BAWAN COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020

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(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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Independent auditor's report to the shareholders of Bawan Company

Report on the audit of the consolidated financial statements

Our opinion

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

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020;
- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the code of professional 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.

Our audit approach

Overview

Key audit matter	• Expected credit losses for trade receivables

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our audit approach (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Expected credit losses for trade receivables As at December 31, 2020, the gross carrying amount of trade receivables amounted to Saudi Riyals 634 million against which the Group recognized ECL allowance amounting to Saudi Riyals 84 million in accordance with the requirements of IFRS 9, "Financial Instruments". Management has applied a simplified expected credit loss ("ECL") model to determine the allowance for impairment. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. We considered this to be a key audit matter due to the level of judgment applied and estimates made in calculating the ECL loss. *Refer to Note 2.17, Note 4.1 and Note 19 to the consolidated financial statements for further information.*	We performed the following procedures: • developed an understanding of relevant business process and assessed the design and implementation of controls over the determination of the ECL allowance; • verified the consistency of the ECL model developed by the management with the requirements of IFRS 9, "Financial Instruments", and reviewed the reasonableness of the methodology; • tested the completeness and accuracy of underlying information used in the ECL model and re-performed the arithmetical accuracy of the computation of ECL; • considered the appropriateness of forward-looking factors to reflect the impact of future events on expected credit losses; • performed the sensitivity analysis of key assumptions i.e. historical loss rates and future economic factor; and • considered the adequacy and appropriateness of the related accounting policies and disclosures in the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises information included in the Group's 2020 annual report, (but does not include the consolidated financial statements and our auditor's report thereon), which 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 will not express any form of assurance conclusion thereon.

Other information (continued)

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

When we read the Annual Report of the Group, 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 International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, i.e. the Audit Committee, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism 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.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

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

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

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

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

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

PricewaterhouseCoopers

Bader I. Benmohareb
License Number 471

March 8, 2021

BAWAN COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of profit or loss and other comprehensive income
(All amounts are in Saudi Riyals thousands unless otherwise stated)

	Note	For the year ended December 31, 2020	2019
Continuing operations			
Revenue	5, 29	**2,418,072**	2,235,233
Cost of revenue	37	**(2,081,420)**	(1,986,037)
Gross profit		**336,652**	249,196
Selling and distribution expenses	6	**(75,525)**	(81,427)
General and administrative expenses	7, 37	**(106,735)**	(105,971)
Expected credit loss (ECL) allowance on trade receivables	19, 37	**(31,203)**	(9,099)
Gain on disposal of investment in financial assets at fair value through profit or loss (FVTPL)	18, 37	**2,041**	8,621
Fair value (loss) / gain on investment in financial assets at FVTPL	18, 37	**(182)**	4,497
Other income	8, 37	**13,814**	11,408
Profit before finance costs and zakat		**138,862**	77,225
Finance costs	9, 37	**(29,859)**	(45,164)
Profit before zakat		**109,003**	32,061
Zakat	10	**(16,003)**	(6,806)
Profit from continuing operations		**93,000**	25,255
Loss from discontinued operation	31.1	**(8,256)**	(3,512)
Profit for the year		**84,744**	21,743
Other comprehensive loss			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement gain / (loss) on employee defined benefit liabilities	25.2	**838**	(8,125)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of discontinued operation	31.1	**(1,947)**	(105)
Other comprehensive loss for the year		**(1,109)**	(8,230)
Total comprehensive income for the year		**83,635**	13,513
Profit / (loss) for the year attributable to:			
Owners of the Company		**90,168**	26,632
Non-controlling interests	30	**(5,424)**	(4,889)
		84,744	21,743
Total comprehensive income / (loss) for the year attributable to:			
Owners of the Company		**90,345**	19,542
Non-controlling interests		**(6,710)**	(6,029)
		83,635	13,513
Total comprehensive income / (loss) for the year attributable to the owners of the Company arises from:			
Continuing operations		**94,620**	21,644
Discontinued operations		**(4,275)**	(2,102)
		90,345	19,542
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company			
Basic and diluted	12	**1.56**	0.48
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic and diluted	12	1.50	0.44

The accompanying notes on pages from 9 to 51 form an integral part of these consolidated financial statements.

BAWAN COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of financial position
(All amounts are in Saudi Riyals thousands unless otherwise stated)

	Note	As at December 31, 2020	2019
Assets			
Non-current assets			
Property, plant and equipment	13	**730,759**	827,763
Right-of-use assets	14	**19,967**	21,857
Goodwill	15	**4,397**	4,397
Intangible assets	16	**8,401**	11,483
Other assets		**3,340**	4,230
Total non-current assets		**766,864**	869,730
Current assets			
Inventories	17	**609,864**	526,663
Spare parts		**28,081**	27,282
Financial assets at FVTPL	18	**25,491**	48,775
Trade and other receivables	19	**644,850**	699,896
Contract assets	20	**22,161**	34,659
Cash and cash equivalents	21	**47,012**	45,899
		1,377,459	1,383,174
Assets relating to disposal group classified as held for sale	31.2	**84,009**	-
Total current assets		**1,461,468**	1,383,174
Total assets		**2,228,332**	2,252,904
Equity and liabilities			
Equity			
Share capital	22	**600,000**	600,000
Statutory reserve	23	**19,602**	10,585
Foreign currency translation reserve		**(2,167)**	(1,351)
Retained earnings		**75,084**	16,940
Equity attributable to the owners of the Company		**692,519**	626,174
Non-controlling interests	30	**62,900**	70,630
Total equity		**755,419**	696,804
Liabilities			
Non-current liabilities			
Long-term borrowings	24, 37	**138,539**	290,861
Lease liabilities	14	**19,547**	21,282
Employee defined benefit liabilities	25	**85,088**	79,780
Total non-current liabilities		**243,174**	391,923
Current liabilities			
Trade and other payables	26, 37	**464,841**	428,751
Short-term borrowings	24, 37	**518,646**	663,301
Current portion of long-term borrowings	24, 37	**117,891**	19,300
Contract liabilities	20	**56,019**	33,673
Current portion of lease liabilities	14	**2,434**	2,660
Zakat payable	10	**18,605**	14,123
Dividends payable		**359**	2,369
		1,178,795	1,164,177
Liabilities relating to disposal group classified as held for sale	31.2	**50,944**	-
Total current liabilities		**1,229,739**	1,164,177
Total liabilities		**1,472,913**	1,556,100
Total equity and liabilities		**2,228,332**	2,252,904

The accompanying notes on pages from 9 to 51 form an integral part of these consolidated financial statements.

BAWAN COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of changes in equity
(All amounts are in Saudi Riyals thousands unless otherwise stated)

		Attributable to the owners of the Company						
	Note	**Share capital**	**Statutory reserve**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
January 1, 2020		**600,000**	**10,585**	**(1,351)**	**16,940**	**626,174**	**70,630**	**696,804**
Profit / (loss) for the year		-	-	-	90,168	90,168	(5,424)	84,744
Other comprehensive (loss) / income for the year		-	-	(816)	993	177	(1,286)	(1,109)
Total comprehensive income for the year		-	-	(816)	91,161	90,345	(6,710)	83,635
Transfer to statutory reserve	23	-	9,017	-	(9,017)	-	-	-
Dividends	39	-	-	-	(24,000)	(24,000)	(1,020)	(25,020)
December 31, 2020		**600,000**	**19,602**	**(2,167)**	**75,084**	**692,519**	**62,900**	**755,419**
January 1, 2019		600,000	88,927	(1,307)	(81,005)	606,615	89,483	696,098
Impact of adoption of IFRS 16		-	-	-	17	17	-	17
January 1, 2019 (adjusted)		600,000	88,927	(1,307)	(80,988)	606,632	89,483	696,115
Profit / (loss) for the year		-	-	-	26,632	26,632	(4,889)	21,743
Other comprehensive loss for the year		-	-	(44)	(7,046)	(7,090)	(1,140)	(8,230)
Total comprehensive income for the year		-	-	(44)	19,586	19,542	(6,029)	13,513
Transfer to statutory reserve	23	-	2,663	-	(2,663)	-	-	-
Absorption of accumulated losses	23	-	(81,005)	-	81,005	-	-	-
Dividends		-	-	-	-	-	(12,824)	(12,824)
December 31, 2019		600,000	10,585	(1,351)	16,940	626,174	70,630	696,804

The accompanying notes on pages from 9 to 51 form an integral part of these consolidated financial statements.

BAWAN COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of cash flows
(All amounts are in Saudi Riyals thousands unless otherwise stated)

	Note	For the year ended December 31, 2020	2019
Cash flows from operating activities			
Profit before zakat:			
Continuing operations		**109,003**	32,061
Discontinued operations		**(8,256)**	(3,512)
Profit before zakat including discontinued operations		**100,747**	28,549
Adjustments for:			
Depreciation and amortization	13, 14, 16	**78,476**	71,755
Expected credit loss (ECL) allowance	19	**31,203**	9,099
Net realizable value adjustment for inventories	17	**8,450**	985
Employees' end of service benefits cost	25, 37	**10,010**	8,534
Finance costs	9, 31, 37	**30,731**	45,540
Fair value loss / (gain) on financial assets at FVTPL	18	**182**	(4,497)
Gain on disposal of financial assets at FVTPL	18	**(2,041)**	(8,621)
Loss / (gain) on derecognition of lease liabilities		**303**	(323)
Gain on disposal of property, plant and equipment	8	**(2,189)**	(810)
Operating cash flows before movements in working capital		**255,872**	150,211
Changes in working capital			
Inventories		**(113,509)**	163,758
Spare parts		**(799)**	(3,889)
Trade and other receivables		**39,261**	1,742
Contract assets		**12,498**	(7,763)
Trade and other payables		**38,673**	60,556
Contract liabilities		**22,347**	(6,199)
Cash generated from operations		**254,343**	358,416
Finance charges paid		**(28,463)**	(43,596)
Zakat paid	10	**(11,521)**	(13,258)
Employee defined benefit liabilities paid	25	**(6,383)**	(8,356)
Income tax paid	10	**-**	(56)
Net cash generated from operating activities		**207,976**	293,150
Cash flows from investing activities			
Purchase of property, plant and equipment	13	**(51,798)**	(99,392)
Purchase of intangible assets	16	**(6)**	(7)
Purchase of financial assets at FVTPL	18	**(4,938)**	(88,556)
Proceeds from disposal of financial assets at FVTPL		**30,081**	52,899
Proceeds from disposal of property, plant and equipment		**4,267**	1,118
Net cash outflow on acquisition of subsidiary, net of cash acquired	35	**-**	(188,252)
Net cash used in investing activities		**(22,394)**	(322,190)
Cash flows from financing activities			
Proceeds from borrowings	24.2	**1,026,153**	2,648,337
Repayment of borrowings	24.2	**(1,176,140)**	(2,593,858)
Repayment of lease liabilities		**(3,366)**	(3,929)
Dividends paid		**(23,999)**	-
Dividends paid to non-controlling interests		**(3,031)**	(18,218)
Net cash (used in) / generated from financing activities		**(180,383)**	32,332
Net increase in cash and cash equivalents		**5,199**	3,292
Net foreign exchange loss		**-**	(30)
Cash and cash equivalents at the beginning of the year		**45,899**	42,637
Cash and cash equivalents at the end of the year	21, 31	**51,098**	45,899
Supplemental cash flow information	36.3		

The accompanying notes on pages from 9 to 51 form an integral part of these consolidated financial statements.

