



THE SAUDI ARABIAN AMIAANTIT COMPANY

(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS AND REVIEW REPORT
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021**

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THE SAUDI ARABIAN AMIANTIT COMPANY

(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021**

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INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders
The Saudi Arabian Amiantit Company
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of The Saudi Arabian Amiantit Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as at March 31, 2021, and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three-month period then ended, the related interim condensed consolidated statements of changes in equity and cash flows for the three-month period then ended, and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with IAS 34 'Interim Financial Reporting' as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Material Uncertainty Related to Going Concern

We draw attention to note 4 to the accompanying interim condensed consolidated financial statements, which indicates that the Group is in breach of certain financial covenants stated in credit facility agreements and that the Group's current liabilities as at March 31, 2021 exceeds its current assets by SR 593.7 million (December 31, 2020 SR 582.5 million). As stated in note 4, the Group's ability to continue as a going concern depends to a large extent on the success of Group's management in raising the Company's capital and rescheduling its bank borrowings. Our conclusion is not modified in respect of this matter.

AlKharashi & Co.

Sulaiman A. AL-Kharashi
License No. 91

Riyadh:
April 27, 2021
Ramadan 15, 1442H



THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

	Note	For the three-month period ended	
		March 31,	
		2021	2020
		SR '000	SR '000
		(Unaudited)	(Unaudited)
Continuing operations:			
Revenue from contracts with customers	12	114,564	162,044
Cost of revenue		(132,897)	(167,918)
Gross loss		(18,333)	(5,874)
Net impairment income (loss) on financial assets		48	(63,298)
Selling, general and administrative expenses		(31,682)	(24,420)
Operating loss		(49,967)	(93,592)
Other income (expenses), net		37,569	(19,117)
Share in results of equity accounted investments	9	1,640	7,291
Finance costs		19,007	(22,691)
Income (loss) before zakat and foreign income tax		8,249	(128,109)
Zakat		(10,104)	(7,024)
Foreign income tax		(406)	(187)
Loss from continuing operations		(2,261)	(135,320)
Discontinued operations:			
Loss after zakat from discontinued operations	2.1.1	(27)	(133)
LOSS FOR THE PERIOD		(2,288)	(135,453)
Attributable to:			
Shareholders of the Company		(1,345)	(131,294)
Non-controlling interests		(943)	(4,159)
		(2,288)	(135,453)
Loss per share			
Loss per share attributable to the shareholders of the Company:			
Basic (SR) (2020: restated)		(0.04)	(4.17)
Diluted (SR) (2020: restated)		(0.04)	(4.17)
Loss per share from continuing operations			
Loss per share from continuing operations attributable to the shareholders of the Company:			
Basic (SR) (2020: restated)		(0.07)	(4.30)
Diluted (SR) (2020: restated)		(0.07)	(4.30)
Weighted average number of shares outstanding:			
Basic ('000 shares) (2020: restated)		31,464	31,464
Diluted ('000 shares) (2020: restated)		31,464	31,464


Dr. Khalil A. Kurdi
Board Authorised Representative


Dr. Solaiman A. Al-Twajiri
Chief Executive Officer


Feras Ghassab Al Harbi
Group Chief Financial Officer

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



THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

Note	For the three-month period ended March 31,	
	2021	2020
	SR '000	SR '000
	(Unaudited)	(Unaudited)
Loss for the period	(2,288)	(135,453)
Other comprehensive income		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(18,513)	9,350
Change in the fair value of interest rate swap	-	30
	(18,513)	9,380
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Other comprehensive loss from equity accounted investments	(26)	-
	(26)	-
Other comprehensive (loss) income	(18,539)	9,380
Total comprehensive loss for the period	(20,827)	(126,073)
Attributable to:		
Shareholders of the Company	(19,923)	(123,583)
Non-controlling interests	(904)	(2,490)
	(20,827)	(126,073)



Dr. Khalil A. Kurdi
Board Authorised Representative



Dr. Solaiman A. Al-Twajri
Chief Executive Officer



Feras Ghassab Al Harbi
Group Chief Financial Officer

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THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2021

