

**RED SEA INTERNATIONAL COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
31 DECEMBER 2020**

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

Table of contents

	Page
Independent auditors' report	1-7
Consolidated statement of profit or loss	8
Consolidated statement of comprehensive income	9
Consolidated statement of financial position	10-11
Consolidated statement of changes in equity	12
Consolidated statement of cash flows	13-14
Notes to the consolidated financial statements	15-66

**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS
TO SHAREHOLDERS OF RED SEA INTERNATIONAL COMPANY
(A SAUDI JOINT STOCK COMPANY)**

1/7

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS
TO SHAREHOLDERS OF RED SEA INTERNATIONAL COMPANY
(A SAUDI JOINT STOCK COMPANY) (continued)**

2/7

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>RECOGNITION OF EXPECTED CREDIT LOSSES UNDER IFRS 9 AND IMPAIRMENT OF DISPUTED TRADE RECEIVABLES</p> <p>At 31 December 2020, the Group has gross outstanding receivables of SR 344.3 million (2019: SR 376.4 million) related to trade receivables and contract assets. Out of which an outstanding receivable of SR 88.7 million relates to a customer in Angola.</p> <p>At 31 December 2020, an allowance for expected credit losses amounting to SR 84.6 million (2019: SR 83.2 million) is maintained out of which an amount of SR 57.2 million (2019: SR 55.5 million) pertains to the above customer.</p> <p>Assessment of expected credit losses ("ECL") is considered to be a key audit matter for us due to the significant judgement required in determining the allowance for expected credit losses and in the preparation of ECL model.</p> <p>Refer to the notes 4, 19 and 20 of the consolidated financial statement for the accounting policy and other related information.</p>	<p>We performed the following procedures to address the key audit matter:</p> <ul style="list-style-type: none"> - We obtained and tested the expected credit loss (ECL) model prepared by the management; - We Assessed the judgements used by the management to develop loss rates and final ECL allowance using the loss rates; - We also verified the data inputs used in assessing the loss rates; - We evaluated forward-looking information, wherever applicable, that reflects the impact of future events on expected credit losses; - With respect to the customer with SR 88.7 million outstanding receivable, we held discussions with the internal legal counsel and external lawyer for the expected outcome of the legal proceedings and their effect on allowance for expected credit losses; - We assessed the adequacy of disclosures presented in the consolidated financial statements.

**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS
TO SHAREHOLDERS OF RED SEA INTERNATIONAL COMPANY
(A SAUDI JOINT STOCK COMPANY) (continued)**

3/7

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>IMPAIRMENT OF NON-FINANCIAL ASSETS</p> <p>The Group has significant investment in non-financial assets that are associated with its operations and business units around the world.</p> <p>Based on impairment indicators analysis and subsequent recoverable amount estimate, the Group recorded an impairment loss of SR 8.2 million (2019: SR 4.9 million).</p> <p>This assessment required management to use significant judgment over the assumptions and estimations used in performing the forecast. The key assumptions and estimations used in performing the forecast are the annual growth rate of the business, forecasted gross margins and weighted average cost of capital used to discount the future cash flow to its present value. As such, due to aforesaid facts, we determined that this is a key audit matter.</p> <p>Refer to the notes 4, 14 ,15 and 16 of the consolidated financial statement for the accounting policy and other related information.</p>	<p>We performed the following procedures to address the key audit matter:</p> <ul style="list-style-type: none"> - We obtained management's impairment calculations and key assumptions including revenue forecasts, basis of selection of growth rates and discount rates. - Discussed with the management the process of identifying impairment indicators and results of the assessment. - We assessed the appropriateness of the valuation model and tested key assumptions used in the impairment analysis, such as discount rate and terminal growth rate. We reviewed the sensitivity analysis performed by the management around key assumptions noted above and the outcomes of the assessment. - Future cash flows were tested through comparison to current performance against budget and forecasts, considering the historical consistency of budgeting and forecasting and understanding from management in respect of key growth and performance assumptions used. We have also reviewed the adequacy of the disclosures included in the consolidated financial statements. - Assessed the qualifications and expertise of the third-party valuers, involved in the valuation of investment properties.

**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS
TO SHAREHOLDERS OF RED SEA INTERNATIONAL COMPANY
(A SAUDI JOINT STOCK COMPANY) (continued)**

4/7

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>ZAKAT POSITION</p> <p>During the year, the General Authority of Zakat and Tax ("GAZT") had issued an assessment for the years 2014 through 2017 amounting to SR 67.1 million for the Company and its wholly owned subsidiaries. The Company filed an appeal against the GAZT assessment for the said period.</p> <p>However, the Group's management believes that the provision made in the consolidated statement of financial position is sufficient to cover any additional zakat liability that may arise for the said assessment.</p> <p>We consider this as a key audit matter as it involves significant management judgement, and zakat provision and the related assessment issued by GAZT are material to the consolidated financial statements.</p> <p>Refer to the notes 4 and 32 of the consolidated financial statement for the accounting policy and other related information.</p>	<p>We performed the following procedures to address the key audit matter:</p> <ul style="list-style-type: none"> - Reviewed correspondences between the Group and GAZT to determine the amount of the additional assessments made by GAZT. - Gained an understanding of the process management followed to assess the impact of the assessment issued by the GAZT; - Evaluated the zakat opinion of management's expert obtained by the Group on the respective assessment issued by the GAZT; - Evaluated the reasonableness of the assessment for the accounting of the uncertain zakat provision in light of the zakat regulations, recent, recent practices of GAZT and merits of appeals filed with the GAZT against the assessment raised; - Assessed the appropriateness of disclosure made in relation to the assessment issued by GAZT in respect of claiming additional zakat liability.



