Lease liabilities	9,716	1,093	8,623
	789,306	394,436	394,870

The notional and fair values of the derivative financial is disclosed in note 13 All of these derivatives have maturity period of three to six months from statement of financial position date.

33. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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 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

33. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred

The carrying amount of the financial assets and liabilities carried at their amortised cost approximate their fair values. The fair values of the investment properties disclosed in the note is assess by unobservable inputs and, accordingly, are level 3.

Derivative financial instruments are carried at their fair values and are assessed using unobservable inputs and are level 3.

There is no reclassification, in or out, from level 3.

34. SUBSEQUENT EVENT

In their meeting on February 24, 2021 (corresponding to 12 Rajab 1442), the Board of Directors recommended an increase of the Parent Company's share capital by SR 360 million. The cash proceeds will be used to enhance working capital to increase operational capacities and support future activities.

35. CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital, share premium, statutory reserve and retained earnings attributable to the equity holders of the Parent Company. The primary objective of the Group's capital management is to maximize the shareholders' value. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus debt.

	2020 ***SR'000***	*2019* *SR'000*
Total liabilities	**950,077**	1,155,771
Less: Cash and cash equivalents	**(18,793)**	(7,064)
Net debt	**931,284**	1,148,707
Equity	**285,422**	91,765
Total capital	**1,216,706**	1,240,472
Gearing ratio	**76.5%**	92.6%

36. COMPARATIVES FIGURES

Following prior year amounts have been reclassified to conform with the presentation in the current year:

a) Supplier financing from Noble Resources International Pte Ltd reclassified from trade payable to term loans and borrowings (see also note 16 (e)).

b) Expected credit losses shown on the face of statement of comprehensive income.

c) Other reclassifications that are immaterial in terms of value or disclosure to the accompanying consolidated financial statements.

The above reclassifications have not resulted in change of the amounts presented in current or prior years and did not have any impact on net loss for the year, the cash flows and equity of the Group.

37. MATERIAL PARTLY - OWNED SUBSIDIARIES

The Group owns 94% (31 December 2019: 94%) equity stake in Elimsan Salt Cihazlari ye Elektromekanik San ve Tic. A.S. Financial information of the subsidiary that has material non-controlling interest is provided below:

	2020 ***SR'000***	*2019* *SR'000*
Accumulated balances of material non-controlling interest	**(3,262)**	(2,543)
Loss allocated to material non-controlling interest:	**(719)**	(1,729)

The summarised financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss for 2020 and 2019:

	2020 ***SR'000***	2019 *SR'000*
Revenue from contracts with customers	**6,401**	26,257
Cost of sales	**(21,486)**	(39,574)
Administrative expenses	**(8,368)**	(15,697)
Finance and other non-operating income (costs), net	**9,770**	(1,750)
Loss before tax	**(13,683)**	(30,764)
Income tax	**855**	26
Loss for the year	**(12,828)**	(30,738)
Attributable to non-controlling interests	**(719)**	(1,729)

Summarised statement of financial position:

	2020 ***SR'000***	2019 *SR'000*
Inventories, receivables and cash and bank balances	**57,509**	60,572
Property, plant and equipment and other non-current assets	**215,048**	223,910
Trade and other payables	**(174,645)**	(245,160)
Interest-bearing loans and borrowing and deferred tax liabilities	**(158,703)**	(88,273)
Deficiency of assets	**(60,791)**	(48,951)
Equity holders of the parent	**(57,529)**	(46,408)
Non-controlling interest	**(3,262)**	(2,543)

Summarised cash flow information:

	2020 ***SR'000***	2019 *SR'000*
Operating	**13,194**	8,105
Investing	**-**	(746)
Financing	**(12,692)**	(7,340)
Net increase in cash and cash equivalents	**502**	19

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved by the Board of Directors on 22 Sha'aban 1442H, (corresponding to 4 April 2021).