(All amounts are in Saudi Riyals thousands unless otherwise stated)

1 GENERAL INFORMATION

Bawan Company ("Bawan" or "the Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia ("KSA") under Commercial Registration number 1010033032 dated Shawwal 9, 1400H (corresponding to August 20, 1980G). The Company's shares are traded on the Saudi Stock Exchange (Tadawul).

The Group is mainly engaged in the manufacturing of metal and steel works, wooden pallets, plywood panels, boards and all work of carpentry and decorations, electrical transformers, packaged and unit substations, ready-mix and concrete products and production of flexible packaging and insulation products.

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

The subsidiaries included in these consolidated financial statements are as follows:

Subsidiary	Principal activity	Location	Percentage of ownership (direct or indirect) 2020	2019
Bawan Engineering Industries Company ("Bawan Engineering")	Intermediate holding company	KSA	100	100
Subsidiaries of Bawan Engineering along with its ownership are as follows:				
- United Transformers Electric Company-Saudi ("Utec-Saudi")	Manufacturing of electrical products	KSA	85.50	85.50
- United Transformers Electric Company-Algeria ("Utec-Algeria") *	----do----	Algeria	49	49
- United Technology of Electric Substations & Switchgears Company ("USSG")	----do----	KSA	85.50	85.50
- Bawan Electric Company Limited ("Bawan Electric")	----do----	KSA	100	100
- Bawan Mechanical Works Company Limited ("Bawan Mechanical") **	----do----	KSA	-	100
Bawan Wood Industries Company ("Bawan Wood")	Manufacturing of wood products	KSA	95	95
Subsidiaries of Bawan Wood along with its ownership are as follows:				
- Al-Raya Wood Works Establishment-UAE	----do----	UAE	100	100
- Al-Raya Company for Wood Works-Kuwait	----do----	Kuwait	100	100
- Inma Pallets Company Limited ("Inma Pallets")	----do----	KSA	100	100
- United Lines Logistics Services Company Limited ("ULLS")	Logistic services	KSA	100	100
Bina Holding for Industrial Investments ("Bina Holding")	Intermediate holding company	KSA	56.75	56.75
Subsidiaries of Bina Holding along with its ownership are as follows:				
- Bina Ready-Mix Concrete Products Company ("Bina Ready-Mix")	Manufacturing of concrete products	KSA	100	100
- Bina Advanced Concrete Products Company ("Bina Precast")	----do----	KSA	93.20	93.20
- Al-Ahliah Transport Company Limited	Dormant	KSA	100	100
- Total Building Company	----do----	KSA	100	100
Bawan Metal Industries Company ("Bawan Metal")	Manufacturing of metal products	KSA	100	100
Arnon Plastic Industries Company ("Arnon")	Manufacturing of plastic packaging and insulation products	KSA	100	100
United Company for Wood and Metal Products ("United Wood and Metal")	Manufacturing of wood/metal products	KSA	95	95

*Based on the contractual arrangements between the Utec-Saudi and other shareholders, the Group has the majority of the voting rights. Therefore, the directors of the Group concluded that the Group has control over Utec-Algeria and accordingly Utec-Algeria was consolidated in these financial statements. However, as disclosed in Note 31 to the consolidated financial statements, Utec-Algeria is presented as "disposal group classified as held for sale" as at December 31, 2020.

** Legal formalities related to the liquidation of Bawan Mechanical works Company Limited were completed on March 15, 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in KSA and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

These consolidated financial statements have been prepared on a historical cost convention, except for the following:

- Certain financial instruments measured at fair value; and,
- Employee defined benefit liability, which is recognized at the present value of future obligations using the Projected Unit Credit Method.

These consolidated financial statements are presented in SAR which is both the functional and reporting currency of the Group.

2.2 Fair value measurement

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. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 'Inventories' or value in use in IAS 36 'Impairment of Assets', where applicable.

Valuation techniques
When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 Inputs for assets or liability that are not based on observable market data (unobservable inputs).

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries as at the reporting date. Control is achieved when the Company:

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

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. These interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

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

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between:

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Company had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified by applicable IFRS).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 and, when applicable, the cost on initial recognition of an investment in an associate.

2.4 Goodwill

Goodwill arising on an acquisition of a business (being the excess of the aggregate of consideration transferred and the amount of any non-controlling interest in acquiree over the fair values of net assets acquired) is carried at cost as established at the date of acquisition of the business less accumulated impairment losses.

If the fair values of net assets acquired exceed the aggregate of consideration transferred and the amount of any non-controlling interest in acquiree, the resulting gain is recognized in profit or loss as a bargain purchase gain.

Goodwill is not amortized but is reviewed for impairment at least annually. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.5 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognized at their fair value with the exception of liabilities related to employee benefit arrangements which are recognized and measured in accordance with IAS 19 Employee Benefits.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IFRS 9 Financial Instruments, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest was disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

2.6 Foreign currency translation

(i) Functional and presentation currency

The Group's consolidated financial statements are presented in Saudi Riyals (SR), which is also the Company's functional and Group presentation currency, and all values are rounded to the nearest thousands, except where otherwise indicated.

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 and other comprehensive income reflects the amount that arises from using this method.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss and other comprehensive income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is classified to consolidated statement of profit or loss and other comprehensive income. Repayment of intercompany loans are considered as disposal or partial disposal. Tax charges and credits, if any, attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(iii) Group companies

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

2.7 Revenue recognition

The Group recognises revenue from the following major sources:

- Sale of various manufactured goods; and
- Construction of various bespoke items for customers

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer. The Group recognizes revenue when it transfers control of a product or provide service to a customer.

Sales of various manufactured goods
Revenue on the sale of goods is recognized when the contractual promise to a customer (performance obligation) has been fulfilled by transferring control over the promised goods to the customer. Revenue is recognized at point in time of shipment, at the receipt of the goods by the customers.

A receivable is recognized by the Group when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Sales related warranties associated with goods cannot be purchased separately and they serve as an assurance that the products sold comply with agreed upon specifications. Accordingly, the Group accounts for warranties in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The Group has not raised a refund liability given the historically low level of returns in the past. It is considered highly probable that a significant reversal in the cumulative revenue recognized will not occur given the consistent low level of returns over previous years.

Construction of various bespoke items for customers

The Group constructs various bespoke items under contracts with its customers. Such contracts are entered into before construction of the items begins. Under the terms of the contracts, the Group is and has an enforceable right to payment for work done. The Group is unable to use the items for any other purpose.

Revenue from construction of these items is therefore recognized over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15 Revenue from Contracts with Customers.

Contract assets comprise the value of work performed in excess of the amount billed as at the period end. Contract liabilities comprise, in addition to advances from customers, the excess amount billed over the value of work performed at the period end.

2.8 Costs and expenses

(i) Costs of revenue

The costs incurred during the year, to produce the inventories that are sold, render the services and perform the contracts which includes direct and indirect cost of production, including direct labor, direct materials, depreciation and overheads are classified as cost of revenue.

(ii) Selling and distribution expenses

Selling and distribution expenses principally consist of costs incurred in the distribution and selling of the Group's products.

(iii) General and administrative expenses

General and administrative expenses include costs not specifically part of selling and distribution expenses, cost of revenue, finance charges or Zakat and income tax expense. Allocations between general and administrative expenses, selling and distribution expenses and cost of revenue, when required, are made on a consistent basis.

2.9 Employee benefits

The Company recognizes a liability when an employee has provided service in exchange for employee benefits to be paid in the future and an expense when the Company consumes the economic benefits arising from service provided by an employee in exchange for employee benefits. Employee benefits are short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits.

Short-term employee benefits
A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave, air tickets and sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service. The liability is recorded at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Employee defined benefit liabilities
The end-of-service indemnity provision is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Re-measurements, comprising actuarial gains and losses, are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Re-measurements recognized in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to profit or loss in subsequent periods. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- interest expense; and
- re-measurements

The Group presents the first two components of defined benefit costs in profit or loss in relevant line items.

Retirement benefits
Retirement benefits made to funded defined contribution plans in respect of Saudi employees are expensed when incurred.

2.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.11 Zakat and taxes

(i) Zakat and income tax

Companies with only Saudi shareholders

The Group is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"). A provision for zakat for the Company and zakat related to the Group's wholly owned subsidiaries is estimated at the end of each reporting period and charged to the consolidated statement of profit or loss and other comprehensive income. Differences, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Mix companies with foreign shareholders

The subsidiaries incorporated in KSA with foreign shareholders are subject to zakat for their Saudi shareholders and income tax for their foreign shareholders in accordance with the regulations of the GAZT. A provision for zakat and income tax for the mix companies is charged to the consolidated statement of profit or loss and other comprehensive income. Differences, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Income tax for foreign entities is provided for in accordance with the relevant income tax regulations of the countries of incorporation. Adjustments arising from final foreign income tax assessments are recorded in the period in which such assessments are made.