**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS
TO SHAREHOLDERS OF RED SEA INTERNATIONAL COMPANY
(A SAUDI JOINT STOCK COMPANY) (continued)**

5/7

Other information included in the Group's 2020 Annual Report

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

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

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

When we read the Group's 2020 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS
TO SHAREHOLDERS OF RED SEA INTERNATIONAL COMPANY
(A SAUDI JOINT STOCK COMPANY) (continued)**

6/7

Auditor's Responsibilities for the Audit of the Consolidated Financial Statement (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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS
TO SHAREHOLDERS OF RED SEA INTERNATIONAL COMPANY
(A SAUDI JOINT STOCK COMPANY) (continued)**

7/7

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

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

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

for Ernst & Young

Marwan Al-Afaliq
Certified Public Accountant
License No. 422



19 Sha'ban 1442H
1 April 2021

Al Khobar

Red Sea International Company (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

		2020 SR'000	2019 SR'000 <i>Restated</i> (Note 1.1 & 40)
	Note		
Revenues	7	533,520	606,066
Cost of revenues	8	(561,868)	(565,360)
GROSS (LOSS)/PROFIT		(28,348)	40,706
EXPENSES			
Selling and distribution expenses	9	(29,363)	(32,087)
General and administration expenses	10	(72,606)	(59,608)
Impairment of intangible assets	16	(8,234)	(4,962)
OPERATING LOSS		(138,551)	(55,951)
Share in result of invesment in associates	21	(2,454)	-
Other income, net	11	855	4,153
Finance cost	12	(13,662)	(14,700)
Finance income		350	1,688
LOSS BEFORE ZAKAT AND INCOME TAX FROM CONTINUING OPERATIONS		(153,462)	(64,810)
Income tax credit	32	-	958
Zakat	32	(8,664)	(5,500)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(162,126)	(69,352)
DISCONTINUED OPERATIONS			
Profit/(loss) after tax for the year from discontinued operations	1.1	180	(9,609)
LOSS FOR THE YEAR		(161,946)	(78,961)
LOSS ATTRIBUTABLE TO:			
Equity holders of the parent company		(158,323)	(74,851)
Non-controlling interests		(3,623)	(4,110)
		(161,946)	(78,961)
LOSS PER SHARE:			
Basic and diluted losses per share attributable to the shareholders of the parent company	13	(2.64)	(1.25)
LOSS PER SHARE ATTRIBUTABLE TO CONTINUED OPERATIONS:			
Basic and diluted losses per share attributable to the shareholders of the parent company	13	(2.65)	(1.11)

Chairman of the Board

Chief Financial Officer

Chief Executive Officer


The attached notes 1 to 43 form part of these consolidated financial statements.

Red Sea International Company (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020 SR'000	2019 SR'000 <i>Restated</i> (Note 1.1 & 40)
Loss for the year		(161,946)	(78,961)
Other comprehensive loss			
<i>Other comprehensive income to be reclassified to consolidated statement of profit or loss in subsequent periods net of zakat and tax:</i>			
Exchange differences on translation of foreign operations		(1,851)	(4)
Net other comprehensive loss to be reclassified to consolidated statement of profits or loss in subsequent periods		(1,851)	(4)
<i>Other comprehensive income not to be reclassified to the consolidated statement of profit or loss in subsequent periods net of zakat and tax:</i>			
Actuarial losses on defined benefit liabilities	28	(1,394)	(4,370)
Net other comprehensive loss not to be reclassified to consolidated statement of profit or loss in subsequent periods		(1,394)	(4,370)
Other comprehensive loss for the year		(3,245)	(4,374)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(165,191)	(83,335)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the parent company		(161,587)	(78,839)
Non-controlling interests		(3,604)	(4,496)
		(165,191)	(83,335)


Chairman of the Board


Chief Financial Officer


Chief Executive Officer

The attached notes 1 to 43 form part of these consolidated financial statements.

