Gas Arabian Services Company

(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2020

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(A Saudi Closed Joint Stock Company)

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF GAS ARABIAN SERVICES
(A Closed Saudi Joint Stock Company)

Opinion
We have audited the financial statements of Gas Arabian Services (A Closed Saudi Joint Stock Company) ("the Company"), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Other matter
The financial statements of the Company for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 21 Ramadan 1441H (corresponding to 14 May 2020).

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

Responsibilities of Management and the Board of Directors for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF GAS ARABIAN SERVICES
(A Closed Saudi Joint Stock Company) (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 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 Company to cease to continue as a going concern.

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

We communicate with the Board of Directors 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.

For Ernst & Young

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

Waleed G. Tawfiq
Certified Public Accountant
Registration No. 437

30 Sha'ban 1442H
12 April 2021

Al Khobar

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Note	***2020***	*2019*
		SR	*SR*
Revenue	7	**322,011,134**	446,288,026
Cost of revenue	8	**(204,951,036)**	(334,590,544)
GROSS PROFIT		**117,060,098**	111,697,482
General and administrative expenses	9	**(47,255,703)**	(59,713,222)
Depreciation and amortisation	13, 14 & 15	**(3,302,740)**	(3,565,177)
OPERATING PROFIT		**66,501,655**	48,419,083
Other income	10	**3,807,146**	7,302,966
Finance costs	11	**(1,438,442)**	(1,099,889)
PROFIT BEFORE SHARE IN RESULTS OF ASSOCIATES AND ZAKAT		**68,870,359**	54,622,160
Share in results of associates	16	**8,364,452**	22,620,280
PROFIT BEFORE ZAKAT		**77,234,811**	77,242,440
Zakat	12	**(3,925,103)**	(3,286,861)
PROFIT FOR THE YEAR		**73,309,708**	73,955,579
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive gain/(loss) that will not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain/(loss) on employees' defined benefits	24	**1,388,513**	(1,840,907)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**74,698,221**	72,114,672

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	*2020* *SR*	*2019* *SR*
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	13	**52,563,040**	49,167,220
Right-of-use assets	14	**2,065,843**	2,181,192
Intangible assets	15	**210,798**	356,365
Investment in associates	16	**75,459,054**	79,019,138
TOTAL NON-CURRENT ASSETS		**130,298,735**	130,723,915
CURRENT ASSETS			
Inventories	17	**11,624,472**	10,736,844
Projects work in progress		**5,979,322**	-
Accounts receivable and unbilled revenue	18	**148,832,922**	97,598,901
Prepayments and other current assets	19	**23,005,737**	27,982,808
Bank deposit	20	**-**	65,000,000
Cash and cash equivalents	21	**78,664,929**	88,383,595
TOTAL CURRENT ASSETS		**268,107,382**	289,702,148
TOTAL ASSETS		**398,406,117**	420,426,063
EQUITY AND LIABILITIES			
EQUITY			
Share capital	22	**150,000,000**	150,000,000
Statutory reserve	23	**15,976,528**	8,645,557
Retained earnings		**74,382,284**	61,015,034
TOTAL EQUITY		**240,358,812**	219,660,591
NON-CURRENT LIABILITIES			
Employees' defined benefit liabilities	24	**23,662,428**	24,283,319
Lease liabilities	14	**1,379,980**	1,374,258
Obligation against investment in associates	16	**4,577,123**	3,533,158
TOTAL NON-CURRENT LIABILITIES		**29,619,531**	29,190,735
CURRENT LIABILITIES			
Accounts payable	25	**67,602,719**	75,060,669
Accruals, provision and other current liabilities	26	**29,411,609**	58,013,134
Short term loans	27	**26,897,248**	34,659,748
Current portion of lease liabilities	14	**591,095**	554,325
Provision for zakat	12	**3,925,103**	3,286,861
TOTAL CURRENT LIABILITIES		**128,427,774**	171,574,737
TOTAL LIABILITIES		**158,047,305**	200,765,472
TOTAL EQUITY AND LIABILITIES		**398,406,117**	420,426,063

The attached notes 1 to 37 form part of these financial statements.

Gas Arabian Services Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital *SR*	*Statutory reserve* *SR*	*Retained earnings* *SR*	*Total* *SR*
At 1 January 2020	150,000,000	8,645,557	61,015,034	219,660,591
Profit for the year	-	-	73,309,708	73,309,708
Other comprehensive income	-	-	1,388,513	1,388,513
Total comprehensive income	-	-	74,698,221	74,698,221
Transfer to statutory reserve	-	7,330,971	(7,330,971)	-
Dividends	-	-	(54,000,000)	(54,000,000)
At 31 December 2020	**150,000,000**	**15,976,528**	**74,382,284**	**240,358,812**
At 1 January 2019	2,500,000	1,250,000	142,129,553	145,879,553
Profit for the year	-	-	73,955,579	73,955,579
Other comprehensive loss	-	-	(1,840,907)	(1,840,907)
Total comprehensive income	-	-	72,114,672	72,114,672
Transfer to statutory reserve	-	7,395,557	(7,395,557)	-
Transfer to share capital (note 22)	145,833,634	-	(145,833,634)	-
Issue of share capital (note 22)	1,666,366	-	-	1,666,366
At 31 December 2019	150,000,000	8,645,557	61,015,034	219,660,591

The attached notes 1 to 37 form part of these financial statements.

Gas Arabian Services Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Note	***2020*** ***SR***	*2019* *SR*
OPERATING ACTIVITIES			
Profit before zakat		**77,234,811**	77,242,440
Adjustments to reconcile profit before zakat to net cash flows:			
Depreciation on property and equipment	13	**2,704,322**	3,000,666
Depreciation on right-of-use assets	14	**452,851**	242,611
Amortisation of intangible assets	15	**145,567**	321,900
Gain on disposal of property and equipment	10	**(62,123)**	-
Gain on disposal of intangible assets	10	**-**	(54,623)
Finance costs	11	**1,438,442**	1,099,889
Share in results of associates	16	**(8,364,452)**	(22,620,280)
Provision for employees' defined benefit liabilities	24	**3,061,784**	4,406,026
Loss on termination of lease		**96,152**	-
		76,707,354	63,638,629
Working capital changes:			
Accounts receivable and unbilled revenue		**(51,234,021)**	4,779,710
Prepayments and other current assets		**4,977,071**	(15,907,227)
Inventories		**(887,628)**	1,410,638
Projects work in progress		**(5,979,322)**	-
Accounts payable		**(7,457,950)**	(38,533,147)
Accruals, provision and other current liabilities		**(28,601,525)**	8,880,205
Cash flows (used in)/from operations		**(12,476,021)**	24,268,808
Finance costs paid		**(576,832)**	(1,040,784)
Zakat paid	12	**(3,286,861)**	(2,705,941)
Employees' defined benefit liabilities paid including advances		**(2,294,162)**	(522,039)
Net cash flows (used in)/from operating activities		**(18,633,876)**	20,000,044
INVESTING ACTIVITIES			
Purchase of property and equipment	13	**(6,141,819)**	(13,699,283)
Proceeds from disposal of property and equipment		**103,800**	-
Proceeds from disposal of intangible assets		**-**	115,193
Movement in bank deposit		**65,000,000**	(5,000,000)
Investment in an associate	16	**(2,450,000)**	-
Dividends received from associates	16	**15,418,500**	6,309,748
Net cash flows from/(used in) investing activities		**71,930,481**	(12,274,342)
FINANCING ACTIVITIES			
Issue of share capital	22	**-**	1,666,366
Proceeds from short term loans	27	**41,000,000**	34,000,000
Repayments of short term loans including interest	27	**(49,536,676)**	(33,756,637)
Payment of principal portion of lease liabilities	14	**(478,595)**	(554,325)
Dividends paid to shareholders	34	**(54,000,000)**	-
Net cash (used in)/from financing activities		**(63,015,271)**	1,355,404
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		**(9,718,666)**	9,081,106
Cash and cash equivalents at the beginning of the year		**88,383,595**	79,302,489
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	21	**78,664,929**	88,383,595