Zakat and income tax related to the minority shareholders in certain subsidiaries is included in their share of non-controlling interest in the consolidated statement of profit or loss and other comprehensive income.

The tax expense includes the current tax and deferred tax charge recognized in the consolidated statement of profit or loss and other comprehensive income. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The tax expense, if any, includes the current tax and deferred tax charge, if any, recognized in the consolidated statement of profit or loss and other comprehensive income.

Current tax payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction (other than in a business combination) that affects neither taxable profit nor accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, joint arrangements and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to the consolidated statement of profit or loss and other comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

(ii) Withholding tax

The Company and its local subsidiaries withhold taxes on certain transactions with non-resident parties in the KSA, as required under Saudi Arabian Income Tax Law.

(iii) Value added tax

Expenses and assets are recognized net of the amount of value added tax, except:

- when the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- when receivables and payables are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

2.12 Property, plant and equipment

Property, plant and equipment, except land and capital work-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses. Land and capital work-in-progress are stated at cost less impairment in value.

Historical cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost can be measured reliably.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes accounted for on a prospective basis.

The Group applies the annual depreciation rates in the following ranges to its property, plant and equipment:

	Percentage (%)
Buildings and leasehold improvement	3 – 20
Plant and machinery	5 – 25
Vehicles	20 – 25
Furniture, fixtures and office equipment	20 – 25
Tools	20 - 33.3

Land and capital work-in-progress are not depreciated.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.13 Leases

Leases are recognized as a right-of-use asset and a corresponding liability, at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis.

i) Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

ii) Right-of-use assets

Right-of-use assets are initially measured at cost, comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Refundable security deposits are not included in the initial measurement of a right-of-use asset. However, the difference between the nominal amount of the refundable security deposits and its fair value at the commencement of the lease represents, an additional lease payment which is prepaid and accordingly added to the initial carrying amount of the right-of-use asset and released to the consolidated statement of profit or loss and other comprehensive income over the lease term as part of the depreciation of that asset.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition, the right-to-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of lease liabilities.

The right-of-use assets are presented as a separate line item in the consolidated statement of financial position.

Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Short-term and low value leases

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statement of profit or loss and other comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office equipment and furniture.

2.14 Other intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if any. The cost of intangible assets acquired in a business combination is their fair value at the effective date of the business combination. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses, if any.

The Group applies the following annual rates of amortization to its intangible assets:

	Percentage (%)
Software	20
Customer relationships	20 – 29
Trade name	20

An intangible asset is derecognized upon disposal, or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

2.15 Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that non-financial assets may be impaired.

Non-financial assets other than goodwill, if any, are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill, if any, is tested for impairment annually. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units 'CGUs'). Recoverable amount is the higher of an asset's fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management). 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. Such impairment loss is recognized in the consolidated statement of profit or loss and other comprehensive income in the period it has occurred.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill, if any, may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. Such reversal is recognized in the consolidated statement of profit or loss and other comprehensive income. Impairment losses on goodwill, if any, are not reversible.

2.16 Inventories and spare parts

Inventories are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The cost of raw materials and consumable stores is determined on the weighted average basis. The cost of goods in transit is determined based on the invoice value plus other charges incurred in getting this inventory to its location at the reporting date. The cost of work-in-process and finished goods is determined on the weighted average basis which includes, inter alia, an allocation of labor and manufacturing overheads.

Spares parts which are consumable inventory are valued at lower of cost or net realizable value. Cost is determined on the weighted average cost method. An allowance for obsolete and slow-moving items, if any, is estimated at each reporting date. Net realizable value is the 'estimated selling price' less 'cost to sell'.

Spare parts may represent items that might result in fixed capital expenditure but are not distinguishable from consumables spare parts, hence these are classified under spare parts as current assets.

2.17 Financial instruments

a) Initial recognition and measurement of financial instruments

The Group initially recognizes financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument.

Where the trade receivables do not have a significant financing component, initial measurement is at their transaction price, which is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Except for trade receivables that do not have a significant financing component, initial measurement of the financial instrument is at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss and other comprehensive income.

b) Financial assets - subsequent classification and measurement

Financial assets are subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. There are two criteria used to determine how financial assets should be classified and measured:

(i) the Group's business model for managing the financial assets; and
(ii) the contractual cash flow characteristics of the financial asset.

Key management personnel have determined that the Group's financial assets are held within a business model whose objective is to hold financial assets in order to collect cash flows.

A financial asset is measured at amortized cost if 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. Otherwise, a financial asset is measured at fair value through profit or loss (FVTPL).

Investments in equity instruments are measured at fair value, and the Group did not elect to present in other comprehensive income subsequent changes in the fair value of such investment in an equity instrument.

Financial assets are only reclassified between measurement categories, when and only when, the Group's business model for managing them changes, which is expected to be uncommon.

The Group derecognizes a financial asset when the rights to the cash flows from the financial asset have expired or where the Group has transferred substantially all risks and rewards associated with the financial asset and does not retain control of the financial asset.

c) Impairment of financial assets

The Group assesses, on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost.

As required by IFRS 9, the Group applies the simplified approach for trade receivables and contract assets. The Group uses a provision matrix in the calculation of the expected credit losses on trade receivables and contract assets to estimate the lifetime expected credit losses, applying certain provision rates to respective aging buckets.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

d) Financial liabilities - subsequent classification and measurement

Financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition.

The Group derecognizes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

e) Cash and cash equivalents

For the purposes of the consolidated statements of financial positions and cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks, all of which are available for use by the Group unless otherwise stated and have maturities of three months or less, which are subject to insignificant risk of change in values.

f) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to offset the recognized amounts and intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

2.18 Borrowings

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

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

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

2.19 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Warranties
Provisions for the expected cost of warranty obligations under applicable sale of goods legislation are recognized at the date of sale of the relevant products, at the management's best estimate of the expenditure required to settle the Group's obligation.

2.20 Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the probability of an outflow of resources embodying economic benefits is remote. Liabilities which are probable are recorded in the consolidated statement of financial position under trade and other payables. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

2.21 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period. Dividends are recorded in the consolidated financial statements in the year in which they are declared and approved by the shareholders of the Company.

2.22 Segmental reporting

A business segment is a group of assets, operations or entities:

i) 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;
ii) the results of its operations are continuously analyzed by the group controller in order to make decisions related to resource allocation and performance assessment; and
iii) for which financial information is discretely available.

Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The details of Group's segments are presented in Note 29 to these consolidated financial statements.

2.23 Non-current assets (or disposal group) held for sale and discontinued operation

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, if any.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of profit or loss and other comprehensive income.

(All amounts are in Saudi Riyals thousands unless otherwise stated)

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

3.1 Revised standards, amendments to standards and interpretations effective at the reporting date

New IFRS standards, amendments to standards and interpretations not yet adopted
Certain new accounting standards, amendments to standards and interpretations have been published by the IASB that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

New and amended IFRS standards adopted by the Group
The Group has applied the following amendments to the existing standards in these consolidated financial statements for the first time for its reporting periods commencing on or after January 1, 2020. The application of these amendments has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

Definition of Material - Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The new definition states that, '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'.

Definition of a Business - Amendments to IFRS 3 Business Combinations
The amendments clarify 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. International Accounting Standards Board (IASB) also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs.

Amendments to References to the Conceptual Framework in IFRS Standards
Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.

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

3.2 New IFRS standards, amendments to standards and interpretations not yet effective at the reporting date

Certain new accounting standards, amendments to standards and interpretations have been published by the IASB that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

	Effective for annual periods beginning on or after
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures	Effective date deferred indefinitely Adoption is still permitted

Amendments relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

(All amounts are in Saudi Riyals thousands unless otherwise stated)

4 CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, which are described in Note 2, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

4.1 Impairment of trade and other receivables

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Trade accounts receivable are normally assessed collectively unless there is a need to assess a particular debtor on an individual basis. (Note 19)

4.2 Employee defined benefit liabilities

Employee defined benefit liabilities are determined using an actuarial valuation which requires estimates to be made of the various inputs such as discount rates, rate of salary increase, mortality rates and employment turnover. Periodically, management of the Group consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit liabilities and/or periodic employee defined benefit costs incurred. (Note 25)

5 REVENUE

	2020	2019
Revenue	**2,418,072**	2,235,233
Timing of revenue recognition:		
- At a point in time	**2,320,371**	2,113,662
- Over time	**97,701**	121,571
	2,418,072	2,235,233

The amount of revenue to be recognized is based on the consideration that the Group expects to receive at contract inception, in exchange for its goods and services. The Group does not have any contracts where the period between the transfer of the promised goods or services to customers and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction price for time value of money.

Refer to Note 29 for disclosure of the revenue earned for each reportable segment.

Notes to the consolidated financial statements for the year ended December 31, 2020
(All amounts are in Saudi Riyals thousands unless otherwise stated)

6 SELLING AND DISTRIBUTION EXPENSES

	Note	2020	2019
Employees' salaries and related costs	11	**29,930**	34,344
Transportation and shipping		**24,305**	24,803
Sales commission		**4,296**	5,466
Delivery and insurance		**1,598**	2,576
Repairs and maintenance		**2,897**	2,433
Depreciation and amortization		**3,036**	2,369
Advertising		**1,275**	1,935
Royalties	27	**849**	526
Other		**7,339**	6,975
		75,525	81,427

7 GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2020	2019
Employees' salaries and related costs	11	**76,186**	73,400
Depreciation and amortization		**9,981**	9,998
Short-term lease charges		**1,588**	2,681
Board and committee members' compensation		**2,114**	2,387
Communication and utilities		**1,328**	2,149
Insurance		**2,675**	2,249
Travel		**522**	1,227
Repairs and maintenance		**1,498**	1,789
Other		**10,843**	10,091
		106,735	105,971

8 OTHER INCOME

	2020	2019
Scrap and material sales	**5,213**	5,714
Gain on disposals of property, plant and equipment	**2,189**	810
Reversal of excess provisions	-	1,019
Other	**6,412**	3,865
	13,814	11,408

9 FINANCE COSTS

	Note	2020	2019
Finance costs on short-term borrowings		**11,215**	26,522
Finance cost on employees' defined benefits liabilities	25.2, 37	**2,564**	3,136
Finance costs on long-term borrowings		**6,584**	8,108
Accretion of finance cost under lease liabilities		**879**	901
Other		**8,617**	6,497
		29,859	45,164

Finance costs amounting to SR 1.21 million (2019: SR 3.13 million) were capitalized during the year ended December 31, 2020. 'Other' mainly represents charges relating to issuing letters of credit and guarantee.