	Note	March 31, 2021 SR '000 (Unaudited)	December 31, 2020 SR '000 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents		58,922	53,255
Trade receivables	8	311,562	343,852
Contract assets	8	371,740	372,358
Prepayments and other receivables		89,613	202,731
Inventories	13	261,779	271,551
		<u>1,093,616</u>	<u>1,243,747</u>
Non-current assets			
Non-current receivables	8	353,774	345,371
Equity accounted investments	9	420,201	429,692
Property, plant and equipment	10	209,187	217,319
Other non-current assets		17,008	16,779
		<u>1,000,170</u>	<u>1,009,161</u>
TOTAL ASSETS		<u>2,093,786</u>	<u>2,252,908</u>
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings	11	1,109,819	1,142,730
Accounts payable		233,933	325,047
Accrued expenses and other liabilities		67,287	87,296
Contract liabilities	12	79,714	81,901
Current maturity of lease liabilities		327	1,039
Zakat and foreign taxes payable		196,244	188,195
		<u>1,687,324</u>	<u>1,826,208</u>
Non-current liabilities			
Employees' termination benefits		67,289	66,558
Warranty provision		9,086	8,896
Provisions for onerous contracts		174,833	175,145
Lease liabilities		7,323	7,343
		<u>258,531</u>	<u>257,942</u>
Total liabilities		<u>1,945,855</u>	<u>2,084,150</u>
Equity			
Share capital	15	320,000	320,000
Statutory reserve	16	-	132,176
Accumulated losses		(74,694)	(205,499)
Employee share ownership plan and reserve		(7,146)	(7,146)
Foreign currency translation reserve		(109,504)	(90,952)
Equity attributable to the shareholders of the Company		<u>128,656</u>	<u>148,579</u>
Non-controlling interests		19,275	20,179
Total equity		<u>147,931</u>	<u>168,758</u>
TOTAL LIABILITIES AND EQUITY		<u>2,093,786</u>	<u>2,252,908</u>


Dr. Khalil A. Kurdi
Board Authorised Representative


Dr. Solaiman A. Al-Twaijri
Chief Executive Officer


Feras Ghassab Al Harbi
Group Chief Financial
Officer

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THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

<i>Attributable to the shareholders of the Company</i>											
Note	Share capital SR '000	Statutory reserve SR '000	Accumulated losses SR '000	Employee share ownership plan and reserve SR '000	Change in fair value of interest rate swap SR '000	Foreign currency translation reserve SR '000	Total SR '000	Non-controlling interests SR '000	Total equity SR '000		
2021:											
As January 1, 2021 (audited)	320,000	132,176	(205,499)	(7,146)	-	(90,952)	148,579	20,179	168,758		
Loss for the period	-	-	(1,345)	-	-	-	(1,345)	(943)	(2,288)		
Other comprehensive loss	-	-	(26)	-	-	(18,552)	(18,578)	39	(18,539)		
Total comprehensive loss	-	-	(1,371)	-	-	(18,552)	(19,923)	(904)	(20,827)		
Transfer from statutory reserve	-	(132,176)	132,176	-	-	-	-	-	-		
BALANCE AS AT MARCH 31, 2021 (unaudited)	320,000	-	(74,694)	(7,146)	-	(109,504)	128,656	19,275	147,931		
2020:											
As January 1, 2020 (audited)	344,517	189,472	(18,294)	(31,914)	(30)	(146,483)	337,268	24,939	362,207		
Loss for the period	-	-	(131,294)	-	-	-	(131,294)	(4,159)	(135,453)		
Other comprehensive loss	-	-	-	-	-	7,681	7,681	1,669	9,350		
Total comprehensive loss	-	-	(131,294)	-	-	7,681	(123,613)	(2,490)	(126,103)		
Settlement of interest rate swap	-	-	-	-	30	-	30	-	30		
BALANCE AS AT MARCH 31, 2020 (unaudited)	344,517	189,472	(149,588)	(31,914)	-	(138,802)	213,685	22,449	236,134		


Dr. Khalil A. Kurd
Board Authorised Representative





Dr. Solaiman A. Al-Twajji
Chief Executive Officer


Feras Ghassab Al Harbi
Group Chief Financial Officer

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THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

	<i>For the three-month period ended March 31,</i>	
	<u>2021</u>	<u>2020</u>
	<i>SR '000</i>	<i>SR '000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
loss for the period	(2,288)	(135,453)
<i>Adjustments for non-cash items:</i>		
Depreciation and amortisation	7,878	7,882
Share in results of equity accounted investments	(1,640)	(7,291)
Zakat and foreign income tax	10,510	6,786
Employees' termination benefits, net	731	1,295
Warranty provision, net	241	768
Gain on sale of investment	(12,412)	(7,500)
Foreign currency translation reserve	-	23,190
Property, plant and equipment write off	317	1,277
Finance costs incurred	-	22,691
	<u>3,337</u>	<u>(86,355)</u>
<i>Changes in working capital:</i>		
Trade receivables (current and non-current) and contract assets	6,641	78,512
Prepayments and other receivables	112,139	(4,528)
Inventories	9,673	38,110
Accounts payable	(89,905)	1,254
Accrued expenses, contract liabilities and other liabilities	(19,356)	(9,347)
	<u>22,529</u>	<u>17,646</u>
Zakat and foreign income tax paid	(2,461)	-
Finance costs paid	-	(22,691)
Net cash generated from / (used in) operating activities	<u>20,068</u>	<u>(5,045)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash proceeds from sale of investment	12,412	7,500
Dividends received from equity accounted investments	910	3,544
Purchase of property, plant and equipment	(777)	(392)
Net change in other non-current assets	7	-
Net cash generated from investing activities	<u>12,552</u>	<u>10,652</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Movement in short-term borrowings	(32,772)	15,363
Net change in lease obligations	(732)	(159)
Net change in other non-current liabilities	7,146	(30)
Net cash (used in) / generated from financing activities	<u>(26,358)</u>	<u>15,174</u>
Net change in cash and cash equivalents	<u>6,262</u>	<u>20,781</u>
Cash and cash equivalents at the beginning of the period	53,255	89,819
Foreign currency translation effect on cash and cash equivalents	(595)	(1,455)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>58,922</u>	<u>109,145</u>