The attached notes 1 to 37 form part of these financial statements.

1 CORPORATE INFORMATION

Gas Arabian Services Company ("the Company") is a Saudi Closed Joint Stock Company registered in Saudi Arabia under Commercial Registration No. 2050022617 dated 7 Sha'ban 1412H (corresponding to 11 February 1992) issued in Dammam. The Company's registered office is at King Saud Street, P.O. Box 3422, Dammam 31471, Kingdom of Saudi Arabia.

The Company operates through the following branches:

Branch	***CR No.***
Gas Arabian Services Company - Dammam	2055004723
Gas Arabian Services Company - Dammam	2050099200
Gas Arabian Services Company - Yanbu	4700106468
Gas Arabian Services Company - Jubail	2055011867
Gas Arabian Services Company - Dammam	2050113651

The Company is in the business of wholesale of machinery and equipment, electrical, electronic, mechanical, hydro-mechanical, petroleum, industrial equipment, drilling equipment, technical equipment, desalination equipment, generators and spare parts, providing operational, maintenance and technical engineering services, manufacturing of piping spools, structural steel fabrication, pressure reducing stations and other industry essential products.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as “IFRS” as endorsed in KSA).

2.2 Basis of measurement

The financial statements have been prepared on a historical cost basis using the accrual basis of accounting except otherwise as disclosed in note 3 below.

2.3 Functional and presentation currency

The financial statements are presented in Saudi Arabian Riyals (SR), which is the functional currency of the Company.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Current versus non-current classification

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

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

All other assets are classified as non-current.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 **Current versus non-current classification (continued)**

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer settlement of liability for at least 12 months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all other liabilities as non-current.

3.2 **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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing use of relevant observable inputs and minimizing use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

3.3 **Revenue from contracts with customers**

The Company is in the business of wholesale of machinery and equipment, electrical, electronic, mechanical, hydro-mechanical, petroleum, industrial equipment, drilling equipment, technical equipment, desalination equipment, generators and spare parts. Operational, Maintenance and technical engineering services. Manufacturing of piping spools, structural steel fabrication, pressure reducing stations and other industry essential products.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 **Revenue from contracts with customers (continued)**

Sale of goods

Revenue from sale of goods is recognised at the point in time when control is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any).

Technical services

Revenue from technical services is recognised at a point in time when the services are rendered to customer.

In case of fixed price contracts, the Company recognises revenue from technical services over time because the customer simultaneously receives and consumes the benefits provided to them. The Company tracks the progress toward completion of the contract by measuring overall output to date relative to total estimated output needed to satisfy the performance obligation based on monthly progress reports.

Sales commission

The Company acts as a sales representive for products sold by its principals'. Commission is recognised at a point in time usually when the relevant terms and conditions are satisfied by the Company as per the agreement with its principals.

3.3.1 **Contract balances**

Contract assets

A contract asset is initially recognised for revenue earned from technical services because the receipt of consideration is conditional on successful completion of the installation. Upon completion of the installation and acceptance by the customer, the amount recognised as contract assets are reclassified to trade receivables. The Company contract assets include unbilled revenue, retention receivable and advance to suppliers.

Contract assets are subject to impairment assessment. Refer to accounting policies on impairment of financial assets in section - Financial instruments – initial recognition and subsequent measurement.

Accounts receivable

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section - Financial instruments – initial recognition and subsequent measurement.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Company performs under the contract (i.e., transfers control of the related goods or services to the customer). The Company contract liabilities include advance from customers.

3.4 **Expenses**

General and administrative expenses include direct and indirect costs not specifically part of cost of revenue. All other expenses, except for finance costs, depreciation and amortisation are classified as general and administrative expenses. Allocations of common expenses between cost of revenue and general and administrative expenses, when required, are made on a consistent basis.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 **Cash dividend distribution to equity holders**

The Company recognises a liability to pay a dividend to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per provisions of Companies' Law, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in statement of changes in equity.

3.6 **Foreign currencies**

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

3.7 **Zakat and indirect tax**

3.7.1 **Zakat**

Zakat is provided for in accordance with Saudi Arabian fiscal regulations and charged to the statement of profit or loss. Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which assessment is finalized.

3.7.2 **Value added tax (VAT)**

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

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

3.8 **Property and equipment**

Capital work in progress is stated at cost, net of accumulated impairment losses, if any. Property and equipment are initially recorded at cost and stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects, if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Company recognise such parts as individual assets and depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit or loss as incurred.

Depreciation is calculated from the date the item of property and equipment is available for its intended use or in respect of self-constructed assets, from the date such assets are completed and ready for the intended use. The cost of property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings	20 years
Machinery and equipment	4 to 5 years
Motor vehicles	5 to 8 years
Furniture, fixture and office equipment	4 to 5 years

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 **Property and equipment (continued)**

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of profit or loss as the expense is incurred.

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

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

3.9 **Leases**

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

Company as a lessee

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

Right-of-use assets

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

Leasehold land	5 to 10 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section "Impairment of non-financial assets".

Lease liabilities

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 **Leases (continued)**

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below US $ 5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.10 **Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

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

3.11 **Investment in associates**

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

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Company's investment in associates are accounted for using the equity method.

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

When the Company's share of losses of an associate exceeds the Company's interest in that an associate, the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Company resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised

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

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 **Investment in associates (continued)**

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

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

3.12 **Financial instruments – initial recognition, subsequent measurement and derecognition**

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

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through OCI, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of accounts receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Accounts receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in note 3.3 Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

Subsequent measurement

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

(i) Financial assets at amortised cost (debt instruments)

(ii) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments) - not applicable to the Company

(iii) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) - not applicable to the Company

(iv) Financial assets at fair value through profit or loss

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 **Financial instruments – initial recognition, subsequent measurement and derecognition (continued)**

Financial assets (continued)

Subsequent measurement (continued)

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

The Company's financial assets at amortised cost include accounts receivables and amounts due from related parties.