(All amounts are in Saudi Riyals thousands unless otherwise stated)

10 ZAKAT AND INCOME TAX

10.1 Zakat expense for the year.

	2020	2019
Zakat	**16,003**	6,806

Income tax is applicable on local subsidiaries wherein the shareholders are foreigners (i.e. non-Saudi nationals). Since there is no taxable income during the current and comparative years, therefore no income tax provision (i.e. current and deferred tax) is recognized.

10.2 Movement in zakat and income tax payable is as follows:

	Note	Zakat payable	Income tax payable	Total
2020				
January 1		**14,123**	**-**	**14,123**
Current year		**14,365**	**-**	**14,365**
Prior year under provision		**1,638**	**-**	**1,638**
Provision for the year		**16,003**	**-**	**16,003**
Payments		**(11,521)**	**-**	**(11,521)**
December 31		**18,605**	**-**	**18,605**
2019				
January 1		19,187	56	19,243
Acquisition of subsidiary	35	1,400	-	1,400
Current year		9,687	-	9,687
Prior year over provision		(2,881)	-	(2,881)
Provision for the year		6,806	-	6,806
Other adjustments		(12)	-	(12)
Payments		(13,258)	(56)	(13,314)
December 31		14,123	-	14,123

10.3 Status of assessments

The Company and its 100% effectively owned Saudi Arabian subsidiaries submit zakat returns on a combined basis. Other Group subsidiaries submit their zakat and income tax returns independently.

Zakat returns for the Company have been filed and paid for all years through to 2019 and zakat certificates have been received. In 2018, the Company received the final assessments for the years from 2010 to 2014 claiming additional zakat liability of SR 7.83 million. The Company settled the additional zakat liability for the years from 2011 to 2014 and raised an objection against the 2010 final assessment by SR 2.82 million. During 2019, the Company's objection was accepted and an amount of SR 0.21 million was paid to settle the final assessment for the year 2010.

During 2020, the Company received the final assessments for the years from 2015 to 2018 claiming additional zakat liability of SR 2.15 million. The Company settled part of the additional liability by SR 0.51 million and raised an objection on the remaining balance of zakat liability under the aforementioned assessments.

The status of the final zakat and income tax assessments of the other Group's subsidiaries is disclosed in their respective financial statements.

(All amounts are in Saudi Riyals thousands unless otherwise stated)

11 EMPLOYEE SALARIES AND STAFF RELATED BENEFITS

	Note	2020	2019
Salaries and staff related benefits charged to:			
Cost of revenue		**140,694**	136,028
Selling and distribution	6	**29,930**	34,344
General and administrative	7	**76,186**	73,400
		246,810	243,772

These salaries and staff related benefits includes current service cost related to end of service benefits obligations amounting to SR 10.01 million (2019: SR 8.53 million). (Note 25.2)

12 EARNINGS PER SHARE

The Company presents basic and diluted earnings per shares (EPS) for its ordinary shares. Basic EPS is calculated by dividing profit for the year attributable to the ordinary equity holders of the Company separately from each of the continuing and discontinued operations by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares outstanding during the year for the effects of all dilutive potential ordinary shares. Since the Company has no such dilutive potential ordinary shares, the calculation and presentation of basic and diluted EPS of the Company will be the same.

The following table reflects the profit and weighted average number of ordinary shares used in the computations:

	2020	2019
Profit attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share:		
- From continuing operations	**93,627**	28,673
- From discontinued operation	**(3,459)**	(2,041)
	90,168	26,632
Weighted average number of ordinary shares outstanding during the year	**60,000**	60,000
Basic and diluted earnings per share		
- From continuing operations attributable to the ordinary equity holders of the Company	**1.56**	0.48
- From discontinued operation attributable to the ordinary equity holders of the Company	**(0.06)**	(0.04)
Total basic and diluted earnings per share attributable to the ordinary equity holders of the Company	**1.50**	0.44

(All amounts are in Saudi Riyals thousands unless otherwise stated)

13 PROPERTY, PLANT AND EQUIPMENT

	Note	Land	Building and leasehold improvement	Plant and machinery	Vehicles	Furniture, fixture and office equipment	Tools	Capital work- in progress (CWIP)*	Total
Cost									
January 1, 2020		71,506	382,592	740,727	98,746	46,555	16,914	139,809	1,496,849
Additions during the year		-	5,834	8,560	6,846	1,565	234	28,759	51,798
Transfers from CWIP*		-	28,200	43,701	159	1,151	-	(76,468)	(3,257)
Disposals		-	(1,852)	(6,891)	(3,683)	(616)	(49)	(385)	(13,476)
Written off	36	-	(7,548)	(17,764)	-	(205)	-	-	(25,517)
Foreign exchange differences		-	(103)	(1,846)	(102)	(13)	-	-	(2,064)
Assets of disposal group classified as held for sale	31	-	(4,952)	(20,112)	(1,509)	(344)	-	(28,571)	(55,488)
December 31, 2020		71,506	402,171	746,375	100,457	48,093	17,099	63,144	1,448,845
Accumulated depreciation and impairment									
January 1, 2020		9,574	179,849	358,130	67,234	40,942	13,357	-	669,086
Charge for the year		-	20,421	42,438	6,294	2,788	461	-	72,402
Disposals		-	(1,603)	(6,880)	(2,254)	(612)	(49)	-	(11,398)
Written off	36	-	(1,740)	(7,083)	-	(197)	-	-	(9,020)
Assets of disposal group classified as held for sale	31	-	(363)	(2,095)	(431)	(76)	(19)	-	(2,984)
December 31, 2020		9,574	196,564	384,510	70,843	42,845	13,750	-	718,086
Net book value									
December 31, 2020		61,932	205,607	361,865	29,614	5,248	3,349	63,144	730,759

(All amounts are in Saudi Riyals thousands unless otherwise stated)

Certain items of property, plant and equipment amounting to SR 404.80 million as at December 31, 2020 (2019: SR 414.72 million) are mortgaged to secure the Saudi Industrial Development Fund ("SIDF") loans. (Note 24)

*Capital work-in-progress mainly comprises building and leasehold improvement and items of plant and machinery in the course of construction and installation for certain Group's subsidiaries. 'Transfers from CWIP' amounting to SR 3.26 million during the current year mainly relate to inventories which were capitalized in the prior years. The impact on cashflows from investing activities relating to these additions was accounted for in the prior years. Therefore, these are considered as non-cash items in cash flows information. (Note 36.3)

	Note	Land	Building and leasehold improvement	Plant and machinery	Vehicles	Furniture, fixture and office equipment	Tools	Capital work- in progress	Total
Cost									
January 1, 2019		47,399	266,129	418,394	90,638	35,829	15,651	60,934	934,974
Acquisition of subsidiary	35	24,107	104,167	267,735	2,711	8,804	-	61,232	468,756
Additions during the year		-	1,698	6,176	10,486	1,286	754	78,992	99,392
Disposals		-	(459)	(436)	(5,087)	(10)	(4)	-	(5,996)
Transferred to other intangible assets	16	-	-	-	-	-	-	(213)	(213)
Transfers from CWIP		-	11,062	48,915	-	646	513	(61,136)	-
Foreign exchange differences		-	(5)	(57)	(2)	-	-	-	(64)
December 31, 2019		71,506	382,592	740,727	98,746	46,555	16,914	139,809	1,496,849
Accumulated depreciation and impairment									
January 1, 2019		9,574	136,481	251,213	61,816	31,676	12,568	-	503,328
Acquisition of subsidiary	35	-	28,924	70,312	1,214	6,748	-	-	107,198
Charge for the year		-	14,653	37,039	9,236	2,527	793	-	64,248
Disposals		-	(209)	(434)	(5,032)	(9)	(4)	-	(5,688)
December 31, 2019		9,574	179,849	358,130	67,234	40,942	13,357	-	669,086
Net book value									
December 31, 2019		61,932	202,743	382,597	31,512	5,613	3,557	139,809	827,763

(All amounts are in Saudi Riyals thousands unless otherwise stated)

Depreciation charge on property, plant and equipment for the year has been allocated as follows:

	2020	2019
Costs of revenue	**59,618**	55,725
Selling and distribution expenses	**3,036**	2,369
General and administrative expenses	**7,174**	5,899
'General and administrative expenses' associated to discontinued operations	**2,574**	255
	72,402	64,248

14 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group leases certain of its premises. The lease term on the various leases is between 3 years and 25 years.

14.1 Movement of right-of-use assets is as follows:

	2020	2019
January 1	**21,857**	23,622
Add: Additions during the year	**1,405**	1,978
Less: termination due to remeasurement of lease liabilities, net	**(303)**	(335)
Less: depreciation on right-of-use assets	**(2,992)**	(3,408)
December 31	**19,967**	21,857

14.2 The consolidated statement of profit or loss and other comprehensive income included the following amounts related to leases:

	2020	2019
Depreciation on right-of-use assets	**2,992**	3,408
Accretion of finance costs under lease liabilities	**809**	901
	3,801	4,309

The Group also has certain leases with lease terms of 12 months or less and leases with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. The Group does not have any leases which contain variable lease payment terms.