Dr. Khalil A. Kurdji
Board Authorised Representative


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Chief Executive Officer


Feras Ghassab Al Harbi
Chief Financial Officer

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THE SAUDI ARABIAN AMIANTIT COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021****1. CORPORATE INFORMATION**

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

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

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

<u>Subsidiary</u>	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Ownership percentage as at</u>	
			<u>March 31 2021</u>	<u>December 31 2020</u>
			%	%
Amiantit Fiberglass Industries Limited (AFIL)	A	Saudi Arabia	100	100
Factory of Saudi Arabian Ductile Iron Pipe Company Limited (SADIP)	A	Saudi Arabia	100	100
International Infrastructure Management and Operations Company Limited (AMIWATER)	B	Saudi Arabia	100	100
Infrastructure Engineering Contracting Company (ISECC)	C	Saudi Arabia	100	100
Factory of Amiantit Rubber Industries Company Limited (ARIL)	A	Saudi Arabia	100	100
Factory of Bondstrand Limited (BSL)	A	Saudi Arabia	60	60
Saudi Amicon Company Limited	A	Saudi Arabia	99.93	99.93
PWT Wasser - und Abwassertechnik GmbH (PWT)	C	Germany	100	100
Amitech Astana LLC	A	Kazakhstan	51	51
<i>Discontinued operations (note 2.2):</i>				
Ameron Saudi Arabia Limited (ASAL)	A	Saudi Arabia	100	100

A- Pipe manufacturing

B- Water management

C- Contracting

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

THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

2. CHANGES IN THE REPORTING ENTITY

2.1 Discontinued Operations

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

The discontinued operations comprise the following entities:

<u>Subsidiary</u>	<u>Country of incorporation</u>	<u>Ownership percentage</u>
SACOP	Saudi Arabia	100%
ASAL	Saudi Arabia	100%

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

2.1.1 The results for the three-month period ended March 31, are presented below:

	<i>ASAL</i>	
	<u>2021</u>	<u>2020</u>
	<u>SR '000</u>	<u>SR '000</u>
Revenue	-	-
Expenses	-	(94)
Operating loss	-	(94)
Finance costs	-	-
Other income (expense), net	(27)	-
Loss before zakat	(27)	(94)
Zakat	-	-
Loss for the year from discontinued operations	<u>(27)</u>	<u>(94)</u>
Loss per share from discontinued operations:		
Basic (SR)	<u>-</u>	<u>-</u>
Diluted (SR)	<u>-</u>	<u>-</u>

The results reported by discontinued operations as recorded in the interim condensed consolidated statement of profit or loss for the three-month period ended March 31, 2020 included SR 39 thousand related to SACOP.

2.1.2 The major classes of assets and liabilities of the subsidiary as at March 31, were as follows:

	<i>ASAL</i>	
	<u>March 31, 2021</u>	<u>December 31, 2020</u>
	<u>SR '000</u>	<u>SR '000</u>
Assets		
Bank balances and cash	-	297
Trade receivables (includes receivable from SAAC SR 23.8 million/(2020: SR 23.8 million))	24,090	23,831
Prepayments and other receivables	-	2
Inventories	-	-
Property, plant and equipment	-	-
	<u>24,090</u>	<u>24,130</u>

THE SAUDI ARABIAN AMIANTIT COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021****2. CHANGES IN THE REPORTING ENTITY (continued)****2.1 Discontinued Operations (continued)**

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

	<i>ASAL</i>	
	<i>March 31, 2021</i>	<i>December 31, 2020</i>
	<i>SR '000</i>	<i>SR '000</i>
Liabilities		
Accounts payable		
Accrued expenses and other liabilities	9,061	1,081
Zakat and income tax payable	-	7,372
Employees' termination benefits	-	-
	<u>9,061</u>	<u>8,453</u>
Carrying amount of net assets directly related to the discontinued operations	<u><u>15,029</u></u>	<u><u>15,677</u></u>

2.1.3 The net cash flows incurred by subsidiaries for the quarter ended March 31, are as follows:

	<i>ASAL</i>	
	<i>March 31, 2021</i>	<i>December 31, 2020</i>
	<i>SR '000</i>	<i>SR '000</i>
Operating	(297)	(6)
Investing	-	-
Financing	-	-
Net cash (outflow) inflow	<u>(297)</u>	<u>(6)</u>

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

3. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES**3.1 BASIS OF PREPARATION**

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard IAS 34 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") and should be read in conjunction with the Group's last annual Consolidated Financial Statements for the year ended December 31, 2020

These interim condensed consolidated financial statements do not include all of the information normally required for a complete set of consolidated financial statements; however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since March 31, 2021.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended March 31, 2021.