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

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

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment
Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions — Note 4
- Accounts receivable and unbilled revenue — Note 18

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 **Financial instruments – initial recognition, subsequent measurement and derecognition (continued)**

Financial assets (continued)

Impairment (continued)
The Company considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include accounts and other payables, amounts due to related parties, lease liabilities and short term loans.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

(i) Financial liabilities at fair value through profit or loss
(ii) Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

This category generally applies to interest-bearing loans and borrowings.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 **Financial instruments – initial recognition, subsequent measurement and derecognition (continued)**

Offsetting of financial instruments

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

3.13 **Impairment of non-financial assets**

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

In assessing the value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

For assets, an assessment is made at each financial year-end as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. This reversal is limited such that the recoverable amount doesn't exceed what the carrying amount would have been, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

3.14 **Inventories**

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

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

- Goods for resale: purchase cost on weighted average basis.

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

3.15 **Cash and cash equivalents**

Cash and cash equivalents include cash at banks and on hand and other short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

3.16 **Bank deposits**

Bank deposits include placements with banks with original maturities of more than three months but not more than one year from the date of placement. Time deposits are placed with financial institutions with investment grade rating, which are considered to have low credit risk.

Interest income from time deposits is accrued on a time basis, by reference to the principal outstanding and at the applicable interest rate.

3.17 **Statutory reserve**

In accordance with Saudi Arabian Regulations for Companies, the Company must set aside 10% of its profit for the year to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of their share capital. The reserve is not available for distribution.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 **Employees' benefits**

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, airfare, child education allowance, that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position under accruals and other current liabilities.

Employees' defined contribution obligations
The Company has defined contribution plan with General Organisation for Social Insurance ("GOSI") where the Company contributes fixed percentage of the employee's salary towards the retirement of its employees, which qualify as defined contribution plan. Contribution payable to the defined contribution plan is recognised as an expense in the statement of profit or loss.

The Company operates a non-funded employee end-of-service benefit plan, which is classified as defined benefit obligation under IAS 19 'Employee Benefits'. A defined benefit plan is a plan which is not a defined contribution plan. The liability recognised in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets at that date. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting estimated future cash outflows using market yields at the end of the reporting period of high quality corporate bonds that have terms to maturity approximating to the estimated term of the post employment benefit obligations. Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognised in equity through other comprehensive income in the period in which they arise.

3.19 **Provisions**
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as an asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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

3.20 **Segment information**
An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company’s other components. All operating segments’ operating results are reviewed regularly by the Company’s relevant Business Heads’ which in the Company’s case is to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Company’s relevant Business Heads’ include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Company’s operating segments are analysed and aggregated based on the nature of activity.

3.21 **Contingencies**
Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Liabilities which are probable, are recorded in the statement of financial position under accounts payable and accruals. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

- Capital management	Note 33
- Financial instruments risk management and policies	Note 28
- Sensitivity analysis disclosures	Note 24

4.1 Judgements

In the process of applying the Company' accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

(i) Satisfaction of performance obligations

The Company is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Company has assessed that based on the agreements entered with the customers and the provisions of relevant laws and regulations, where contracts are entered into to undertake long term fixed price contracts with the customers, the Company does not create an asset with an alternative use to the Company and usually has an enforceable right to payment for performance completed to date. Further, the technical services provided under the contract are satisfied over time rather than at a point in time since the customer simultaneously receives and consumes the benefits provided by the Company. Based on this, the Company recognises revenue over time. Where this is not the case, revenue is recognized at a point in time.

The Company has elected to apply the output method in allocating the transaction price to performance obligation where revenue is recognized over time. The Company considers that the use of the output method, which requires revenue recognition based on the Company’s output against the satisfaction of the performance obligation, provides the best reference of revenue actually earned. In applying the output method, the Company tracks the progress toward completion of the contract by measuring overall output to date relative to total estimated output needed to satisfy the performance obligation based on monthly progress reports.

(ii) Determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option to renew the lease term for some of its leases. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in a business strategy).

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date and whether the fulfilment of the arrangement is dependent of the use of a specific asset or assets or the arrangement conveys the right to use the asset.

4.2 Estimates and assumptions

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

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.2 **Estimates and assumptions (continued)**

(i) Contract costs to complete estimates

The Company estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognised. These estimates include, among other items, the construction costs, variation orders and the cost of meeting other contractual obligations to the customers. Such estimates are reviewed at regular intervals. Any subsequent changes in the estimated cost to complete the project may affect the results of the subsequent periods.

(ii) Valuation of defined benefit obligations

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

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an ‘AA’ rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries. Further details about employees' defined benefit liabilities are provided in note 24.

(iii) Useful lives of property and equipment

Management determines the estimated useful lives of its equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset, duration of contract with the customer and physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

(iv) Provision for expected credit losses of trade receivables and contract assets

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the company's trade receivables and contract assets are disclosed in note 28.

5 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

- *Amendments to IFRS 3: Definition of a Business*
- *Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform*
- *Amendments to IAS 1 and IAS 8 Definition of Material*
- *Conceptual Framework for Financial Reporting issued on 29 March 2018*
- *Amendments to IFRS 16 Covid-19 Related Rent Concessions*

6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

- *IFRS 17 Insurance Contracts*
- *Amendments to IAS 1: Classification of Liabilities as Current or Non-current*
- *Amendments to IFRS 3: Reference to the Conceptual Framework*
- *Amendments to IAS 16 : Property, Plant and Equipment: Proceeds before Intended Use*
- *Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract*
- *IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter*
- *IFRS 9 Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities*
- *IAS 41 Agriculture – Taxation in fair value measurements*

7 REVENUE

Type of goods or services and timing of revenue recognition

	2020	*2019*
	SR	*SR*
Goods and services transferred at a point in time		
Sale of traded goods	**177,703,953**	207,599,453
Technical services	**53,925,686**	43,098,629
Sales commission	**10,156,852**	2,798,845
Others	**9,243,157**	3,002,715
Goods and services transferred over time		
Technical services	**70,981,486**	189,788,384
Total revenue	**322,011,134**	446,288,026

8 COST OF REVENUE

	2020	*2019*
	SR	*SR*
Cost of materials consumed	**140,528,692**	159,921,424
Sub-contracting and project material costs	**31,192,959**	134,154,869
Employees' costs	**31,660,915**	34,147,664
Others	**1,568,470**	6,366,587
	204,951,036	334,590,544

9 GENERAL AND ADMINISTRATIVE EXPENSES

	2020	*2019*
	SR	*SR*
Employees' costs	**36,250,171**	40,355,855
Rent	**2,302,776**	2,708,525
Repairs and maintenance	**1,045,394**	1,605,694
Information technology expenses	**1,019,479**	736,655
Electricity and water	**866,186**	916,603
Travel	**751,108**	2,461,800
Professional fees	**621,535**	458,043
Communication	**535,021**	557,804
Insurance	**381,575**	449,960
(Reversal of allowance)/allowance for expected credit losses (note 18)	**(41,263)**	1,305,160
(Reversal of allowance)/allowance for bad debts (note 29)	**(238,393)**	500,000
Others	**3,762,114**	7,657,123
	47,255,703	59,713,222