14.3 Lease liabilities classified in the consolidated statement of financial position as at December 31 are as below:

	2020	2019
Non-current portion of lease liabilities	**19,547**	21,282
Current portion of lease liabilities	**2,434**	2,660
	21,981	23,942

The future minimum lease payments have been discounted, using an effective interest rate of approximately 4% per annum, to their present values.

The Group's remaining contractual maturity for its lease liabilities have been disclosed in Note 33.4.

The Group does not face a significant liquidity risk with regard to its lease liabilities, which are monitored to determine that these are settled in accordance with the relevant lease agreements.

(All amounts are in Saudi Riyals thousands unless otherwise stated)

15 GOODWILL

The carrying amount of goodwill has been allocated to the following cash generating units:

	2020	2019
Arnon – note 15.1	4,066	4,066
Inma Pallets	331	331
	4,397	4,397

15.1 The Company acquired 100% of the shares of Arnon and goodwill of SR 4.07 million was recognized with effect from January 1, 2019 (Note 35).

The Group performed its annual impairment tests as at December 31, 2020. The recoverable amounts of the above cash generating units were determined using a value-in-use calculation which incorporates cash flow projections for a five-year period based on budgets approved by the management. A discount rate of 10% per annum is used to discount the future cash flows to present value.

16 INTANGIBLE ASSETS

	Note	Software	Customer relationships	Trade name	Total
Cost					
January 1, 2020		**11,430**	**11,727**	**6,190**	**29,347**
Additions		**6**	**-**	**-**	**6**
Assets of disposal group classified as held for sale	31	**(6)**	**-**	**-**	**(6)**
December 31, 2020		**11,430**	**11,727**	**6,190**	**29,347**
Accumulated amortization					
January 1, 2020		**11,176**	**5,450**	**1,238**	**17,864**
Amortization		**254**	**1,569**	**1,259**	**3,082**
December 31, 2020		**11,430**	**7,019**	**2,497**	**20,946**
Net book value					
December 31, 2020		**-**	**4,708**	**3,693**	**8,401**
Cost					
January 1, 2019		11,210	3,881	-	15,091
Acquisition of subsidiary	35	-	7,846	6,190	14,036
Transferred from property, plant and equipment	13	213	-	-	213
Additions		7	-	-	7
December 31, 2019		11,430	11,727	6,190	29,347
Accumulated amortization					
January 1, 2019		9,884	3,881	-	13,765
Amortization		1,292	1,569	1,238	4,099
December 31, 2019		11,176	5,450	1,238	17,864
Net book value					
December 31, 2019		254	6,277	4,952	11,483

(All amounts are in Saudi Riyals thousands unless otherwise stated)

17 INVENTORIES

	2020	2019
Raw materials	**419,694**	348,309
Finished goods	**128,295**	114,923
Work-in-process	**32,422**	39,100
Goods in transit	**25,304**	19,153
Consumables	**4,149**	5,178
	609,864	526,663

	2020	2019
Cost of inventories recognized as expense during the year	**1,847,136**	1,672,321
Carrying value of inventories held at net realizable value	**17,796**	8,740
Inventory written down during the year	**8,450**	985

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The movement in financial assets at FVTPL is set out below:

	2020	2019
January 1	**48,775**	-
Additions	**4,938**	88,556
Changes in fair value	**(182)**	4,497
Disposals	**(28,040)**	(44,278)
December 31	**25,491**	48,775

Fair values of these equity investments are determined based on the quoted market price available on the Saudi Stock Exchange, which is a Level 1 input in terms of IFRS 13 Fair Value Measurement.

Amounts recognized in consolidated statement of profit or loss and other comprehensive income for the year are as follows:

	2020	2019
Gains on disposal of financial assets at FVTPL	**2,041**	8,621
Fair value (loss) / gain on financial assets at FVTPL	**(182)**	4,497
	1,859	13,118

(All amounts are in Saudi Riyals thousands unless otherwise stated)

19 TRADE AND OTHER RECEIVABLES

	Note	2020	2019
Trade receivables			
Third parties		**541,931**	563,018
Retention receivables		**17,765**	19,913
Related parties	27	**74,480**	74,146
		634,176	657,077
Less: allowance for expected credit loss		**(83,764)**	(67,141)
		550,412	589,936
Prepayments		**17,779**	32,577
Due from related parties	27	**5,171**	30,357
Advances to suppliers		**38,811**	27,189
Refundable value added tax		**1,010**	7,880
Cash margins for letters of credit		**814**	4,229
Amounts due from employees		**5,596**	3,989
Other receivables	36.1	**25,257**	3,739
	33.2	**644,850**	699,896

The Group's average credit period on sales of goods is 90 days. No interest is charged on outstanding trade receivables.

The Group considers that default can occur when a financial asset or debtor is past due by more than the average credit limit of 90 days and in this case, debtors are segregated into various categories keeping in view the nature of debtors, their past track records and any other relevant and applicable information. Accordingly, the Group defines the default for each category of debtor based on delay in payment beyond the allowed average credit limit unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

However, based on the historical collection pattern, the management considers that a customers will fall in default category after one year of past due balance. Accordingly, the management believes that the balances within one year of past due will result not in material amount of credit loss.

The following table shows the lifetime ECL allowance that has been recognized against gross trade receivables representing each segment in accordance with the simplified approach set out in IFRS 9: -

	Metal and Wood	Plastic	Electrical	Concrete	Total
December 31, 2020					
Gross trade receivables	**322,953**	**83,783**	**66,130**	**69,065**	**541,931**
Less: ECL allowance	**(38,843)**	**(9,094)**	**(25,327)**	**(10,500)**	**(83,764)**
Net trade receivables	**284,110**	**74,689**	**40,803**	**58,565**	**458,167**
December 31, 2019					
Gross trade receivables	310,003	92,892	94,971	65,152	563,018
Less: ECL allowance	(37,142)	(9,094)	(10,405)	(10,500)	(67,141)
Net trade receivables	272,861	83,798	84,566	54,652	495,877

(All amounts are in Saudi Riyals thousands unless otherwise stated)

The following table shows the movement in lifetime ECL that has been recognized for trade receivables in accordance with the simplified approach set out in IFRS 9: -

	Note	2020	2019
January 1		67,141	59,766
Acquisition of subsidiary	35	-	11,094
ECL allowance		31,203	9,099
Written-off		(14,580)	(12,818)
December 31		83,764	67,141

The change in the loss allowance during the year was mainly due to change in credit risks as the receivable balances progressed through successive stages of delinquency to write off.

The following table shows the ECL calculated on a collective basis:

	Not past due	Days past due 01-180	181-360	361-720	721-1080	>1080	Total
2020							
Gross trade receivables	**313,556**	**85,123**	**19,601**	**11,623**	**5,867**	**20,174**	**455,944**
Less: ECL allowance	**-**	**-**	**-**	**(4,441)**	**(4,520)**	**(20,174)**	**(29,135)**
Net trade receivables	**313,556**	**85,123**	**19,601**	**7,182**	**1,347**	**-**	**426,809**
Average loss rates (%)	**-**	**-**	**-**	**38.21**	**77.04**	**100.00**	**6.39**

	Not past due	Days past due 01-180	181-360	361-720	721-1080	>1080	Total
2019							
Gross trade receivables	277,536	115,848	38,761	27,291	13,621	8,482	481,539
Less: ECL allowance	-	-	-	(2,258)	(6,892)	(8,482)	(17,632)
Net trade receivables	277,536	115,848	38,761	25,033	6,729	-	463,907
Average loss rates (%)	-	-	-	8.27	50.60	100.00	3.66

As of December 31, 2020, there were several other customers' balances amounting to SR 85.99 million (2019: SR 81.48 million) which include balances amounting to SR 65.29 million (2019: SR 62.95 million) outstanding for more than 2 years. Therefore, the management assessed the recoverability of these customers individually on a case by case basis. Accordingly, the management, based on their judgment and best estimate, recognized an expected credit loss amounting to SR 54.63 million (2019: SR 49.51 million). The average loss rates on these balances are within the range of 50% to 100% against the respective balances. The maximum remaining exposure as of the year date was SR 31.36 million, however management believes that an adequate level of provision has been recognised to cover the expected credit losses.

(All amounts are in Saudi Riyals thousands unless otherwise stated)

20 CONTRACT ASSETS AND CONTRACT LIABILITIES

20.1 Contract assets

Contract assets comprise the value of work performed in excess of the amount billed as at the period end arising entirely from construction contracts for sale of various bespoke items to customers. Any amount previously recognized as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

Movement in contract assets is as follows:

	2020	2019
January 1	**34,659**	26,896
Unbilled revenue recognised during the year	**95,321**	121,918
Revenue billed during the year	**(107,819)**	(114,155)
December 31	**22,161**	34,659

All the contracts asset balances are of current nature and classified as not-past-due. ECL against these balances is not significant for the consolidated financial statements.

20.2 Contract liabilities

	2020	2019
Advances from customers	**55,018**	30,186
Billings in excess of revenue recognized	**1,001**	3,487
	56,019	33,673

The transaction price allocated to unsatisfied performance obligations at December 31, 2020 amounted to SR 56.02 million (December 31, 2019: SR 33.67 million) which comprise mostly from sales of goods.

Management expects that a significant portion of the contract liabilities of SR 56.02 million (December 31, 2019: SR 33.67 million) will be recognized as revenue in the next financial year.

21 CASH AND CASH EQUIVALENTS

	Note	2020	2019
Cash at bank		**50,238**	44,903
Cash in hand		**860**	996
		51,098	45,899
Cash and cash equivalents of disposal group classified as held for sale	31	**(4,086)**	-
		47,012	45,899

For the purpose of consolidated statement of cash flow for the years ended 31 December 2020, cash and cash equivalents at the end of the year also include cash and cash equivalents of 'disposal group classified as held for sale'. (Note 31)

22 SHARE CAPITAL

The Company had 60 million authorized, issued and fully paid ordinary shares with a nominal value of SR 10 per share as at December 31, 2020 and 2019 amounting to total share capital of SR 600 million as at December 31, 2020 and 2019.