The disclosures in these interim condensed consolidated financial statements do not include the information reported for full annual consolidated financial statements and should therefore be read in conjunction with the financial statements of the Group for the year ended December 31, 2020. Comparative interim condensed consolidated statement of financial position is extracted from annual financial statements as at December 31, 2020 whereas comparative interim condensed consolidated statement of profit or loss account and other comprehensive income, interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity are extracted from unaudited interim condensed consolidated financial statements of the Group for the three-month period ended March 31, 2020.

3.3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO STANDARDS

There are no new standards issued, however, there are number of amendments to standards which are effective from January 1, 2021 and has been explained in Group latest annual consolidated financial statements, but they do not have a material effect on the Group's interim condensed consolidated financial statements.

THE SAUDI ARABIAN AMIANTIT COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021**

4. GOING CONCERN BASIS OF ACCOUNTING

These interim condensed consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of the credit facilities as disclosed in Note 11 and trade payables.

The Group had for the three-months period ended March 31, 2021 current liabilities exceed current assets by SR 593.7 million (December 31, 2020 SR 582.5 million). As at that date, the Group is in breach of certain financial covenants stated in credit facility agreements which are subject to annual review by lenders. Further, the Group has incurred loss during the three-month period ended March 31, 2021.

During the year 2020, the Company's Board of Directors increased the share capital by SR 120 million through issuance of a priority rights shares. Management has also hired a third party advisor to work on loan restructuring plan and certain terms were signed with the commercial banks and certain loans were restructured and repaid in full that resulted in a gain of SR 20.10 million during the three-months period ended March 31, 2021 (2020: 12.5 million) (refer note 11).

Management acknowledges that uncertainty remains over the Group's ability to meet its funding requirements and to refinance or repay its credit facilities as they fall due. However, as described above, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the interim condensed consolidated financial statements.

5. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The significant areas of estimation uncertainty and critical adjustments in applying accounting policies that have most significant effect on the amounts recognized in the accompanying interim condensed consolidated financial statements are as follows:

- a) Uncertain zakat and tax positions,
- b) Impairment of property, plant and equipment,
- c) Impairment of equity accounted investments,
- d) Use of percentage of completion and estimated cost to complete a contract,
- e) Allowance for expected credit losses of trade receivables, contract assets, and non-current receivables,
- f) Long-term assumptions for employees' benefits,
- g) Lease term,
- h) Economic useful lives of property, plant, equipment
- i) Revenue recognition – judgements in respect of nature and timings of the satisfaction of performance obligation including significant payment terms and related revenue recognition policies. This results in decision on whether revenue is to be recognised overtime or at appoint in time
- j) Impact of COVID-19- In evaluating the impact of the Covid-19 pandemic, Group has made significant judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on experience of Group's management after considering all relevant factors. Actual results may differ from these estimates

THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

6. SEGMENT INFORMATION

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

- (i) Manufacturing and selling various types of pipes and development and licensing of related technologies; and
- (ii) Water management and related consultancy, engineering and operations.

Selected financial information as at March 31, 2021 and December 31, 2020 and for the three-month periods ended March 31, 2021 and 2020, summarized by the above business segments, are as follows:

	<i>Pipe manufacturing and technology</i>	<i>Water management</i>	<i>Eliminations</i>	<i>Total</i>
	SR '000	SR '000	SR '000	SR '000
As at and for the three-month period ended March 31, 2021				
Sales to external customers	98,207	16,357	-	114,564
Inter-segment	13,516	15	(13,531)	-
Total revenue	111,723	16,372	(13,531)	114,564
Share in results of equity accounted investments	(514)	2,154	-	1,640
Finance costs	20,941	(1,934)	-	19,007
Depreciation, amortisation and impairment	(7,644)	(234)	-	(7,878)
Zakat and foreign income taxes	(10,106)	(404)	-	(10,510)
Net loss	17,872	(20,160)	-	(2,288)
Capital expenditure	(696)	(81)	-	(777)
Equity accounted investments	335,516	84,685	-	420,201
Total assets	1,146,345	947,441	-	2,093,786
Total liabilities	(966,947)	(978,908)	-	(1,945,855)

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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6. SEGMENT INFORMATION (continued)