10 OTHER INCOME

	2020	*2019*
	SR	*SR*
Rent	**1,927,011**	3,265,485
Interest income from bank deposit	**-**	2,195,567
Gain on disposal of property and equipment	**62,123**	-
Gain on disposal of intangible assets	**-**	54,623
Others	**1,818,012**	1,787,291
	3,807,146	7,302,966

11 FINANCE COSTS

	2020	*2019*
	SR	*SR*
Interest on short term loans	**774,176**	-
Interest on lease liabilities	**87,433**	59,105
Others	**576,833**	1,040,784
	1,438,442	1,099,889

12 ZAKAT

12.1 Charge for the year

The zakat charge consists of:

	2020	*2019*
	SR	*SR*
Provision and charge for the year	**3,925,103**	3,286,861

The provision is based on the following:

	2020	*2019*
	SR	*SR*
Equity	**165,660,591**	148,655,569
Opening provisions and other adjustments	**35,026,925**	24,955,399
Book value of long term assets	**(130,298,735)**	(105,922,443)
	70,388,781	67,688,525
Adjusted profit for the year	**84,428,224**	61,682,605
Zakat base	**154,817,005**	129,371,130

The differences between the financial and the adjusted profit are mainly due to adjustments for certain costs based on the relevant regulations.

12.2 Movement in provision for zakat

The movement in zakat provision was as follows:

	2020	*2019*
	SR	*SR*
At the beginning of the year	**3,286,861**	2,705,941
Provided during the year	**3,925,103**	3,286,861
Payments during the year	**(3,286,861)**	(2,705,941)
At the end of the year	**3,925,103**	3,286,861

12.3 Status of assessments

Zakat assessments have been agreed with the General Authority of Zakat and Tax ("GAZT") up to the year 2010. The assessment for the years 2011 to 2019 has not yet been raised by the GAZT.

Zakat has been computed based on the Company's understanding of the zakat regulations enforced in the Kingdom of Saudi Arabia. The zakat regulations in Saudi Arabia are subject to different interpretations and new zakat regulations have been issued by the GAZT. The assessments to be raised by the GAZT could be different from the declarations filed by the Company.

13 PROPERTY AND EQUIPMENT

	Freehold land	*Buildings*	*Furniture, fixture and office equipment*	*Motor vehicles*	*Machinery and equipment*	*Capital work in progress*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Cost:							
At 1 January 2019	8,433,725	25,986,966	2,735,617	12,567,811	3,800,125	2,710,000	56,234,244
Additions	12,000,000	-	544,431	1,293,781	826,566	(965,495)	13,699,283
Disposals	-	-	-	(927,555)	-	-	(927,555)
At 31 December 2019	20,433,725	25,986,966	3,280,048	12,934,037	4,626,691	1,744,505	69,005,972
Additions	-	60,000	458,087	289,998	1,257,824	4,075,910	6,141,819
Disposals	-	-	(6,047)	(336,750)	(30,138)	-	(372,935)
At 31 December 2020	**20,433,725**	**26,046,966**	**3,732,088**	**12,887,285**	**5,854,377**	**5,820,415**	**74,774,856**
Accumulated depreciation:							
At 1 January 2019	-	3,678,965	2,226,001	8,593,465	3,267,210	-	17,765,641
Charge for the year	-	1,312,513	273,093	1,113,775	301,285	-	3,000,666
Disposals	-	-	-	(927,555)	-	-	(927,555)
At 31 December 2019	-	4,991,478	2,499,094	8,779,685	3,568,495	-	19,838,752
Charge for the year	-	1,311,374	306,702	575,246	511,000	-	2,704,322
Disposals	-		(6,047)	(295,073)	(30,138)	-	(331,258)
At 31 December 2020	**-**	**6,302,852**	**2,799,749**	**9,059,858**	**4,049,357**	**-**	**22,211,816**
Net book amounts:							
At 31 December 2020	**20,433,725**	**19,744,114**	**932,339**	**3,827,427**	**1,805,020**	**5,820,415**	**52,563,040**
At 31 December 2019	20,433,725	20,995,488	780,954	4,154,352	1,058,196	1,744,505	49,167,220

Buildings are constructed on a lands rented from Royal Commission for Jubail & Yanbu with a standard rent for ten years starting from 3 November 2014 with option to renew on expiry of the lease term.

14 LEASES

The Company has contracts for leasehold land (leasehold land contract includes office building, workshop facility etc.). These leases generally have term between 5 to 10 years.

a) Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	2020	*2019*
	SR	*SR*
At 1 January	**2,181,192**	1,320,266
Addition	**1,312,292**	1,103,537
Termination	**(974,790)**	-
Depreciation	**(452,851)**	(242,611)
At 31 December	**2,065,843**	2,181,192

b) Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2020	*2019*
	SR	*SR*
At 1 January	**1,928,583**	1,320,266
Addition	**1,312,292**	1,103,537
Termination	**(878,638)**	-
Interest	**87,433**	59,105
Payments	**(478,595)**	(554,325)
At 31 December	**1,971,075**	1,928,583

Lease liabilities are allocated into current and non-current as of 31 December 2020, based on the maturity, as follows:

	2020	*2019*
	SR	*SR*
Current	**591,095**	554,325
Non-current	**1,379,980**	1,374,258
	1,971,075	1,928,583

c) The following are the amounts recognised in the statement of profit or loss:

	2020	*2019*
	SR	*SR*
Depreciation on right-of-use assets	**452,851**	242,611
Interest on lease liabilities (note 11)	**87,433**	59,105
	540,284	301,716

15 INTANGIBLE ASSETS

	Computer software *SR*
Cost:	
At 1 January 2019	809,988
Additions	-
Disposal	(69,595)
At 31 December 2019	740,393
Additions	-
At 31 December 2020	**740,393**
Amortisation:	
At 1 January 2019	71,153
Amortisation	321,900
Disposal	(9,025)
At 31 December 2019	384,028
Amortisation	145,567
At 31 December 2020	**529,595**
Net book amounts:	
At 31 December 2020	**210,798**
At 31 December 2019	356,365

16 INVESTMENT IN ASSOCIATES

The table below outlines the Company's investment in associates:

Name of associate	*Ownership %* ***2020***	*2019*	*Country of incorporation*	*Nature of activities*	***2020 SR***	*2019 SR*
Yokogawa Services Saudi Arabia Company	**33%**	33%	Saudi Arabia	Providing industrial technical services	**34,709,177**	33,540,756
Elliott Gas Services Saudi Arabia Limited	**45%**	45%	Saudi Arabia	Providing industrial technical services	**28,305,673**	35,703,514
FS Elliott Services Saudi Arabia Limited	**50%**	50%	Saudi Arabia	Providing industrial technical services	**7,251,805**	6,236,179
Elster Instromet Services Saudi Arabia Company Limited	**40%**	40%	Saudi Arabia	Providing industrial technical services	**2,441,801**	2,913,113
Weidmular Saudi Arabia Factory	**49%**	0%	Saudi Arabia	Manufacturing of industrial electrical components	**1,889,671**	-
Gas Vector Saudi Arabia Company Limited	**45%**	45%	Saudi Arabia	Providing industrial technical services	**860,927**	625,576
FS Elliott Saudi Arabia Limited	**50%**	50%	Saudi Arabia	Trading of industrial equipments	**(4,577,123)**	(3,533,158)
					70,881,931	75,485,980
Disclosed in the statement of financial position as follows:						
Obligation against investment in associates under non-current liabilities					**(4,577,123)**	(3,533,158)
Investments in associates under non-current assets					**75,459,054**	79,019,138
Total investments in associates					**70,881,931**	75,485,980

16 INVESTMENT IN ASSOCIATES (continued)

Movement in the investment in associates is as follows:

	Yokogawa Services Saudi Arabia Company	*Elliott Gas Services Saudi Arabia Limited*	*Other associates*	*Total*
	SR	*SR*	*SR*	*SR*
2020				
At 1 January	33,540,756	35,703,514	9,774,868	79,019,138
Share of results	6,448,421	2,740,659	(824,628)	8,364,452
Additions during the year	-	-	2,450,000	2,450,000
Provision created for losses	-	-	1,043,964	1,043,964
Dividend received	(5,280,000)	(10,138,500)	-	(15,418,500)
At 31 December	**34,709,177**	**28,305,673**	**12,444,204**	**75,459,054**
2019				
At 1 January	23,862,015	29,440,985	8,619,563	61,922,563
Share of results	14,298,741	7,952,277	369,262	22,620,280
Provision created for losses	-	-	786,043	786,043
Dividend received	(4,620,000)	(1,689,748)	-	(6,309,748)
At 31 December	33,540,756	35,703,514	9,774,868	79,019,138

During 2020, the Company obtained 49% equity interest in Weidmular Saudi Arabia Factory for a cash consideration of SR 2.45 million.

16 INVESTMENT IN ASSOCIATES

The table below provide summarised financial information of material associates of the Company. The information disclosed reflects the amounts presented in the available financial statements of the relevant investee and not Company's share of those amounts.

	2020		*2019*	
	Yokogawa Services Saudi Arabia Company	*Elliott Gas Services Saudi Arabia Limited*	*Yokogawa Services Saudi Arabia Company*	*Elliott Gas Services Saudi Arabia Limited*
	SR	***SR***	*SR*	*SR*
Current assets	182,006,041	27,828,996	167,676,191	36,366,051
Non-current assets	4,141,618	34,621,918	4,177,210	61,309,856
Current liabilities	(85,059,000)	(5,776,917)	(76,261,450)	(25,574,872)
Non-current liabilities	(7,623,388)	-	(5,808,096)	-
Net assets	**93,465,271**	**56,673,997**	89,783,855	72,101,035
Reconciliation:				
Company's share in %	33%	45%	33%	45%
Company's share	30,843,539	25,503,299	29,628,672	32,445,466
Add: adjustment for income tax	3,865,638	2,802,374	3,912,084	3,258,048
Carrying amount	**34,709,177**	**28,305,673**	33,540,756	35,703,514
Revenue	98,788,128	67,191,951	179,504,811	104,439,755
Profit for the year	22,407,887	8,124,483	40,316,493	15,570,040
Reconciliation:				
Company's share	7,394,603	3,656,017	13,304,443	7,006,518
Add: adjustment for income tax	(946,182)	(915,358)	994,298	945,759
Company's share in results	**6,448,421**	**2,740,659**	14,298,741	7,952,277

17 INVENTORIES

	2020	*2019*
	SR	*SR*
Goods for resale	**9,704,312**	9,277,910
Goods in transit	**1,920,160**	1,458,934
	11,624,472	10,736,844

As at 31 December 2020, inventories are not impaired. (2019: same). During 2020, SR 140 million (2019: SR 160 million) was recognised as an expense for inventories carried at net realisable value. This is recognised in the cost of revenue.

18 ACCOUNTS RECEIVABLE AND UNBILLED REVENUE

(i) ACCOUNTS RECEIVABLE

	2020	*2019*
	SR	*SR*
Accounts receivables		
- From third parties	**118,547,788**	97,025,766
- From related parties (note 29)	**567,855**	3,013,634
Accounts receivable, net	**119,115,643**	100,039,400
Less: allowance for expected credit losses	**(2,377,689)**	(2,440,499)
	116,737,954	97,598,901

Accounts receivables are non-interest bearing and are generally on terms of 60 to 90 days. Unimpaired accounts receivables are mainly unsecured and are expected on the basis of the past experience, to be fully recoverable. For the terms and conditions with the related parties, please refer note 29.

The movement in provision for expected credit losses is as follows:

	2020	*2019*
	SR	*SR*
At the beginning of the year	**2,440,499**	7,517,391
(Reversal)/allowance made during the year (note 9)	**(41,263)**	1,305,160
Written off during the year	**(21,547)**	(6,382,052)
At the end of the year	**2,377,689**	2,440,499

As at 31 December, the aging of the accounts receivable is as follows:

			Past due but not impaired			
	Total	*Neither past due nor impaired*	*< 30 days*	*30 - 90 days*	*91 - 180 days*	*> 180 days*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*
2020	**116,737,954**	**53,975,112**	**12,542,323**	**13,470,621**	**10,926,729**	**25,823,169**
2019	97,598,901	36,086,277	10,430,988	17,240,041	16,395,684	17,445,911

(ii) UNBILLED REVENUE

Unbilled revenue are initially recognised for revenue earned from long-term projects with customers rendered but yet to be billed to customers. Upon billing of invoice, the amounts recognised as unbilled revenue are reclassified to accounts receivable.

18 ACCOUNTS RECEIVABLE AND UNBILLED REVENUE (continued)

(ii) UNBILLED REVENUE (continued)

	2020	*2019*
	SR	*SR*
Value of services performed	**55,789,233**	-
Less: amounts received and receivable as progress billings	**(23,694,265)**	-
	32,094,968	-

19 PREPAYMENTS AND OTHER CURRENT ASSETS

	2020	*2019*
	SR	*SR*
Retention receivable	**8,911,980**	9,229,968
Amounts due from related parties (note 29)	**5,298,999**	8,428,159
Advance to suppliers	**4,283,942**	4,385,267
Prepaid expenses	**3,485,265**	850,462
Refundable deposits	**626,529**	123,500
Staff advances	**399,022**	431,285
Vat receivable, net	**-**	2,382,292
Interest receivables on bank deposit	**-**	2,149,767
Other receivables	**-**	2,108
	23,005,737	27,982,808

20 BANK DEPOSIT

	2020	*2019*
	SR	*SR*
	-	65,000,000

The interest on bank deposit for the year 2019 was 3.28% with a maturity of less than one year.