(All amounts are in Saudi Riyals thousands unless otherwise stated)

23 STATUTORY RESERVE

In accordance with Saudi Arabian Regulations for Companies and the Company By-Laws, the Company has established a statutory reserve by the appropriation of 10% of its annual net profit, after absorption of accumulated losses, until such reserve equals 30% of the share capital. The reserve is not available for dividend distribution.

On May 22, 2019, the General Assembly approved the absorption of accumulated losses of Saudi Riyals 81.01 million as at December 31, 2018 through a transfer from the statutory reserve.

24 BORROWINGS

24.1 Borrowings consist of the following:

	Current	Non-current	Total
2020			
Short-term borrowings	**518,646**	-	**518,646**
Long-term borrowings			
Term loans payable to banks	**54,171**	**118,085**	**172,256**
SIDF loans	**63,720**	**20,454**	**84,174**
	117,891	**138,539**	**256,430**
	636,537	**138,539**	**775,076**
2019			
Short-term borrowings	663,301	-	663,301
Long-term borrowings			
Term loans payable to banks	12,931	197,000	209,931
SIDF loans	6,369	77,479	83,848
Other	-	16,382	16,382
	19,300	290,861	310,161
	682,601	290,861	973,462

The financing facilities agreements obtained by the Group are in accordance with the terms of Islamic financing.

24.2 Movement of borrowings for the current year is as follows:

	Note	Short-term borrowings	Long-term borrowings	Total
January 1, 2020		**658,275**	**310,161**	**968,436**
Receipts		**1,011,690**	**14,463**	**1,026,153**
Repayments		**(1,103,408)**	**(72,732)**	**(1,176,140)**
Reclassified to long-term borrowings		**(35,055)**	**35,055**	**-**
Debt arrangement costs		**-**	**328**	**328**
Borrowings of disposal group classified as held-for-sale	31	**(17,586)**	**(30,845)**	**(48,431)**
		513,916	**256,430**	**770,346**
Add: Accrued finance cost		**4,730**	**-**	**4,730**
December 31, 2020		**518,646**	**256,430**	**775,076**
January 1, 2019		528,288	38,168	566,456
Receipts		2,396,706	251,631	2,648,337
Repayments		(2,491,739)	(102,119)	(2,593,858)
Acquisition of subsidiary	35	225,020	122,025	347,045
Effect of exchange rate changes		-	80	80
Debt arrangement costs		-	376	376
		658,275	310,161	968,436
Add: Accrued finance cost	37	5,026	-	5,026
December 31, 2019		663,301	310,161	973,462

(All amounts are in Saudi Riyals thousands unless otherwise stated)

24.3 Short-term borrowings

The Group has obtained bank facilities ("the Facilities") in the form of short-term loans, Islamic Murabaha, forward exchange contracts and letters of credit and guarantee. The Facilities carry interest at prevailing market rates and are secured by promissory notes and corporate guarantees of the Group.

24.4 Term loans payable to banks

The Group has obtained bank loans from local banks which are repayable in quarterly/semi-annual installments. The loans carry interest at prevailing market rates and are secured by promissory notes and corporate guarantees of the Group.

24.5 SIDF loans

The Group has obtained various loans from SIDF for the construction and expansion of its concrete and plastic segment plants and the delivery of an ongoing project. These loans are guaranteed by promissory notes, corporate guarantees of the Group and mortgages of property, plant and equipment with a carrying value of SR 403.90 million as at December 31, 2020 (2019: SR 414.72 million). (Note 13)

All of the above borrowings require the maintenance of certain debt covenants. As at December 31, 2020 and 2019, none of the conditions require to cause the loans to be payable on demand by the loan agreements.

25 EMPLOYEE DEFINED BENEFIT LIABILITIES

25.1 Defined contribution plan

The Group makes contributions for a defined contribution retirement benefit plan to the General Organization for Social Insurance in respect of its Saudi employees. The total amount expensed during the year in respect of this plan was SR 5.16 million (December 31, 2019: SR 6.44 million).

25.2 Defined benefit obligation – employees' end of service termination benefits obligation

The Group operates a termination benefit plan in line with the Labor Law requirement in the Kingdom of Saudi Arabia for each of the respective subsidiary entities. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labor Law of the Kingdom of Saudi Arabia.

Employees' end of service termination benefits obligation are unfunded plans and the benefit payment obligations are met when they are due.

	Note	2020	2019
January 1		**79,780**	61,001
Acquisition of subsidiary	35	**-**	7,340
Current service cost	11	**10,010**	8,534
Interest cost	9	**2,564**	3,136
Total amount recognised in profit or loss		**12,574**	11,670
Payments		**(6,383)**	(8,356)
Benefits payable at the year end		**(45)**	-
(Gain) / loss attributable to the re-measurements of actuarial assumptions:		**(838)**	8,125
Financial assumptions		**(547)**	8,350
Experience adjustments		**(291)**	(225)
December 31		**85,088**	79,780

(All amounts are in Saudi Riyals thousands unless otherwise stated)

Actuarial valuations were performed by an independent qualified actuary using the projected unit credit method.

Movements in the employee defined benefit obligations arising from current service cost and interest cost are recognized in profit or loss. However, re-measurement gains or losses arising from changes in actuarial assumptions are recognized as other comprehensive income / (loss). The principal assumptions used for the purpose of the actuarial valuations were as follows:

	2020	2019
Discount rate	**2.30%**	3.15%
Average rate of salary increases	**2.25%**	3.00%
Rate of employee turnover	**Moderate**	Moderate
Mortality rates (WHO)	**SA16-75%**	SA16-75%

The weighted average duration of the defined benefit obligation of the Group is 11.42 years (2019: 10.20 years).

The actuary decreased the discount rate in 2020 to reflect the changes in applicable market yields.

Sensitivity analysis
The sensitivity analysis presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability.

	2020	2019
Increase in discount rate by 0.5%	**(4,284)**	(4,009)
Decrease in discount rate by 0.5%	**4,684**	4,383
Increase in rate of salary increase by 0.5%	**4,064**	4,163
Decrease in rate of salary increase by 0.5%	**(3,766)**	(3,847)

26 TRADE AND OTHER PAYABLES

	Note	2020	2019
Trade payables			
Third parties		**390,436**	360,260
Related parties	27	**5,174**	16,529
		395,610	376,789
Employee related accruals		**33,240**	18,440
Due to related parties	27	**175**	6,060
Accrued commission		**2,703**	2,143
Accrued directors' compensation		**2,169**	2,141
Warranty provisions	26.1	**2,622**	1,019
Other payables and accruals		**28,322**	22,159
		464,841	428,751

Trade and other payables are unsecured and are usually paid within 30 to 90 days of recognition.

(All amounts are in Saudi Riyals thousands unless otherwise stated)

26.1 The movement in the warranty provision is as follows:

	2020	2019
January 1	**1,019**	1,193
Raised during the year	**1,775**	227
Utilized during the year	**(172)**	(401)
December 31	**2,622**	1,019

27 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties mainly represent shareholders, affiliates, subsidiary companies, key personnel and entities controlled or significantly influenced by such parties. During the year, the Group mainly had transactions with the following related parties:

Name	Relationship
Al Fozan Group of Companies	Shareholder/ Affiliate
Al Muhaidib Group of Companies	Shareholder/ Affiliate

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its other related parties are disclosed below:

Nature of transactions	Note	2020	2019
Revenue		**213,783**	248,626
Acquisition of a subsidiary	35	-	191,000
Compensation against provision for inventories	35	-	27,955
Purchases		**23,992**	19,581
Royalties	6	**849**	526
Short-term lease charges		**405**	790
Management fee and commission paid		**200**	286

The following balances were outstanding with related parties at the reporting date:

	Note	2020	2019
Trade receivables	19	**74,480**	74,146
Non-trade receivables	19	**5,171**	30,357
Trade payables	26	**5,174**	16,529
Non-trade payables	26	**175**	6,060

The amounts outstanding with related parties are unsecured and will be settled in cash. No guarantees have been given to the related parties and no ECL allowance has been provided for in the current year in respect of amounts due from related parties since no such balance has been past due.

During the year, short-term and long-term employment benefits to the Company's key management personnel amounted to SR 4.47 million (December 31, 2019: SR 4.42 million). Key management personnel include directors and key executives at the Group level.

(All amounts are in Saudi Riyals thousands unless otherwise stated)

28 CAPITAL COMMITMENTS AND CONTINGENCIES

The Group had capital commitments of SR 1.50 million (December 31, 2019: SR 14.81 million) and contingencies in the form of letters of credit and guarantee of SR 693.21 million (December 31, 2019: SR 540.88 million) at the reporting date.

29 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"), i.e. the Board of Directors.

Information reported to the CODM for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The directors of the Company have chosen to organise the Group around differences in internal reporting structure. The Group's operating segments are as follows:

- Metal and Wood — The segment is engaged in the production of wooden pallets, plywood panels and boards, medium and high density coated in decoration paper, platforms, wooden bowls and boxes, premade hangars and steel buildings and forming and bending rebars, general contracting (repair, demolition, rebuilding, construction) of residential, commercial and public buildings, educational recreational and health facilities, maintenance, operation and installation of equipment, devices and electrical and electronic systems, aluminum works, iron and wood doors and their installation, electrical extension works, carpentry, painting, drawing on iron and wood, roads, bridges and street works and all acts of carpentry and decorations.
- Plastic — The principal activities of the segment are the production of plates and polystyrene foam, packaging and insulation slices from polyethylene foam, soft colored polyvinyl chloride sheets, rigid colored and non-colored Polyvinyl Chloride sheets, soft and hard Polyvinyl Chloride sheets padded by polystyrene and parts for vacuum fans, transparent containers of PET polyethylene, polyethylene bottles, PET preforms and their covers.
- Electrical — The principal activities of the segment are wholesale and retail of electric transformers, voltage stabilizers, battery chargers, welding caustics, electric substations, electric station equipment and voltage transformers, trading and distribution, import and export, testing and inspection services, goods and commodities clearance and double-weight services in addition to acquiring shares in other companies.
- Concrete — The segment is engaged in production of concrete products in addition to the repair and maintenance of laboratory tools and equipment, machines, industrial, electrical and non-electrical equipment and desalination and sewage plants. Furthermore, the segment is engaged in oil and gas, marine, industrial, electrical and mechanical works. The segment also carries out painting works and thermal and water insulation.
- Other — Other segment is a residual segment and comprises of Bawan Company representing only the holding company (i.e. head office) and associated activities carried out at the head office level.