	<i>Pipe manufacturing and technology</i>	<i>Water management</i>	<i>Eliminations</i>	<i>Total</i>
	SR '000	SR '000	SR '000	SR '000
As at and for the three-month period ended March 31, 2020				
Sales to external customers	145,750	16,294	-	162,044
Inter-segment	7,093	-	(7,093)	-
Total revenue	152,843	16,294	(7,093)	162,044
Share in results of equity accounted investments	5,724	1,567	-	7,291
Finance costs	(22,423)	(268)	-	(22,691)
Depreciation and amortization	(7,607)	(275)	-	(7,882)
Zakat and foreign income taxes	(7,052)	(159)	-	(7,211)
Net loss	(127,937)	(7,516)	-	(135,453)
Capital expenditures	(358)	(34)	-	(392)
As at December 31, 2020				
Equity accounted investments	347,157	82,535	-	429,692
Total assets	1,416,658	836,250	-	2,252,908
Total liabilities	(1,116,098)	(968,052)	-	(2,084,150)

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6. SEGMENT INFORMATION (continued)

The Group's operations are conducted in Saudi Arabia, Europe and other geographical areas. Selected financial information as at March 31, 2021 and December 31, 2020 and for the three-month periods ended March 31, 2021 and 2020, summarized by geographic area, are as follows:

	Saudi Arabia		Europe		Other Countries		Eliminations		Total	
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
As at and for the three-month period ended March 31, 2021										
Revenue from contracts with customers										
Non-current assets:										
- Property, plant and equipment	110,531	16,371	1,192	(13,530)					114,564	
- Other non-current assets	194,564	3,446	11,177	-					209,187	
	460,738	277,058	53,187						790,983	
For the three-month period ended March 31, 2020										
Revenue from contracts with customers										
As at December 31, 2020										
Non-current assets:										
- Property, plant and equipment	202,017	3,870	11,432	-					217,319	
- Other non-current assets	450,122	288,708	53,012	-					791,842	

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7. FINANCIAL INSTRUMENTS

7.1. Fair value measurements of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	March 31, 2021					
	Carrying amount		Fair value			
	Fair value SR '000	Amortised cost SR '000	Total SR '000	Level 1 SR '000	Level 2 SR '000	Level 3 SR '000
Financial assets:						
Trade receivables (current and non-current)	-	665,336	665,336	-	-	-
Contract assets	-	371,740	371,740	-	-	-
Cash and cash equivalents	-	58,922	58,922	-	-	-
		1,095,998	1,095,998			
Financial liabilities:						
Short-term borrowings	-	1,109,819	1,109,819	-	-	-
Accounts payable	-	233,933	233,933	-	-	-
Accrued expenses and other liabilities	-	67,287	67,287	-	-	-
Contract liabilities	-	79,714	79,714	-	-	79,714
		1,490,753	1,490,753			79,714
						79,714
December 31, 2020						
	Carrying amount		Fair value			
	Fair value SR '000	Amortised cost SR '000	Total SR '000	Level 1 SR '000	Level 2 SR '000	Level 3 SR '000
Financial assets:						
Trade receivables (current and non-current)	-	689,223	689,223	-	-	-
Contract assets	-	372,358	372,358	-	-	-
Cash and cash equivalents	-	53,255	53,255	-	-	-
		1,114,836	1,114,836			
Financial liabilities:						
Short-term borrowings	-	1,142,730	1,142,730	-	-	-
Accounts payable	-	325,047	325,047	-	-	-
Accrued expenses and other liabilities	-	87,296	87,296	-	-	-
Contract liabilities	-	81,901	81,901	-	-	-
		1,636,974	1,636,974			

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8. RECEIVABLES AND CONTRACT ASSETS

8.1 Trade Receivables

	<i>March 31, 2021</i>	<i>December 31, 2020</i>
	<u>SR'000</u>	<u>SR'000</u>
Trade receivables, third parties	441,104	482,615
Trade receivables, related parties	<u>11,727</u>	<u>11,717</u>
	452,831	494,332
Less: impairment loss on financial assets-third parties	(131,199)	(140,412)
Less: impairment loss on financial assetst-related parties	<u>(10,070)</u>	<u>(10,068)</u>
	<u><u>311,562</u></u>	<u><u>343,852</u></u>

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

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

	<i>Days past due</i>					<i>Total</i>
	<i>Not past due</i>	<i>< 180 days</i>	<i>181-365 days</i>	<i>366-730 days</i>	<i>> 730 days</i>	
	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
March 31, 2021:						
Gross carrying amount at default	44,402	81,290	35,722	193,800	85,890	441,104
Expected credit loss	<u>(1,264)</u>	<u>(6,986)</u>	<u>(8,067)</u>	<u>(45,930)</u>	<u>(68,952)</u>	<u>(131,199)</u>
Net trade receivables	<u><u>43,138</u></u>	<u><u>74,304</u></u>	<u><u>27,655</u></u>	<u><u>147,870</u></u>	<u><u>16,938</u></u>	<u><u>309,905</u></u>
December 31, 2020:						
Gross carrying amount at default	49,031	126,689	40,258	180,612	86,025	482,615
Expected credit loss	<u>(1,774)</u>	<u>(11,260)</u>	<u>(11,724)</u>	<u>(43,220)</u>	<u>(72,434)</u>	<u>(140,412)</u>
Net trade receivables	<u><u>47,257</u></u>	<u><u>115,429</u></u>	<u><u>28,534</u></u>	<u><u>137,392</u></u>	<u><u>13,591</u></u>	<u><u>342,203</u></u>