Red Sea International Company (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		31 December 2020 SR'000	31 December 2019 SR'000 <i>Restated</i> <i>(Note 40)</i>	1 January 2019 SR'000 <i>Restated</i> <i>(Note 40)</i>
	<i>Note</i>			
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	14	90,980	108,033	128,796
Investment properties	15	356,267	377,561	399,322
Intangible assets	16	4,230	14,508	41,041
Right-of-use assets	17	58,009	68,534	-
Trade receivables	20	31,495	33,187	49,724
Investment in an associate	21	10,146	12,863	-
Long-term prepayments	22	-	-	4,723
TOTAL NON-CURRENT ASSETS		551,127	614,686	623,606
CURRENT ASSETS				
Inventories	18	123,117	91,625	122,351
Contract assets	19	43,764	44,294	21,877
Trade receivables	20	184,488	215,774	225,261
Advances to suppliers		48,098	24,176	12,105
Prepayments and other receivables	22	58,905	55,132	39,929
Cash and cash equivalents	23	31,594	107,079	86,656
TOTAL CURRENT ASSETS		489,966	538,080	508,179
TOTAL ASSETS		1,041,093	1,152,766	1,131,785
EQUITY AND LIABILITIES				
EQUITY				
Share capital	24	600,000	600,000	600,000
Statutory reserve	25	-	129,260	129,260
Accumulated losses		(146,217)	(115,741)	(36,917)
Foreign currency translation reserve		(12,087)	(10,511)	(5,849)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		441,696	603,008	686,494
NON-CONTROLLING INTERESTS	26	(20,870)	(17,266)	(19,272)
TOTAL EQUITY		420,826	585,742	667,222
NON-CURRENT LIABILITIES				
Interest bearing loans and borrowings	27	36,608	43,939	85,418
Employees' defined benefit liabilities	28	32,997	34,495	38,025
Other non-current liabilities	29	25,075	17,318	16,657
Non-current portion of lease liabilities	17	43,509	52,045	-
TOTAL NON-CURRENT LIABILITIES		138,189	147,797	140,100



Chairman of the Board



Chief Financial Officer



Chief Executive Officer

The attached notes 1 to 43 form part of these consolidated financial statements.

Red Sea International Company (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2020

		31 December 2020	31 December 2019	1 January 2019
	<i>Note</i>	SR'000	SR'000	SR'000
			<i>Restated (Note 40)</i>	<i>Restated (Note 40)</i>
CURRENT LIABILITIES				
Trade payables	30	138,160	79,054	61,036
Accruals and other current liabilities	31	178,694	112,089	78,335
Short-term interest bearing loans and borrowings	27	79,273	120,922	90,500
Current portion of interest bearing loans and borrowings	27	26,365	42,691	48,805
Current portion of lease liabilities	17	13,014	9,181	-
Advances from customers		22,603	32,314	19,258
Zakat and income tax payable	32	23,969	22,976	26,529
TOTAL CURRENT LIABILITIES		482,078	419,227	324,463
TOTAL LIABILITIES		620,267	567,024	464,563
TOTAL EQUITY AND LIABILITIES		1,041,093	1,152,766	1,131,785



Chairman of the Board



Chief Financial Officer



Chief Executive Officer

The attached notes 1 to 43 form part of these consolidated financial statements.

Red Sea International Company (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

Attributed to shareholders of the parent Company							
	Share capital	Statutory reserve	Accumulated losses Restated (Note 40)	Foreign currency translation reserve	Total	Non-controlling interests Restated (Note 40)	Total equity Restated (Note 40)
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
Balance at 1 January 2019	600,000	129,260	(12,129)	(5,849)	711,282	(13,458)	697,824
Adjustment for correction of an error (note 40)	-	-	(24,788)	-	(24,788)	(5,814)	(30,602)
As at 1 January 2019 - restated (note 40)	600,000	129,260	(36,917)	(5,849)	686,494	(19,272)	667,222
Loss for the year	-	-	(74,851)	-	(74,851)	(4,110)	(78,961)
Other comprehensive loss	-	-	(3,973)	(15)	(3,988)	(386)	(4,374)
Total comprehensive loss	-	-	(78,824)	(15)	(78,839)	(4,496)	(83,335)
Disposal of a subsidiary (note 1)	-	-	-	(4,647)	(4,647)	6,502	1,855
Balance at 31 December 2019 - restated (note 40)	600,000	129,260	(115,741)	(10,511)	603,008	(17,266)	585,742
Loss for the year	-	-	(158,323)	-	(158,323)	(3,623)	(161,946)
Other comprehensive loss	-	-	(1,413)	(1,851)	(3,264)	19	(3,245)
Total comprehensive loss	-	-	(159,736)	(1,851)	(161,587)	(3,604)	(165,191)
Disposal of a subsidiary (note 1)	-	-	-	275	275	-	275
Transfer to accumulated losses (note 25)	-	(129,260)	129,260	-	-	-	-
Balance at 31 December 2020	600,000	-	(146,217)	(12,087)	441,696	(20,870)	420,826


Chairman of the Board


Chief Financial Officer


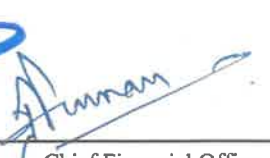
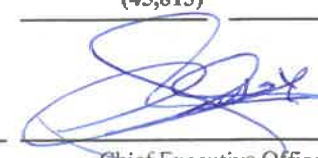

Chief Executive Officer

The attached notes 1 to 43 form part of these consolidated financial statements.