The Group's consolidated balances by business segments were as follows:

	Metal and Wood	Plastic	Electrical	Concrete	Other	Total
December 31, 2020						
Total revenue	**1,639,851**	**262,370**	**337,990**	**177,861**	**-**	**2,418,072**
Profit / (loss) for the year	**124,614**	**15,737**	**(40,497)**	**369**	**(15,479)**	**84,744**
Total assets	**915,618**	**577,445**	**401,008**	**260,577**	**73,684**	**2,228,332**
Total liabilities	**482,046**	**427,733**	**335,818**	**153,755**	**73,561**	**1,472,913**
December 31, 2019						
Total revenue	1,463,373	310,061	261,029	200,770	-	2,235,233
Profit / (loss) for the year	45,756	24,414	(50,031)	3,875	(2,271)	21,743
Total assets	833,167	622,096	404,169	293,665	99,807	2,252,904
Total liabilities	488,170	461,425	292,338	190,448	123,719	1,556,100

There were no significant inter-segment revenues during the years 2020 and 2019.

(All amounts are in Saudi Riyals thousands unless otherwise stated)

The majority of the Group's operating assets and principal markets of activity are located in the Kingdom of Saudi Arabia.

The electrical segment also includes the financial and operational results of subsidiary classified as "Disposal group held for sale". Refer to the Note 31 for further details.

No single customer contributed 10 percent or more to the Group's revenue in either 2020 or 2019.

30 NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests as at December 31:

Subsidiary	Percentage of Non-controlling interest	Accumulated non-controlling interests		Profit / (loss) attributable to non-controlling interests	
		2020	**2019**	**2020**	**2019**
Utec–Saudi and its subsidiary	14.50	**18,325**	28,739	**(7,091)**	(6,197)
Bina Holding and its subsidiaries	43.25	**33,917**	34,555	**122**	1,938
Others		**10,658**	7,336	**1,545**	(630)
		62,900	70,630	**(5,424)**	(4,889)

The subsidiaries individually detailed above are incorporated and operate in Saudi Arabia, except for Utec-Algeria which is presented as "disposal group classified as held for sale" as disclosed in note 31. Others include subsidiaries wherein non-controlling interest are within the range of 5% to 14.5% and which are not significant to the consolidated financial statements as whole.

Summarized consolidated financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized consolidated financial information below represents amounts before intragroup eliminations.

Summarized statement of financial position

	Utec–Saudi and its subsidiary		Bina holding and its subsidiaries	
	2020	**2019**	**2020**	**2019**
Non-current assets	**45,256**	109,283	**103,838**	115,391
Current assets	**369,719**	270,427	**156,866**	178,274
Non-current liabilities	**15,652**	29,548	**20,531**	74,139
Current liabilities	**299,740**	221,071	**148,220**	127,296

(All amounts are in Saudi Riyals thousands unless otherwise stated)

Summarized statement of profit or loss and other comprehensive income

	Note	Utec-Saudi and its Subsidiary		Bina Holding and its Subsidiaries	
		2020	**2019**	**2020**	**2019**
Revenue		**256,419**	170,430	**177,862**	200,770
Expenses, net		**(271,421)**	(199,959)	**(177,498)**	(196,895)
Loss from discontinued operations	31	**(8,256)**	(3,512)	**-**	-
(Loss) / profit for the year		**(23,258)**	(33,041)	**364**	3,875
(Loss) / profit attributable to:					
Owners of the company		**(19,047)**	(31,250)	728	3,418
Non-controlling interests		**(4,211)**	(1,791)	(364)	457
(Loss) / profit for the year		**(23,258)**	(33,041)	364	3,875
Other comprehensive (loss) / income attributable to					
Owners of the company		**(2,025)**	(1,747)	**191**	(1,280)
Non-controlling interests		**(54)**	(54)	**151**	(65)
Other comprehensive (loss) /gain for the year		**(2,079)**	(1,801)	**342**	(1,345)

Summarized statement of cash flows

	Utec-Saudi and its Subsidiary		Bina holding and its Subsidiaries	
	2020	**2019**	**2020**	**2019**
Cash generated from operating activities	**19,661**	6,315	**15,166**	(38,974)
Cash used in investing activities	**(9,345)**	(16,962)	**(3,770)**	(9,756)
Cash generated from / (used in) financing activities	**1,758**	4,999	**(13,076)**	59,015
Net increase / (decrease) in cash and cash equivalents for the year	**12,074**	(5,648)	**(1,680)**	10,285

31 DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

Base on management assessment, United Technology Electric Company (Utec-Algeria) is considered as a major line of business in respect of its electrical products for its customers in North Africa. Towards the end of 2020, the management of the Group initiated a plan to sell Utec-Algeria. To give effect to this plan, an active programme to locate a buyer and complete the aforementioned plan was initiated. On January 31, 2021, the Group announced that one of its subsidiaries (Utec-Saudi) has entered into a contract to sell its entire equity stake in Utec-Algeria for a value of US Dollars 8 million (equivalent to SR 30 million). The sale is subject to all regulatory approvals from the relevant authorities.

Analysis of results of operations of disposal group classified as held for sale during the year ended December 31, 2020 and 2019 is as follows:

(All amounts are in Saudi Riyals thousands unless otherwise stated)

31.1 Financial performance and cash flow information

	2020	2019
Revenue	7,793	-
Expenses	(16,049)	(3,512)
Loss before zakat and income tax	(8,256)	(3,512)
Zakat and income tax expense	-	-
Net loss from discontinued operation	(8,256)	(3,512)
Exchange differences on translation of discontinued operation	(1,947)	(105)
Other comprehensive loss from discontinued operation	(1,947)	(105)
Total comprehensive loss from discontinued operation	(10,203)	(3,617)
Net cash utilized in operating activities	(15,247)	(16,779)
Net cash used in investing activities	(6,600)	(15,572)
Net cash inflow from financing activities	20,657	29,980
Net decrease in cash and cash equivalent from the discontinued operation	(1,190)	(2,371)

Cash flow information for the years ended 31 December 2020 and 2019 was not significant for separate presentation in the consolidated statement of cash flows.

31.2 Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities are classified as held for sale in relation to the discontinued operation as at December 31, 2020:

	As at December 31, 2020
Assets relating to disposal group classified as held for sale	
Property, plant and equipment	52,504
Intangible assets	6
Trade and other receivables	8,861
Inventories	18,552
Cash and cash equivalents	4,086
Total assets of disposal group classified as held for sale	84,009
Liabilities relating to disposal group classified as held for sale	
Long-term borrowings	30,845
Short-term borrowings	17,586
Trade and other payables	1,471
Due to related parties	1,042
Total liabilities of disposal group classified as held for sale	50,944

(All amounts are in Saudi Riyals thousands unless otherwise stated)

32 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table combines information about classes of financial instruments based on their nature and characteristics; and the carrying amounts of financial instruments:

	2020	2019
Financial assets		
i) Fair value through profit or loss		
Investment in financial assets	**25,491**	48,775
ii) Amortized cost		
Cash and cash equivalents	**51,098**	45,899
Trade and other receivables	**597,121**	640,130
Contract assets	**22,161**	34,659
	670,380	720,688
	695,871	769,463
Financial liabilities at amortized cost		
Amortized cost		
Trade and other payables	**464,732**	427,732
Short-term borrowings	**536,232**	663,301
Long-term Borrowings	**287,276**	310,161
Lease liabilities	**21,981**	23,942
	1,310,221	1,425,136

The financial assets measured at FVTPL at the end of the reporting period are classified as level 1 in the fair value hierarchy. There were no transfers between the levels of fair value hierarchies during the year.

The carrying values of the financial instruments reported in the consolidated statement of financial position approximate their fair values.

33 FINANCIAL RISK AND CAPITAL MANAGEMENT

The Group's activities are subject to financial risks such as market risk, credit risk and liquidity risk.

33.1 Market risk

Market risk is the risk from changes in market prices, such as foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

(i) Foreign currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's functional and reporting currency is the Saudi Riyal. The Group's transactions are principally in Saudi Riyals and US Dollars, which are currently pegged. Management monitors the fluctuations in currency exchange rates and believes that the currency risk is not significant.

The Group has investment in Algeria which has been presented as 'disposal group classified as held for sale' (Note 31). The currency of Algeria fluctuates against the Saudi Riyal. Management monitors fluctuations in foreign exchange rates and manages their effect on the consolidated financial statements accordingly. The Group did not have any significant foreign currency denominated monetary assets or liabilities at the reporting date for which it was exposed to foreign currency fluctuations. Consequently, no foreign currency sensitivity analysis has been presented.

(ii) Interest rate risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. The Group does not hedge its exposure to movements in interest rates.

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period. A 50-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year would have decreased or increased by SR 2.94 million (2019: SR 3.62 million). The Group's exposure to interest rates has decreased during the year primarily as a result of decrease in borrowings.

33.2 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Potential concentrations of credit risk consist principally of trade receivables, amounts due from a related party and short-term cash investments. Details of how credit risk relating to trade receivables is managed are disclosed in Note 19. The amounts due from a related party are monitored and provision is made, where necessary, for any irrecoverable amounts. Short-term cash investments are only placed with banks with a high credit rating. The Group does not hold any collateral to cover the credit risk associated with its financial assets.

Trade receivables

The Group measures the loss allowance for trade receivables at an amount equal to the lifetime expected credit loss ("ECL"). The collective basis ECL on trade receivables are estimated using a provision matrix by reference to historical loss rates and adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date based on the management best estimate. Accordingly, the ECL primarily based on the historical past due information and related loss rates and no significant assumptions were incorporated in the ECL model used to calculate the collective provision. Further, based on the management assessment, the forward-looking information i.e economic factor also not significantly impacting the ECL loss and therefore the related sensitivities were not disclosed.