8.2 Contract Assets

	<i>March 31, 2021</i>	<i>December 31, 2020</i>
	<u>SR'000</u>	<u>SR'000</u>
Contract assets	380,806	384,718
Less: allowance for impairment	<u>(9,066)</u>	<u>(12,360)</u>
	<u><u>371,740</u></u>	<u><u>372,358</u></u>

8.3 Non-current Receivables

The balance under non-current receivables comprise the following:

	<i>March 31, 2021</i>	<i>December 31, 2020</i>
	<u>SR'000</u>	<u>SR'000</u>
Trade receivables under legal collection	480,508	477,079
Retentions receivable	<u>66,735</u>	<u>62,740</u>
	547,243	539,819
Less: allowance for impairment	<u>(193,469)</u>	<u>(194,448)</u>
	<u><u>353,774</u></u>	<u><u>345,371</u></u>

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9. EQUITY ACCOUNTED INVESTMENTS

The equity accounted investments comprise the following:

	<i>March 31, 2021</i>	<i>December 31, 2020</i>
	<i>SR'000</i>	<i>SR'000</i>
Interests in joint ventures		
Amiblu Holding GmbH ("Amiblu")	268,506	279,499
International Water Distribution Company ("Tawzca")	84,676	82,549
Total interests in joint ventures	353,182	362,048
Investments in associates:		
Amiantit Qatar Pipe Company Limited ("AQAP")	52,648	52,450
Other associates	14,371	15,194
Total investment in associates	67,019	67,644
Total equity accounted investments	420,201	429,692

The movement in the interests in joint ventures is as follows:

	<i>For the three- month period ended March 31, 2021</i>	<i>For the year ended December 31, 2020</i>
	<i>SR'000</i>	<i>SR'000</i>
Interests in joint ventures		
At the beginning of the period / year	362,048	339,416
Share in results	1,122	10,263
Additions	-	7,615
Impairment	-	(9,909)
Dividends	-	(4,000)
Currency translation adjustments	(9,961)	19,393
Share of other comprehensive income	(27)	(730)
At the end of the period / year	353,182	362,048

The movement in the investment in associates is as follows:

	<i>For the three- month period ended March 31, 2021</i>	<i>For the year ended December 31, 2020</i>
	<i>SR'000</i>	<i>SR'000</i>
Investments in associates		
At the beginning of the period / year	67,644	68,029
Revenue	-	(7,401)
Share in results	518	14,545
Dividends	(910)	(7,665)
Currency translation adjustments	(233)	138
Share of other comprehensive income	-	(2)
At the end of the period / year	67,019	67,644

During the quarter ended March 31, 2021, the Company's 100% owned-subsiary ("AIH") has sold its full ownership in Amitech Morocco to Joint venture Company to the Group ("Amiblu") and a third party. Distribution of sale was 65% to Amiblu while remaining 35% to a third party for an amount of SR 12.4 million. Since, the investment was fully impaired prior to the sale in the books of AIH, the Group recorded SR 12.4 million in its interim condensed consolidated statement of profit or loss during the three-months period ended March 31, 2021.

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10. PROPERTY, PLANT AND EQUIPMENT