21 CASH AND CASH EQUIVALENTS

	2020	*2019*
	SR	*SR*
Bank balances	**78,664,929**	88,383,595

22 SHARE CAPITAL

Share capital is divided into 15,000,000 shares (2019: 15,000,000 shares) of SR 10 each.

Name of the partners	*Ownership %*	*2020*	*2019*
		SR	*SR*
GAS Gulf for Trading & Contracting Company	20	**30,000,000**	30,000,000
GAS Asia for Trading & Contracting Company	20	**30,000,000**	30,000,000
Future Cooperation Limited	20	**30,000,000**	30,000,000
Future Generation Limited	20	**30,000,000**	30,000,000
Future Prospects for Operating and Maintenance Limited	20	**30,000,000**	30,000,000
	100	**150,000,000**	150,000,000

22 SHARE CAPITAL (continued)

During 2019, the Company's capital was increased from SR 2.5 million to SR 150 million by transferring SR 145,833,634 million from the “retained earnings” and SR 1,666,366 from additional amount received from shareholders to additional capital contribution. Further, this additional capital contribution was transferred to share capital account, as all legal formalities were completed in 2019.

23 STATUTORY RESERVE

In accordance with the requirements of Saudi Arabian Companies Regulation and the Company's by-law, 10% of the profit for the year is required to be transferred to the statutory reserve until the balance in the reserve equals 30% of the paid up capital. This reserve is not available for distribution.

24 EMPLOYEES' DEFINED BENEFIT LIABILITIES

In accordance with the provisions of IAS 19, management engaged an actuary to carry out an exercise to assess the present value of its defined benefit obligations at 31 December 2020 and 31 December 2019 in respect of employees' defined benefit liabilities under relevant local regulations and contractual arrangements. The main actuarial assumptions used to calculate the defined unfunded benefit obligation are as follows:

	2020	*2019*
Salary growth rate	**5.00%**	5.00%
Discount rate	**3.90%**	2.80%

The break up of net benefit costs charged to the statement of profit or loss is as follows:

	2020	*2019*
	SR	*SR*
Current service cost	**2,294,910**	3,604,763
Interest cost	**766,874**	801,263
Net benefit expense	**3,061,784**	4,406,026

Movement in the present value of defined benefit liabilities is as follows:

	2020	*2019*
	SR	*SR*
At the beginning of the year	**28,214,167**	22,489,273
Current service cost	**2,294,910**	3,604,763
Interest cost	**766,874**	801,263
Benefits paid	**(1,691,075)**	(522,039)
Remeasurement (gain)/loss on employees' defined benefit liabilities	**(1,388,513)**	1,840,907
At the end of the year	**28,196,363**	28,214,167
Less: advance against employees' defined benefit liabilities	**(4,533,935)**	(3,930,848)
	23,662,428	24,283,319

24 EMPLOYEES' DEFINED BENEFIT LIABILITIES (continued)

A quantitative sensitivity analysis for significant assumption on the defined benefit liabilities as at 31 December is, as shown below:

	2020	*2019*
	SR	*SR*
Discount rate:		
1% increase	**(3,056,967)**	(1,619,374)
1% decrease	**3,640,873**	1,812,217
Future salary increase:		
1% increase	**3,562,231**	1,876,788
1% decrease	**(3,054,271)**	(1,712,109)

The sensitivity analysis above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefits obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

The following payments are expected against the defined benefit liabilities in future years:

	2020	*2019*
	SR	*SR*
Within the next 12 months (next annual reporting period)	**1,005,992**	3,859,918
Between 2 and 5 years	**13,116,252**	14,821,566
Beyond 5 years	**27,728,635**	51,747,749
Total expected payments	**41,850,879**	70,429,233

The average duration of the defined benefit plan liabilities at the end of the reporting period is 7 years (2019: 6 years).

25 ACCOUNTS PAYABLE

	2020	*2019*
	SR	*SR*
Accounts payable		
- From third parties	**64,106,949**	74,357,337
- From related parties (note 29)	**3,495,770**	703,332
	67,602,719	75,060,669

26 ACCRUALS, PROVISION AND OTHER CURRENT LIABILITIES

	2020	*2019*
	SR	*SR*
Accrued expenses	**11,494,586**	37,355,902
Employee's related accruals	**6,719,404**	7,597,848
Vat payable, net	**4,665,256**	-
Provision for contract costs	**4,131,629**	-
Amounts due to related parties (note 29)	**2,229,262**	7,530,641
Advance from customer	**-**	2,750,526
Other payables	**171,472**	2,778,217
	29,411,609	58,013,134

27 SHORT TERM LOANS

The Company had availed short term loans from commercial bank for working capital purposes. The loan carries financial charges at commercial rates and are secured by personnel guarantee of one of the shareholder of the Company. The loan is repayable within one year from the end of the financial year and are accordingly classified under current liabilities.

The movement of short term loans is as follows:	***2020***	*2019*
	SR	*SR*
At the beginning of year	**34,659,748**	33,756,637
Additions during the year	**41,000,000**	34,000,000
Paid during the year	**(49,536,676)**	(33,756,637)
Interest accrued during the year	**774,176**	659,748
At the end of year	**26,897,248**	34,659,748

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company’s principal financial liabilities comprise short term loans, accounts and other payables, lease liabilities and amounts due to related parties. The main purpose of these financial liabilities is to finance the Company’s operations. The Company’s principal financial assets include accounts and other receivables, amounts due from related parties and cash and cash equivalents.

The Company is exposed to market risk, credit risk and liquidity risk. The Company’s management oversees the management of these risks. The Company’s management regularly review the policies and procedures to ensure that all the financial risks are identified, measured and managed in accordance with the Company’s policies and risk objectives. The Company's management reviews and agrees policies for managing each of these risks, which are summarised below.

28.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include borrowings, trade receivables and trade payables.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company’s exposure to the risk of changes in market interest rates relates primarily to the Company’s short term loans with floating interest rates.

(ii) Foreign currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transaction in currencies other than Saudi Riyals, US Dollars, Euro and British Pound Sterling during the year. As Saudi Riyal is pegged to US Dollars, balances in US Dollars are not considered to represent significant currency risk. The Company is exposed to currency risk on transaction and balances in Euro and British Pound Sterling. The Company manages currency risk exposure to the above currencies by continuously monitoring the currency fluctuations.

28.2 Credit risk

Credit risk is the risk that one party to financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has no significant concentration of credit risk. Concentration risk arises when a number of counterparties engaged in similar business activities or activities in the same geographical region or have economic features that would cause them to fail their contractual obligations. To reduce exposure to credit risk, the Company has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery.