Red Sea International Company (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	2020 SR'000	2019 SR'000 Restated (Note 40)
OPERATING ACTIVITIES			
Loss before zakat and income tax from continuing operations		(153,462)	(64,810)
Loss before zakat and income tax from discontinued operations	1.1	180	(9,609)
Loss before zakat and income tax		(153,282)	(74,419)
Adjustments to reconcile loss before zakat and income tax to net cash flows:			
Depreciation of property, plant and equipment	14	13,197	18,672
Depreciation of investment properties	15	53,029	58,968
Amortisation of intangible assets	16	2,860	4,525
Depreciation of right-of-use assets	17	10,621	12,205
Impairment of intangible assets	16	8,234	4,962
Share in results of investment in associate	21	2,454	-
Provision for employees' defined benefit liabilities	28	5,108	4,006
Finance costs	12	13,662	14,700
Loss on disposals of property, plant and equipment		16	95
Intangible assets written off	16	8	-
Remeasurement loss on right-of-use asset and lease liabilities		(4)	-
Gain on disposal of a subsidiary	1.1	(180)	274
		(44,277)	43,988
Working capital adjustments:			
Inventories		(26,053)	21,938
Contract assets		530	(22,417)
Trade receivables - current		31,286	9,551
Advances to suppliers		(23,922)	(12,071)
Prepayment and other receivables		23,821	5,057
Trade receivables - non current		-	831
Long-term prepayments		-	518
Trade payables		59,106	19,955
Accruals and other current liabilities		60,490	33,901
Other non-current liabilities		7,757	661
Advances from customers		(9,711)	13,056
Cash from operations		79,027	114,968
Financial charges paid		(8,261)	(10,255)
Zakat and income tax paid	32	(6,781)	(8,859)
Employees' defined benefits paid	28	(8,000)	(11,906)
Net cash from operating activities		55,985	83,948
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	14	(4,165)	(3,938)
Purchase of investment properties	15	(41,257)	(24,849)
Purchase of intangible assets	16	(849)	(2,919)
Proceeds from the sale of property, plant and equipment		43	650
Proceeds from the sale of investment properties		415	-
Net cash used in investing activities		(45,813)	(31,056)
  			
Chairman of the Board		Chief Financial Officer	Chief Executive Officer

The attached notes 1 to 43 form part of these consolidated financial statements.

Red Sea International Company (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2020

		2020 SR'000	2019 SR'000 Restated (Note 40)
	Note		
FINANCING ACTIVITIES			
Proceeds from the interest bearing loans and borrowings		96,348	130,881
Repayment of interest bearing loans and borrowings		(161,654)	(148,052)
Payments of lease liabilities		(7,784)	(13,658)
Net cash used in financing activities		(73,090)	(30,829)
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(62,918)	22,063
Cash and cash equivalents at the beginning of the year		107,079	86,656
Cash and cash equivalents disposed off related to a subsidiary		(9,954)	(1,355)
Foreign exchange differences, net		(2,613)	(285)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		31,594	107,079
<u>SIGNIFICANT NON-CASH TRANSACTIONS:</u>			
Remeasurement gains on employees' defined benefit liabilities	28	1,394	4,370
Disposal of a subsidiary's assets		18,570	23,595
Investment in an associate		-	12,863
Foreign currency translation reserve relating disposal of a subsidiary		275	(4,647)
Reversal of non-controlling interest		-	6,502
Consideration receivable, net		-	9,277
Financial charges on leases liabilities		3,042	3,104
Assets re-recognised from Joint operations		7,878	-
Assets transferred out to Joint operations		8,200	-

Chairman of the Board

Chief Financial Officer

Chief Executive Officer

The attached notes 1 to 43 form part of these consolidated financial statements.

Red Sea International Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

1 CORPORATE INFORMATION

Red Sea International Company (the "Company") ("Parent Company") and its subsidiaries (collectively the "Group") consist of the Company, a Saudi joint stock company, and its Saudi Arabian and foreign subsidiaries and branches. The Company is domiciled in Jeddah, Kingdom of Saudi Arabia under commercial registration No 4030286984, pursuant to Ministerial Resolution No. 2532 dated 2 Ramadan 1427H (September 25, 2006). The registered address of the Company is P.O Box 1039, Jeddah 21431, Al Rawdah district, Prince Mohammed Bin Abdulaziz street, Kingdom of Saudi Arabia. The Company has following branches in the Kingdom of Saudi Arabia:

<i>Branch</i>	<i>Commercial registration number</i>	<i>Location</i>
Red Sea International Company	2055003672	Jubail
Red Sea International Company	2055006105	Jubail
Red Sea International Company	1010566349	Riyadh
Red Sea Housing Services Company	4030263716	Jeddah

The Group is controlled by Al-Dabbagh Group, (including through its subsidiaries), which owns 70% (effective holding) of the Company's shares. Following is the list of principal operating subsidiaries and an associate included in the Group:

	<i>Country of incorporation</i>	<i>Effective ownership percentage</i>	
		2020	2019
<u>Subsidiaries</u>			
Red Sea Housing Services (Ghana) Limited ("RSG")	Ghana	100%	100%
SARL Red Sea Housing Services Algeria Limited ("RSA")	Algeria	98%	98%
Red Sea Housing Services Company Dubai FZE ("RSD")	UAE	100%	100%
Red Sea Building Materials and Equipments Trading Company ("RSBM")	Saudi Arabia	100%	100%
Premier Paints Company ("PPC")	Saudi Arabia	81%	81%
Red Sea Housing Services (Mozambique), LDA ("RSM")	Mozambique	100%	100%
Red Sea Housing Services LLC ("RSO")	Oman	100%	100%
Red Sea Housing Malaysia Services Sdn. Bhd ("RSHSM")	Malaysia	100%	100%
Red Sea Modular Rentals LLC ("RSMR")	UAE	100%	100%
Red Sea Construction LLC ("RSC")	UAE	100%	100%
Red Sea Modular Rentals (Kuwait) WLL ("RSMK")	Kuwait	100%	100%
<u>Associates</u>			
Red Sea Housing Malaysia Sdn. Bhd. ("RSHM") (note 1.1)	Malaysia	49%	49%
Red Sea Housing Company PNG Limited ("RSHP") (note 1.1)	Papua New Guinea	-	100%
<u>Joint Operations</u>			
Red Sea Hanchi ("RSHC")	Algeria	49%	-