	<i>Opening 1 January SR'000</i>	<i>Additions SR'000</i>	<i>Disposals SR'000</i>	<i>Reclassific ation SR'000</i>	<i>Foreign currency translation adjustments SR'000</i>	<i>Closing SR'000</i>
March 31, 2021:						
Cost						
Land	213,117	-	-	-	-	213,117
Buildings and land improvements	288,014	8	-	1,065	(46)	289,041
Plant, machinery and equipment	987,527	2,283	-	1,835	(407)	991,238
Furniture, fixtures and office equipment	57,992	383	(159)	-	(709)	57,507
Construction in progress	12,551	(1,897)	-	(1,121)	-	9,533
	<u>1,559,201</u>	<u>777</u>	<u>(159)</u>	<u>1,779</u>	<u>(1,162)</u>	<u>1,560,436</u>
Accumulated depreciation and impairment						
Land	(161,802)	(699)	-	-	-	(162,501)
Buildings and land improvements	(238,341)	(1,845)	-	(883)	46	(241,023)
Plant, machinery and equipment	(886,778)	(4,542)	-	(1,909)	362	(892,867)
Furniture, fixtures and office equipment	(50,355)	(494)	15	-	582	(50,252)
Right-of-use assets (note 12.1)	-	-	-	-	-	-
Construction in progress	(4,606)	-	-	-	-	(4,606)
	<u>(1,341,882)</u>	<u>(7,580)</u>	<u>15</u>	<u>(2,792)</u>	<u>990</u>	<u>(1,351,249)</u>
Net book value	<u>217,319</u>					<u>209,187</u>
December 31, 2020						
Cost:						
Land	204,656	-	-	8,461	-	213,117
Buildings and land improvements	273,486	-	(1,007)	16,007	(472)	288,014
Plant, machinery and equipment	897,860	741	(65)	89,824	(833)	987,527
Furniture, fixtures and office equipment	55,470	677	(52)	536	1,361	57,992
Construction in progress	11,417	1,136	-	-	(2)	12,551
	<u>1,442,889</u>	<u>2,554</u>	<u>(1,124)</u>	<u>114,828</u>	<u>54</u>	<u>1,559,201</u>
Accumulated depreciation and impairment:						
Land	(151,089)	(2,252)	-	(8,461)	-	(161,802)
Buildings and land improvements	(216,409)	(7,380)	1,007	(16,007)	448	(238,341)
Plant, machinery and equipment	(777,764)	(18,816)	(1,131)	(89,824)	757	(886,778)
Furniture, fixtures and office equipment	(46,157)	(2,530)	(44)	(536)	(1,088)	(50,355)
Construction in progress	(4,606)	-	-	-	-	(4,606)
	<u>(1,196,025)</u>	<u>(30,978)</u>	<u>(168)</u>	<u>(114,828)</u>	<u>117</u>	<u>(1,341,882)</u>
Net book value	<u>246,864</u>					<u>217,319</u>

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11. BORROWINGS

11.1 SHORT-TERM BORROWINGS

Short-term borrowings comprise the following:

	<i>March 31, 2021</i>	<i>December 31, 2020</i>
	<i>SR'000</i>	<i>SR'000</i>
Short-term bank loans	1,100,383	883,207
Current portion of long-term loans	9,436	259,523
	<u>1,109,819</u>	<u>1,142,730</u>

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

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

	<i>March 31, 2021</i>	<i>December 31, 2020</i>
	<i>SR'000</i>	<i>SR'000</i>
Saudi Riyals	1,095,842	841,112
US Dollars	-	37,500
Other currency	4,541	4,595
	<u>1,100,383</u>	<u>883,207</u>

Long term borrowings comprise the following:

	<i>March 31, 2021</i>	<i>December 31, 2020</i>
	<i>SR'000</i>	<i>SR'000</i>
Commercial bank loans	9,436	259,523
Current portion shown under current liabilities	(9,436)	(259,523)
Non-current portion shown under non-current liabilities	-	-

Commercial bank loans:

The Group has obtained loan facilities from various commercial banks. These loans generally bear financial charges based on inter-bank offered rates plus a fixed margin. The aggregate maturities of the loans outstanding at March 31, 2021, based on their respective repayment schedules, are repayable at dates from 2021 to 2022.

During the quarter ended March 31, 2021 and the year ended December 31, 2020, the Group's management is in the process of rolling over its loans, rescheduling the terms of those loans and taking certain remedial actions e.g. the loan restructuring plan. Certain loans from commercial banks were repaid in full that resulted in a gain of SR 20.1 million during the three-month period ended March 31 2021 (2020: SR 12.5 million). Certain loan terms are in the process to be agreed and signed with the commercial banks as of the date of our reporting.

11.3 BREACHES OF LOAN COVENANTS

The covenants of certain of the short-term and long-term borrowing facilities require the Group to maintain a certain level of financial conditions, require lenders' prior approval for dividends distribution above a certain amount, and limit the amount of annual capital expenditure and certain other requirements. The Group has breached some of the financial covenants stated in the credit facility agreements with commercial banks. The main financial covenants the Group has breached are as follows:

<u>Covenant</u>	<u>Requirement</u>
Total liabilities to tangible net worth	200% - 250%
Current ratio	100% - 125%
Minimum shareholders' equity	SR 950m - SR 1,312.5m

As a result of the above mentioned breach, the lenders have the right to accelerate repayment of future instalments. Accordingly, the entire balance of long term loans have been presented under current liabilities on the consolidated statement of financial position.