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

28.2 Credit risk (continued)

The Company's gross maximum exposure to credit risk at the reporting date is as follows:

	2020	*2019*
	SR	*SR*
Financial assets		
Accounts receivable	**116,737,954**	97,598,901
Cash and cash equivalents	**78,664,929**	88,383,595
Bank deposit	**-**	65,000,000

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

Accounts receivables

Customer credit risk is managed by each business unit subject to the Company established policy, procedures and control relating to customer credit risk management. The 5 largest customers account for 56% of outstanding accounts receivable at 31 December 2020 (2019: 50%). An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting day about past events, current conditions and forecast of future economic conditions. Generally, accounts receivable are written-of if past due for more than two years and are not subject to enforcement activity if the cost of such activity is expected to be higher than the benefit of doing so. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. Outstanding customer receivables are regularly monitored. Some customers are also secured, where possible by way of bank guarantee or advance, which are considered integral part of accounts receivable and considered in the calculation of impairment. The credit risk exposure of the Company on accounts receivables, excluding secured receivables and using a provision matrix ranges from 1.01% to 14.5% (2019: 0.60% to 13%) on accounts receivable ageing less than 90 days to above 365 days, respectively. There were no past due or impaired receivables from related parties.

Cash and cash equivalents and bank deposit

In case of cash and cash equivalents and bank deposit are held with banks with sound credit ratings.

28.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company’s reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company’s performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

28.3 Liquidity risk (continued)

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

2020	***Less than a year***	***1 to 5 years***	***> 5 years***	***Total***
	SR	***SR***	***SR***	***SR***
Short term loans	**26,897,248**	**-**	**-**	**26,897,248**
Accounts payable	**67,602,719**	**-**	**-**	**67,602,719**
Lease liabilities	**591,095**	**1,447,610**	**-**	**2,038,705**
Accruals and other current liabilities	**24,746,353**	**-**	**-**	**24,746,353**
	119,837,415	**1,447,610**	**-**	**121,285,025**

2019	*Less than a year*	*1 to 5 years*	*> 5 years*	*Total*
	SR	*SR*	*SR*	*SR*
Short term loans	34,659,748	-	-	34,659,748
Accounts payable	75,060,669	-	-	75,060,669
Lease liabilities	554,325	1,872,300	19,325	2,445,950
Accruals and other current liabilities	55,262,608	-	-	55,262,608
	165,537,350	1,872,300	19,325	167,428,975

29 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. The Company considers the members of the Board of Directors (and its sub-committees) and Executive Committee to be key management personnel for the purposes of IAS 24 Related Party Disclosures. Following is the list of the major related parties of the Company:

Names of related parties	*Nature of relationship*
Gas Gulf for Trading & Contracting Company	Partner
Gas Asia for Trading & Contracting Company	Partner
Future Cooperation Company Limited	Partner
Future Generation Company Limited	Partner
Future Prospects Company Limited	Partner
FS Elliot Services Company Limited	Associate
Yokogawa Services Saudi Arabia Company Limited	Associate
Gas Vector Saudi Arabia Company Limited	Associate
Elliot Gas Services Saudi Arabia Company Limited	Associate
Elster Instromet Saudi Arabia Company	Associate
FS Elliot Saudi Arabia Company Limited	Associate
Weidmular Saudi Arabia Factory	Associate
Fluid Component Services Saudi Arabia	Affiliate
Eagle Burgmann Saudi Arabia Company Limited	Affiliate
TCR Arabia Company Limited	Affiliate
Prudent Saudi Arabia Limited	Affiliate
Mr. Abdulrahman Khalid Aldabal	Key management personnel
Mr. Faisal Khalid Aldabal	Key management personnel
Mr. Aref Khalid Aldabal	Key management personnel

29 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Following are the major transactions and balances with related parties:

Related party	*Nature of transactions*	*Amount of transactions*	
		2020	*2019*
		SR	*SR*
Elliot Gas Services Saudi Arabia Company Limited	Sale of goods and technical services provided	**2,483,345**	4,077,497
Eagle Burgmann Saudi Arabia Company Limited	Sale of goods and technical services provided	**7,358,762**	1,298,757
Gas Asia for Trading & Contracting Company	Sale of goods and technical services provided	**-**	4,044,047
Elster Instromet Saudi Arabia Company	Sale of goods and technical services provided	**148,505**	126,000
	Rental income	**569,166**	1,687,500
	Purchase of goods	**(274,253)**	(72,606)
	Payments made on behalf of associate	**45,124**	658,011
FS Elliot Saudi Arabia Company Limited	Rental income	**478,093**	478,763
	Payments made on behalf of associate	**-**	212,295
Yokogawa Services Saudi Arabia Company Limited	Sale of goods and technical services provided	**718,981**	766,632
	Purchase of goods	**(706,860)**	(211,960)
	Technical services received	**(2,594,110)**	-
FS Elliot Services Company Limited	Rental income	**239,046**	239,381
	Technical services received	**(2,241,321)**	-
Gas Vector Saudi Arabia Company Limited	Sale of goods and technical services provided	**282,710**	38,181
	Purchase of goods	**(440,418)**	-
Wedmular Saudi Arabia Factory	Payments made on behalf of associate	**751,456**	-
TCR Arabia Company Limited	Rental income	**566,525**	566,525
Gas Gulf for Trading & Contracting Company	Sale of goods and technical services provided	**-**	13,329,880
	Finance cost recharged by the Company	**-**	925,102
Mr. Aref Khalid Aldabal	Rent	**(1,002,533)**	(1,434,007)
Mr. Abdulrahman Khalid Aldabal	Rent	**(767,064)**	(965,053)

In addition to the above the Company incurred the following compensation of key management personnel of the Company:

	2020	*2019*
	SR	*SR*
Short-term employee benefits	**6,279,169**	-
Employees' defined benefit liabilities	**361,124**	-
Total compensation	**6,640,293**	-

The amounts disclosed in the table above represent the amounts recognized as an expense relating to key management personnel during the financial period. No attendance allowance and any other remuneration was paid during the year other than those disclosed above (2019: same).

29 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The break down of amounts due from/to related parties is as follows:

29.1 Accounts receivable (note 18):

	2020	*2019*
	SR	*SR*
Gas Vector Saudi Arabia Company Limited	**249,686**	30,620
Eagle Burgmann Saudi Arabia Company Limited	**138,899**	1,098,490
Elliot Gas Services Saudi Arabia Company Limited	**101,200**	1,572,048
Prudent Saudi Arabia Limited	**7,949**	202,509
Other affiliates	**70,121**	109,967
	567,855	3,013,634

29.2 Amounts due from related parties (note 19):

	2020	*2019*
	SR	*SR*
Gas Vector Saudi Arabia Company Limited	**2,376,568**	2,408,762
FS Elliot Saudi Arabia Company Limited	**1,286,882**	1,289,882
TCR Arabia Company Limited	**671,291**	425,817
Elliot Gas Services Saudi Arabia Company Limited	**658,141**	657,286
FS Elliot Services Company Limited	**411,125**	409,172
Yokogawa Services Saudi Arabia Company Limited	**142,167**	266,829
Prudent Saudi Arabia Limited	**-**	3,278,776
Other affiliates	**14,432**	191,635
Less: provision for bad debts	**(261,607)**	(500,000)
	5,298,999	8,428,159