In addition to the above, the Group owns other subsidiaries, registered in Nigeria, Libya, Saudi Arabia, Singapore and also has licenses to operate branches in Papua New Guinea and Abu Dhabi which are consolidated in these consolidated financial statements. These other subsidiaries and branches are either in early stages of operations or have not commenced any commercial operations at the reporting date.

The principal activities of the Group are to purchase land and real estate for the purpose of developing them and to build residential and commercial buildings thereon, and to ultimately sell or lease them. The Group's activities also includes manufacturing non-concrete residential units, general contracting, maintenance, construction of utilities and civil work, supply of food, provision of food services and trade of food products. In addition, the Group is also involved in manufacturing and sale of paints and providing related services.

During the year ended 31 December 2020, the Group finalised joint arrangement in Algeria with a third party and formed a joint operations 'Red Sea Hanchi' ("RSHC"). The Joint arrangement is engaged in housing services, rental of properties and catering services. Management of the Group has used judgment in relation to the classification of RSHC and classified it as a joint operation. The joint operations are owned 49% by the Group but controlled jointly with the other owner. The Joint arrangement has been classified as a joint operation because the partners have equal number of board representatives and because relevant activities that significantly affect the return on the investment requires approval of representatives from both partners.

At 31 December 2020

1 CORPORATE INFORMATION (continued)

The consolidated financial statements of the Group for the year ended 31 December 2020 were authorised for issuance in accordance with the Board of Directors resolution dated 31 March 2021 (18 Sha'ban 1442).

1.1 Sales of shares in subsidiaries and discontinued operations**(a) Sale of share in RSHM**

On 31 December 2019, the Group acquired 10% equity interest in Red Sea Housing Malaysia Sdn. Bhd. ("RSHM") from minority shareholder for SR 56 thousand. Subsequently, on the same date, the Group sold 51% equity interest in RSHM to a third party for a consideration of SR 13.38 million.

	<i>SR'000</i>
Total sale consideration	13,388
Carrying value of equity interest disposed off, net of bargain purchase	(13,662)
Loss on disposal	(274)

The carrying value of the net assets disposed off includes gain on bargain purchase amounting to SR 12.78 million resulting on account of the differential of carrying value and fair value of net assets retained in RSHM.

The equity interest retained in RSHM (49%) have been classified as "investment in an associates", effective from the date when group loses the control, and accounted for in accordance with IAS 28 ("Investment in associates"). The investment in associates were recorded at the provisional values of the identifiable assets and liabilities, at the transaction date. The management has performed purchase price allocation with no material change in the value of associate.

(b) Sale of shares in RSHP

During the year, the Group disposed off its interest in Red Sea Housing Company PNG Limited ("RSHP") to a third party, the disposal occurred in two stages. At 1 January 2020, the Group disposed off its 80% of equity interest for a consideration of SR 15 million and remaining 20% equity interest was sold on 31 December 2020 for a consideration of SR 3.75 million. As a result, the equity interest in RSHP reduced to nil (2019: 100%).

	<i>SR'000</i>
Total sale consideration	15,000
Carrying value of equity interest disposed off, net of bargain purchase	(14,820)
Gain on disposal	180

The Group has derecognised the assets and liabilities of RSHM and RSHP and de-consolidated from the consolidated financial position of the Group at 31 December 2019 and 31 December 2020, respectively.

In accordance with IFRS 5, the disposal of RSHM and RSHP are classified as a discontinued operation. The results of RSHM and RSHP until the date of disposal are presented below:

	<i>2020</i>	<i>2019</i>
	<i>SR'000</i>	<i>SR'000</i>
Revenue	-	32,720
Expenses	-	(42,055)
Net income for the year from discontinued operations	-	(9,335)
Loss on disposal of discontinued operations	180	(274)
Net loss from discontinued operations	180	(9,609)
<i>Attributable to:</i>		
Equity holders of the Parent Company	180	(8,347)
Non controlling interest	-	(1,262)
	180	(9,609)

At 31 December 2020

1 CORPORATE INFORMATION (continued)**1.1 Sales of shares in subsidiaries and discontinued operations (continued)**

	2020 SR'000	2019 SR'000
Loss for the year from discontinued	180	(8,347)
Weighted average number of outstanding shares during the year (share '000)	60,000	60,000
Basic and diluted losses per share attributable to the shareholders of the parent company	<u>0.01</u>	<u>(0.14)</u>
The net cash flows incurred by the discontinued operation are as follows:		
	2020 SR'000	2019 SR'000
Operating	-	(7,225)
Investing	-	(2,188)
Financing	-	11,070
	<u>-</u>	<u>1,657</u>

2 BASIS OF PREPARATION

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

The consolidated financial statements are prepared using historical cost convention except for employees defined benefits for which the actuarial present value calculation is used.