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12. REVENUE FROM CONTRACTS WITH CUSTOMERS

12.1 DISAGGREGATED REVENUE INFORMATION

<u>Segment</u>	<i>For the three-month period ended</i>	
	<i>March 31,</i>	
	<i>2021</i>	<i>2020</i>
	<i>SR '000</i>	<i>SR '000</i>
Type of goods or service		
Sale of goods	85,608	129,962
Construction contracts	28,956	32,082
Total revenue from contracts with customers	114,564	162,044
Type of customer		
Government and quasi-government customers	14,478	13,465
Corporate customers	100,086	148,579
Total revenue from contracts with customers	114,564	162,044
Geographical markets		
Central region	12,265	23,351
Western region	12,370	32,302
Eastern region	59,488	67,490
Europe	3,896	3,848
Exports and other foreign subsidiaries	26,545	35,053
Total revenue from contracts with customers	114,564	162,044

12.2 CONTRACT BALANCES

	<i>March 31,</i>	<i>December 31,</i>
	<i>2021</i>	<i>2020</i>
	<i>SR'000</i>	<i>SR'000</i>
Trade receivables - current and non-current (note 8)	665,336	689,223
Contract assets (notes 8 and (a) below)	371,740	372,358
Contract liabilities (see note (b) below)	79,714	81,901

a) Contract assets:

Contract assets are initially recognised for revenue earned from construction contracts as receipt of consideration is conditional on successful completion of specific milestones. Upon completion of a milestone and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. As at March 31, 2021, contract assets are carried net of expected credit losses of SR 9.1 million.

b) Contract liabilities:

Contract liabilities include long-term advances against construction contracts and short-term advances received to install pipes as well as transaction price allocated to unsatisfied performance obligations.

Revenue from contracts with customers recognised from amounts included in contract liabilities at the beginning of 2021 amounted to SR 2.2 million for the three-month period ended March 31, 2021.

Movement in contract assets and liabilities is as below:

	<i>March 31, 2021</i>	
	<i>Contract assets</i>	<i>Contract liabilities</i>
	<i>SR '000</i>	<i>SR '000</i>
Opening balance	384,719	81,901
Revenue recognized during the year	21,442	(66)
Invoiced during the year	(9,750)	264
Currency translation adjustments	(15,604)	(2,385)
Closing balance	380,807	79,714

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12. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

12.3 PERFORMANCE OBLIGATIONS

a) Sale of goods:

The performance obligation is satisfied upon delivery of the goods and payment is generally due in advance or within 90 days from delivery.

b) Construction contracts:

Revenue is recognised over time based on the cost-to-cost method. The related costs are recognised in profit or loss when they are incurred. Payment terms comprise a long-term advance, progress payments and payment of retentions one or two years after completion of the project. The duration of each project depends on the size and complexity of customer design and normally span for more than one year.

13. INVENTORIES

	<i>March 31, 2021</i>	<i>December 31, 2020</i>
	<i>SR'000</i>	<i>SR'000</i>
Raw materials	44,199	60,291
Work in process	7,343	6,045
Supplies, not held for sale	47,554	46,355
Finished products	162,683	158,860
	<u>261,779</u>	<u>271,551</u>

14. CONTINGENCIES AND COMMITMENTS

14.1 The Group was contingently liable for bank guarantees issued in the normal course of the business amounting to SR 69.0 million at March 31, 2021. The Company, collectively with other shareholders of associated companies, is also contingently liable for corporate guarantees amounting to SR 537.5 million at March 31, 2021 in relation to the borrowing facilities of related associated companies.

14.2 The capital expenditure contracted by the Group but not yet incurred till March 31, 2021 was approximately SR 0.9 million.

14.3 The Group owns a parcel of industrial land in Jeddah which was acquired in 2009 through the acquisition, from a related party, of a subsidiary that owns this land. The ownership of this parcel is being contested in the Saudi Arabian judicial system. Management of the Group believes that the outcome of the litigation process will not result in any liabilities.

15. SHARE CAPITAL

The authorized share capital of the Company comprised 32 million ordinary shares stated at SR 10 per share. All shares are issued and fully paid. (December 31, 2020: 32 million ordinary shares stated at SR 10 per share).

16. SIGNIFICANT EVENTS DURING THE PERIOD

Having reviewed the financial statement of the Company for the year ended December 31, 2020, which has been approved by the Board of Directors on March 25, 2021, the total accumulated losses reached approximately SR 205.5 million, which represented 64% of the share capital. In accordance with Article 130 of the Companies' Law, the Company through Board of Directors Resolution passed on 27/03/2021G decided to fully utilize the remaining statutory reserve balance amounting to SAR 132,175,687, to partially adjust the accumulated losses of the Company amounting to SAR 205,498,799 reducing the balance to SAR 73,323,112. This resulted in accumulated losses reduced to 22.91% of the share capital.

17. SUBSEQUENT EVENTS

In the opinion of the management, there have been no significant subsequent events since the period-end that require disclosure or adjustment in these interim condensed consolidated financial statements.

18. DATE OF AUTHORIZATION:

These interim condensed consolidated financial statements were authorized for issue by the Company's board of directors on April 24, 2021 (corresponding to 12 Ramadan 1442H).