29.3 Accounts payable (note 25):

	2020	*2019*
	SR	*SR*
FS Elliot Services Company Limited	**2,199,321**	-
Yokogawa Services Saudi Arabia Company Limited	**1,053,378**	252,282
Weidmular Saudi Arabia Factory	**164,728**	-
Gas Vector Saudi Arabia Company Limited	**48,281**	451,050
Other affiliates	**30,062**	-
	3,495,770	703,332

29.4 Amounts due to related parties (note 26):

	2020	*2019*
	SR	*SR*
Gas Gulf for Trading & Contracting Company Limited	**460,423**	923,023
Gas Asia for Trading & Contracting Company Limited	**225,978**	6,562,533
Mr. Aref Khalid Aldabal	**1,002,533**	-
Mr. Abdulrahman Khalid Aldabal	**483,926**	-
Other affiliates	**56,402**	45,085
	2,229,262	7,530,641

Terms and conditions of transactions with related parties

Pricing policies and terms of the transactions between related parties are approved by the Company's management. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash.

As at the reporting date, the Company assessed and concluded that amount due from related parties amounting to SR 261,607 are impaired (2019: SR 500,000).

30 SEGMENT INFORMATION

The Company is organized into business units based on their operations and has the following reportable segments:

a) Technical services
b) Trading
c) Manufacturing

The Company has the above three strategic units, which are its reportable segments. These units offer different products and services and are managed separately because they have different economic characteristics - such as trends in sales growth, rates of return and level of capital investment - and have different marketing strategies.

The Company's management reviews the above segments for quantitative thresholds as well as criteria for presenting the revenues and expenses for the segments at the end of every reporting year.

The following table presents segment information for the year ended 31 December:

2020	***Technical services***	***Trading***	***Manufacturing***	***Unallocated***	***Total***
	SR	***SR***	***SR***	***SR***	***SR***
Revenue	**124,907,172**	**187,860,805**	**9,243,157**	**-**	**322,011,134**
Cost of revenue	**(56,501,532)**	**(145,383,774)**	**(3,065,730)**	**-**	**(204,951,036)**
Segment / Gross profit	**68,405,640**	**42,477,031**	**6,177,427**	**-**	**117,060,098**
General and administrative expenses	**-**	**-**	**-**	**(47,255,703)**	**(47,255,703)**
Depreciation and amortisation	**-**	**-**	**-**	**(3,302,740)**	**(3,302,740)**
Other income	**-**	**-**	**-**	**3,807,146**	**3,807,146**
Finance costs	**-**	**-**	**-**	**(1,438,442)**	**(1,438,442)**
Share in results of associates	**-**	**-**	**-**	**8,364,452**	**8,364,452**
Profit before zakat					**77,234,811**
Total assets	**65,523,596**	**52,919,324**	**9,444,762**	**270,518,435**	**398,406,117**
Total liabilities	**-**	**-**	**-**	**158,047,305**	**158,047,305**

2019	*Technical services*	*Trading*	*Manufacturing*	*Unallocated*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*
Revenue	232,887,013	210,398,298	3,002,715	-	446,288,026
Cost of revenue	(167,116,289)	(164,835,834)	(2,638,421)		(334,590,544)
Segment / Gross profit	65,770,724	45,562,464	364,294	-	111,697,482
General and administrative expenses	-	-	-	(59,713,222)	(59,713,222)
Depreciation and amortisation	-	-	-	(3,565,177)	(3,565,177)
Other income	-	-	-	7,302,966	7,302,966
Finance costs	-	-	-	(1,099,889)	(1,099,889)
Share in results of associates	-	-	-	22,620,280	22,620,280
Profit before zakat					77,242,440
Total assets	47,288,196	42,816,861	8,348,152	321,972,854	420,426,063
Total liabilities	-	-	-	200,765,472	200,765,472

31 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of equity shares outstanding during the year. The calculation of diluted earnings per share is not applicable to the Company.

	2020	*2019*
	SR	*SR*
Profit for the year	**73,309,708**	73,955,579
Weighted average number of equity shares	**15,000,000**	15,000,000
Earnings per share	**4.89**	4.93

32 CONTINGENT LIABILITIES

Letters of guarantee and credit

At 31 December 2020, the Company has outstanding letters of guarantee amounting to SR 74 million (2019: SR 106 million) and letters of credit amounting to SR 1.5 million (2019: SR 2.2 million) issued by the local banks on behalf of Company in the ordinary course of business.

33 CAPITAL MANAGEMENT

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

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is 'net debt' divided by equity plus net debt. The Company includes within net debt, short term loans, trade and other payables, less cash and cash equivalents and bank deposit.

	2020	*2019*
	SR	*SR*
Short term loans	**26,897,248**	34,659,748
Trade and other payables	**97,014,328**	133,073,803
Less: cash and cash equivalents and bank deposit	**(78,664,929)**	(88,383,595)
Net debt	**45,246,647**	79,349,956
Equity	**240,358,812**	219,660,591
Equity and net debt	**285,605,459**	299,010,547
Gearing ratio	**16%**	27%

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

34 DISTRIBUTIONS MADE AND PROPOSED

During the year, the dividend declared and paid by the Company for 2019 amounted to SR 54 million. Proposed dividends amounting to SR 30 million are subject to the approval at the annual general meeting and are not recognised as a liability as at 31 December 2020.

35 RECLASSIFICATION OF PRIOR YEAR NUMBERS

a) During the year, capital work in progress for 2019 amounting to 1,744,505 which was presented separately in the statement of financial position had been regrouped under property and equipment.

b) During the year, retention receivable amounting to SR 9,229,968 previously included in accounts receivable in 2019 was regrouped and included in prepayments and other current assets.

c) During 2019, obligation against investment in an associate amounting to SR 3,533,158 was offset against amount due from affiliate amounting to SR 1,289,882 and the net balance amounting to SR 2,243,276 was disclosed as amounts due to related parties under accruals and other current liabilities. During the year, the Company reclassified these amounts and are presented separately as obligation against investment in an associate under non-current liabilities and amount due from affiliate is presented under prepayments and other current assets in the statement of financial position.

e) During the year, accruals amounting to SR 36,227,427 previously included under accounts payables in 2019 was regrouped and included in accrued expenses under accruals and other current liabilities.

f) During the year, the Company reallocated certain employees’ costs amounting to SR 17,902,319 for 2019 from general and administrative expenses to cost of revenue to match with the change in the basis of allocation of these costs in the current year.

36 EVENTS AFTER THE REPORTING PERIOD

In the opinion of management, there have been no further significant subsequent events since the year ended 31 December 2020 till the date of authorisation of these financial statements that would have a material impact on the financial position of the Company as reflected in these financial statements.

37 DATE OF APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 12 April 2021, corresponding to 30 Sha'ban 1442H.