These consolidated financial statements are presented in Saudi Riyals ("SR") which is also the functional currency of the Group. All values are rounded to the nearest thousands ("SR '000"), except when otherwise indicated.

2.1 Basis of consolidation

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

Profit or loss and each component of other comprehensive income ("other comprehensive income") are attributed to the equity holders of the parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

At 31 December 2020

2 BASIS OF PREPARATION (continued)

2.1 Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in consolidated statement of profit or loss. Any investment retained is recognised at fair value.

Non-controlling interest represents the portion of profit or loss and net assets that are not held by the Group and are presented separately in the consolidated statement of financial position and within shareholders' equity in the consolidated statement of financial position, separately from the equity attributable to the shareholders of the Parent Company.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

- Capital management (note 38)
- Financial risk management objectives and policies (note 37)
- Sensitivity analyses disclosures (note 28 & 37)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty, and critical judgements in applying accounting policies (that have the most significant effect on the amount recognised in the consolidated financial statements) includes:

3.1 Significant judgements

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

Satisfaction of performance obligations

The Group 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 Group has assessed that based on the sale and purchase agreements entered into, with customers and the provisions of relevant laws and regulations, where contracts are entered into to provide real estate assets to customer, the Group does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to date. In these circumstance the Group recognises revenue over the time. Where this is not the case, revenue is recognised at a point in time.

Transfer of control in contracts with customer

In cases where the Group determines that performance obligations are satisfied at a point in time, revenue is recognised when control over the assets that is the subject of the contract is transferred to the customer. In the case of contracts to sell real estate assets this is generally when the unit has been handed over to the customer.

Determination of transaction price

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component in the contract and any non-cash consideration in the contract.

In determining the impact of variable consideration the Group uses the "most-likely amount" method in IFRS 15 Revenue from Contracts with Customers whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts.

Financing Component

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

At 31 December 2020

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.1 Significant judgements (continued)

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group 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 Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group 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 or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Property lease classification - Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Consolidation of subsidiaries

The Group has evaluated all the investee entities to determine whether it controls the investee as per the criteria laid out by IFRS 10: *Consolidated Financial Statements*. The Group has evaluated, amongst other things, its ownership interest, the contractual arrangements in place and its ability and the extent of its involvement with the relevant activities of the investee entities to determine whether it controls the investee.

Joint Operations

Judgement is required to determine when the Group has joint control, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements relate to the operating and capital decisions of the arrangement, such as: the approval the capital expenditure programme for each year, and appointing, remunerating and terminating the key management personnel of, or service providers to, the joint arrangement. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries. Judgement is also required to classify a joint arrangement as either a joint operation or joint venture. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, it considers:

- The structure of the joint arrangement – whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
 - The legal form of the separate vehicle
 - The terms of the contractual arrangement
 - Other facts and circumstances (when relevant)

This assessment often requires significant judgement, and a different conclusion on joint control and also whether the arrangement is a JO or a JV, may materially impact the accounting.

Based on the Group's control assessment, investments held in RSHC is classified as joint operations. Based on management's judgement, the contractual arrangement establishes that the parties to the joint arrangement share their interests in all assets relating to the arrangement.

3.2 Estimations and assumptions

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

At 31 December 2020

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.2 *Estimations and assumptions (continued)*

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 37.

Defined benefit plans

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases 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. Further details about pension obligations are provided in Note 28.

Impairment of inventories

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete or subject to technological changes, an estimate is made of their net realizable value. Factors considered in determination of realizable value includes current and anticipated demand and age of inventories. For individually significant amounts this estimation is performed on an individual basis. Items which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Provision for decommissioning

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of respective asset if the recognition criteria for a provision are met. The Group periodically reassesses the expectation and estimation for the decommissioning liability. Further details about provision for decommissioning are provided in Note 29.

At 31 December 2020

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.2 Estimations and assumptions (continued)

Useful lives of property, plant and equipment and investment properties

The Group's management determines the estimated useful lives of its property, plant and equipment and investment properties for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management periodically reviews estimated useful lives and the depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Allocation of transaction price to performance obligation in contracts with customer

The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognised over time. The Group considers that the use of the input method which requires revenue recognition on the basis of the Group's efforts to the satisfaction of the performance obligation provides the best reference of revenue actually earned. In applying the input method, the Group estimates the cost to complete the projects in order to determine the amount of revenue to be recognised. These estimates include the cost of providing infrastructure, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the last year, except for the adoption of new standards effective as of 1 January 2020 as disclosed in Note 5. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

4.1 Business combination and goodwill

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

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

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

At 31 December 2020

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Investments in associate

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

The considerations made in determining significant influence is similar to those necessary to determine control over subsidiaries. The Group's investments in its associate is 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 Group'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.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate is eliminated to the extent of the interest in the associate. The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of profit or loss outside operating profit and represents profit or loss after tax and noncontrolling interests in the associate.

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

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate' in the consolidated statement of profit or loss. Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of profit or loss.

4.3 Interest in joint arrangements

A joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control over an arrangement which exists only when the decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. The Group's joint arrangement is as follows:

Joint operations Red Sea Hanchi ("RSHC")

A joint operation (JO) is a type of joint arrangement in which the parties with joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. In relation to its interests in RSHC, the financial statements of the Group includes:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

All such amounts are measured in accordance with the terms of each arrangement which are in proportion to the Group's interest that is 49% in each asset and liability, income and expense of the RSHC.