The Group performs credit-vetting procedures before granting credit to new customers. These procedures are reviewed and updated on an ongoing basis. There are no customers who comprise more than 10% of the total trade receivables balance in the current and prior years.

(All amounts are in Saudi Riyals thousands unless otherwise stated)

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in consolidated statement of financial position.

The Group does not hold collaterals as security. However, the Group obtain promissory notes, post-dates cheques and letter of credits as security in certain cases, in totality amounting to SR 207 million, to cover the credit risk.

The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several industries and the ECL assessment is performed at each subsidiary level.

Refer to the Note 19 for the expected credit loss analysis as of December 31, 2020 and 2019.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The credit risk on bank balances is low considering the Group has outstanding loans balances and credit facilities with the various banks, in Saudi Arabia, with good credit ratings (in the range of A+ to BBB+) as aligned from external credit rating companies such as Moody's and Fitch, so concentration risk is also low.

33.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value.

For maturity profile of the Group's financial liabilities, refer to Note 33.4.

The Group's current liabilities approximate to its current assets. The management believes that this is not expected to significantly impact the Group's ability to meet its obligation as the Group manages its liquidity risk by ensuring that bank borrowing facilities from multiple banks are available throughout the year (Note 24).

33.4 Maturity profile of financial liabilities (undiscounted basis)

	Interest Rate (%)	Within 1 year	1 to 5 years	Over 5 years	Total
2020					
Lease liabilities	**4**	**3,784**	**9,579**	**14,867**	**28,230**
Long-term borrowings	**2.17**	**121,003**	**142,624**		**263,627**
Short-term borrowings	**2.12**	**518,646**	**-**	**-**	**518,646**
Trade and other payables	**Interest free**	**462,219**	**-**	**-**	**462,219**
		1,105,652	**152,203**	**14,867**	**1,272,722**
2019					
Lease liabilities	4	3,846	9,814	16,047	29,707
Long-term borrowings	3.77	42,647	283,937	-	326,584
Short-term borrowings	3.60	670,124	-	-	670,124
Trade and other payables	Interest free	427,732	-	-	427,732
		1,144,349	293,751	16,047	1,454,147

34 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital. For capital management purposes, capital was considered as equal to the total equity of the Group.

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

35 ACQUISITION OF SUBSIDIARY

Acquisition of Arnon Plastic Industries Company

Effective January 1, 2019, the Company acquired 100% of the shares of Arnon from a related party for a total consideration of SR 191.00 million, thereby obtaining control of Arnon. Arnon is engaged in the production of flexible packaging and insulation products serving the food packaging and building materials industries and qualifies as a business as defined in IFRS 3. Arnon was acquired for growth of the Group's operations. Acquisition-related costs amounted to SR 3.00 million, out of which SR 2.94 million were expensed during the prior year.

The carrying value of the identifiable assets acquired and liabilities assumed of Arnon amounted to SR 573.91 million and SR 436.62 million respectively. Goodwill of SR 4.07 million was recognized that represented the excess consideration paid over the net book value of net identifiable assets acquired after allocation of SR 49.64 million to adjust the net book values of net assets acquired to their fair values, of which SR 35.61 million was allocated to property, plant and equipment and SR 14.03 million was allocated to identifiable intangible assets. Identifiable intangible assets comprise customer relationships and the trade name.

The fair values were determined on the basis of the valuer's professional knowledge and belief, taking into account the prevailing market conditions, current conditions of assets and the sources of market information. The valuations prepared by the independent valuer, which conform to International Valuation Standards, were arrived at by reference to the open market value models.

The purchase price allocation exercise was carried out by an independent third party on the basis of the independent expert's valuation report.

Legal formalities related to the acquisition of Arnon were completed during 2019 and non-objection approval from the General Authority for Competition was obtained.

(All amounts are in Saudi Riyals thousands unless otherwise stated)

The assets and liabilities recognised as a result of the acquisition were as follows:

	Note	Fair value
Cash and cash equivalents		**2,748**
Trade and other receivables		**103,819**
Inventories and spare parts		**141,394**
Property, plant and equipment	13	**361,558**
Intangible assets: customer relationships	16	**7,846**
Intangible assets: trade name	16	**6,190**
Long-term borrowings	24	**(122,025)**
Short-term borrowings	24	**(225,020)**
Loan from a shareholder		**(371)**
Employee defined benefit liabilities	25	**(7,340)**
Trade and other payables		**(80,465)**
Zakat payable	10	**(1,400)**
Total identifiable assets acquired, and liabilities assumed		**186,934**
Goodwill	15	**4,066**
Total consideration		**191,000**

Net cash outflow arising on acquisition:

	Note	
Cash consideration	27	**191,000**
Cash and cash equivalents		**(2,748)**
Total consideration		**188,252**

The purchase consideration of SR 191.00 million for the acquisition of Arnon was paid fully in cash.

The goodwill of SR 4.07 million comprises the value of expected synergies arising from the acquisition and workforce, which is not separately recognised. Workforce is not an identifiable asset to be recognised separately from goodwill so the value attributable to workforce is subsumed into goodwill.

The previous shareholder agreed to compensate the Company by an amount of SR 27.96 million against the provision for inventories recorded in 2019.

Acquired trade receivables

The fair value of acquired trade receivables was SR 83.68 million. The gross contractual amount for trade receivables due was SR 94.77 million and the impairment allowance for doubtful trade receivables amounted to SR 11.09 million.

(All amounts are in Saudi Riyals thousands unless otherwise stated)

36 SUPPLEMENTARY INFORMATION

36.1 Fire incident at one of the plastic segment factories

On February 11, 2020, one of the plastic segment factories caught fire which resulted in damage to assets having a net book value of SR 17.69 million which includes net book value of property, plant and equipment and inventories of SR 16.5 million (Note 13) and SR 1.19 million respectively. The plastic segment has insurance coverage of SR 42.36 million against a loss caused by such an incident and to compensate for losses due to such an interruption of business. The Group has filed an insurance claim and is arranging the required documentation in order to finalize the claim. Insurance claim receivable of SR 17.69 million was recognized and management is certain that this amount is fully collectable from the insurance company. As of the date of the approval of these consolidated financial statements, the settlement of insurance claim was still under process.

36.2 Coronavirus pandemic (COVID-19)

Possible effects of the outbreak of COVID-19 may include, but are not limited to, disruption to the Group's operations, its revenue and availability of its products, delay in payments by customers, damage to the health of employees, measurement of expected credit loss and provision for inventories. The Group is continuously monitoring the COVID-19 pandemic situation and its impact on the aforementioned factors. The Group is continuing its operations without any significant disruption after implementing the necessary business continuity procedures and ensuring required precautionary measures.

As the COVID-19 situation is still fluid and evolving, currently it is difficult to measure the complete extent and duration of the economic impact. However, management believes, based on its assessment of the situation and available information, that there is no significant impact on the Group's financial performance and that the Group has sufficient liquidity and access to financing facilities to continue to meet its financial obligations for the foreseeable future as and when they become due.

36.3 Supplemental cash flow information

	Note	2020	2019
Supplement schedule of non-cash information			
Assets relating to 'disposal group classified as held for sale'	31.2	**84,009**	-
Liabilities relating to 'disposal group classified as held for sale'	31.2	**50,944**	-
Trade receivables written-off	19	**14,580**	12,818
Other adjustment in 'zakat payable'	10.2	**-**	12
Right-of-use asset and lease liabilities recognized	14	**1,405**	1,978
'Right-of-use asset' derecognized	14	**303**	922
Transfers from 'Property, plant and equipment' to 'inventories'		**3,257**	-
'Property, plant and equipment' transferred to 'intangible assets'	13	**-**	213

(All amounts are in Saudi Riyals thousands unless otherwise stated)

37 RECLASSIFICATIONS

The Group has 're-presented' certain disclosures for 2019 in the consolidated financial statements so that the disclosures relate to all operations of disposal group classified as held for sale in the comparative consolidated statement of profit or loss and other comprehensive income. (Note 31)

Furthermore, certain comparative year end balances have been reclassified and re-presented for the purpose of better presentation. However, the effect of those reclassifications was not significant. The key reclassifications were as follows:

Reclassification from	Reclassification to	Amount
Consolidated statement of profit or loss and other comprehensive income		
General and administrative expenses – Re-measurement of loss allowance	'Expected credit loss (ECL) allowance on trade receivables' presented on the face of the statement of profit or loss and other comprehensive income	9,099
Other income - Gains on disposal of investment in financial assets	'Gain on disposal of investment in financial assets at FVTPL 'presented on the face of the statement of profit or loss and other comprehensive income	8,621
Other income - Fair value gain on financial assets	'Fair value gain on investment in financial assets at FVTPL' presented on the face of the statement of profit or loss and other comprehensive income	4,497
Other income - Compensation against provision for inventories	'General and administrative expenses' to be adjusted against 'provision for inventories' associated with acquisition of Arnon (Note 35)	27,955
Cost of revenue – Interest cost on employees' defined benefits liabilities	Finance costs	3,136
Consolidated statement of financial position		
Trade and other payables - accrued finance charges	'Short-term borrowings' as accrued finance charges	5,026
Current portion of loans – representing non-current portion of loan	Long-term borrowings	21,116

These reclassifications were made in the comparative year for improved comparability and did not affect either the net worth, the net profit / (loss) or cashflows of the Group for the previous year.

38 SUBSEQUENT EVENTS

There were no significant subsequent events, adjusting or non-adjusting, since December 31, 2020 that would have a material on the financial position or financial performance of the Group as reflected in these consolidated financial statements.

39 DIVIDENDS

On October 25, 2020, the Board of Directors of the Company approved the distribution of interim cash dividends of SR 0.40 per share amounting to SR 24.00 million to the shareholders of the Company for the first half of the financial year 2020.

40 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Company's Board of Directors on March 03, 2021.