4.4 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

At 31 December 2020

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Non-current assets held for sale and discontinued operations (continued)

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area
- Is a subsidiary acquired exclusively with a view to resale

In the consolidated profit or loss of the reporting period, and of the comparable period of the previous year income and expenses from discontinued operations are reported separate from income and expenses from continuing activities, down to the level of profit, even when the Group retains a non controlling interest in the subsidiary after the sale. The resulting profit or loss is reported separately in the consolidated statement of profit or loss.

Additional disclosures are provided in Note 1. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

4.5 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

4.6 Fair value measurement

The Group measures financial instruments at fair value at each statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

At 31 December 2020

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Fair value measurement (continued)

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group 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.

4.7 Revenue recognition

Revenue from contracts with customers

a) Revenue from contracts with customers for sale of properties

The Group recognizes revenue from contracts with customers based on a five step model as set out in IFRS 15:

- Step 1. Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognize revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- (i) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- (ii) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (iii) The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations, where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount billed to the customer exceeds the amount of revenue recognized, this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

Revenue is recognized in the consolidated statement of profit or loss to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably

b) Sale of goods - Building materials

The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

In general the contracts for the sale of goods do not provide customers with a right of return and volume rebates. Accordingly, the application of the constraint on variable consideration did not have any impact on the revenue recognised by the Group.

The Group provides warranties for general repairs of defects that existed at the time of sale. These assurance-type warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

At 31 December 2020

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Revenue recognition (continued)

Revenue from contracts with customers (continued)

(c) Revenue from maintenance and installation services

Revenue from maintenance and installation services is recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Rental revenue from investment properties

a) Rental income

Revenue from investment properties is generally recognized in the accounting period in which the services are rendered, using straight-line basis, over the term of the lease contract. Such leases are classified as other than finance lease.

Financing Component

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

4.8 Property plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses, If any except assets under construction which are carried at cost less accumulated impairment losses, if any. Historical cost consists of purchase cost, together with any incidental expenses on acquisition.

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item, and where such parts/components have a useful life different than other parts and are required to be replaced at different intervals, the Group shall recognize such parts as individual assets with specific useful lives and depreciate them accordingly.

Subsequent costs, if any, are Included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with such item will flow to the Group and the cost can be reliably measured. Land is not depreciated as it is deemed to have an indefinite life. Depreciation is calculated on property, plant and equipment so as to allocate its cost, less estimated residual value, using the straight-line method over the estimated useful life of the assets concerned. Depreciation is charged to the consolidated statement of profits or loss.

Buildings and residential houses	10 to 40 years
Machinery and equipment	4 to 15 years
Furniture, fixtures and equipment	4 to 5 years
Motor vehicles	4 to 8 years

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the consolidated statement of profit or loss as and when incurred. Major renewals and improvements, if any are capitalized and the assets so replaced are retired. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount and is reviewed at each reporting date for possible reversal of impairment loss. Borrowing costs related to qualifying assets are capitalized as part of the cost of the qualified assets until the commencement of commercial production.

4.9 Investment properties

Properties held for rental or capital appreciation purposes are classified as investment properties. Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives of 4-25 years.

No depreciation is charged on land and capital work-in-progress.

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

At 31 December 2020

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Investment properties (continued)

Properties are transferred from investment properties to development properties when and only when, there is a change in use, evidenced by commencement of development with a view to sell. Such transfers are made at the carrying value of the properties at the date of transfer.

The Group determines at each reporting date whether there is any objective evidence that the investment properties are impaired. Whenever the carrying amount of an investment property exceeds its recoverable amount, an impairment loss is recognised in the consolidated statement of profit or loss. The recoverable amount is the higher of investment property's net selling price and the value in use. The net selling price is the amount obtainable from the sale of an investment property less related costs while value in use is the present value of estimated future cash flows expected to arise from continuing use of the investment property and from its disposal at the end of its useful life.

Reversal of impairment losses recognised in the prior years is recorded when there is an indication that the impairment losses recognised for the investment property no longer exist or have reduced.

4.10 Intangible assets /amortisation

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

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

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

Costs which have a long term future benefit are treated as other intangible assets and are amortized over the estimated period of benefit.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

Intangible assets with finite useful lives are amortized using straight-line method over their estimated useful lives as follows:

Computer software	4 to 10 years
Licensing rights	11 to 15 years

The amortization of intangible assets are recorded under general and administration expenses

4.11 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs are those expenses incurred in bringing each product to its present location and condition and is calculated on the following basis:

Raw materials	- purchase cost on a weighted average basis.
Work in progress and finished goods	- cost of direct materials and labour plus attributable overheads based on a normal level of activity.
Goods in transit	- cost of direct materials which are under shipment and for which risks and rewards have been passed to the Group and are stated at cost.

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.

At 31 December 2020

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

4.13 Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

4.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and time deposits with original maturity of three-months or less from the acquisition date which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

4.15 Contract Liabilities

Contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

4.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Assurance type warranties

A provision is recognised for expected warranty claims on products sold during the year, based on past experience of the level of repairs and returns. It is expected that these costs will be incurred in the next financial year. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the warranty period for all products sold.

Decommissioning costs

Provision for decommissioning obligation is recognized when the Group has a liability for restoration work or land rehabilitation. The extent of decommissioning required and the associated costs are dependent on the requirements of current laws and regulations.

Costs included in the provision includes all decommissioning obligations expected to occur over the life of the asset. The provision for decommissioning is discounted to its present value and capitalized as part of the asset under property, plant and equipment and then depreciated as an expense over the expected life of that asset.

Adjustments to the estimated amount and timing of future decommissioning cash flows are a normal occurrence in light of the significant judgments and estimates involved. Such adjustments are recorded as an increase in liability and a corresponding increase in the related asset. Factors influencing those adjustments include:

- developments in technology;
- regulatory requirements and environmental management strategies;
- changes in the estimated extent and costs of anticipated activities, including the effects of inflation; and
- changes in economic sustainability.

At 31 December 2020

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Provisions (continued)

Contingent liabilities recognised in a business combination

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

4.17 Contingencies

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

4.18 Expenses

Expenses are recognised when incurred based on the accrual basis of accounting. Selling and distribution expenses are those that specifically relate to salesmen, sales department, warranties, warehousing, delivery vehicles as well as provision for impairment of receivables. All other expenses related to main operations are allocated on a consistent basis to direct costs and general and administration expenses in accordance with allocation factors determined as appropriate by the Group.

4.19 Zakat and taxes

Zakat and income tax

Zakat is provided for the Company and for subsidiaries operating inside the Kingdom of Saudi Arabia in accordance with Regulations of the General Authority of Zakat and Tax (GAZT) prevailing in the Kingdom of Saudi Arabia. Income tax is provided for in accordance with fiscal authorities in which the Company's subsidiaries operate outside the Kingdom of Saudi Arabia. Provision for zakat and income tax is charged to the consolidated statement of profit or loss. Additional amounts, if any, are accounted for when determined to be required for payment.

Foreign subsidiaries and foreign branches are subject to income taxes in their respective countries of domicile, except Red Sea Housing Services Company Dubai FZE ("RSD"), which is not subject to income taxes in the United Arab Emirates ("UAE"). Such income taxes are charged to the consolidated statement of profit or loss.

Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

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

At 31 December 2020

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Zakat and taxes (continued)

Deferred tax (continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Value added tax

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included .

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

4.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of directors of the Group has appointed a Group Chief Executive Officer, who assesses the financial performance and position of the Group, and makes strategic decisions. Group Chief Executive Officer has been identified as being the Group Chief Operating decision maker.

A operating segment is group of assets, operations or entity:

- engaged in revenue producing activities;
- results of operations of which are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- financial information is separately available.

4.21 Earnings/(loss) per share

Basic and diluted earnings/(loss) per share is calculated by dividing the profit or loss attributable to shareholders of the Group, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the year.

4.22 Leases

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

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

At 31 December 2020

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.22 Leases (continued)

Group as a lessee

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

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

i) Right-of-use assets

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

Land	2 - 39 years
Equipments	4 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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

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

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 on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

At 31 December 2020

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.23 Foreign currencies

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

Transaction and balances

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

All differences arising on settlement or translation of monetary items are taken to the consolidated statement of profit or loss with the exception of differences on foreign monetary items that form part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of a gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or consolidated statement of profit or loss, respectively).

Group companies

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

4.24 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that Group incurs in connection with the borrowing of funds.

4.25 Employee benefit obligations

Short-term employee benefits

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

Defined benefit plans

The Group provides end-of-service benefits to its employees. The entitlement to these benefits is usually based upon the employees' final salary and length of service, subject to the completion of minimum service period. The expected costs of these benefits are accrued over the period of employment.

The present value of the defined benefit obligation for end-of-service benefits is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The interest cost is calculated by applying the discount rate to the balance of the defined benefit obligation. This cost is included in employee benefit expense in the consolidated statement of profit or loss. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and are transferred to retained earnings in the consolidated statement of changes in equity in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

At 31 December 2020

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.25 Employee benefit obligations (continued)

Defined benefit plans (continued)

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

The calculation of defined benefit obligations is performed periodically using the projected unit credit method.

4.26 Cash dividend

Dividends distribution to the Group's shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the Group's shareholders.

4.27 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 recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

Financial assets are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The category most relevant to the Group is financial assets measured at amortized cost.

Financial assets at amortised cost

This category is the most relevant to the Group. The Group measures financial asset at amortised cost that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion'). This category includes the Group's trade receivable, contract assets and other receivables and other non-current financial assets.

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 Group's statement of financial position) when:

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

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

Impairment of financial assets

IFRS 9 requires the Group to record an allowance for expected credit losses ("ECL") for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Financial assets (continued)

Impairment of financial assets (continued)

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECL based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

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

Subsequent measurement

The financial liabilities are subsequently measured at amortized costs.

Derecognition

A financial liability is derecognized 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 recognized in the statement of comprehensive income.

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 recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

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.

4.28 Impairment of non financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.28 Impairment of non financial assets (continued)

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to other comprehensive income. For such properties, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group 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. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, 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.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

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

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

4.29 Statutory reserve

As required by Saudi Arabian Regulations for Companies, the Company must transfer 10% of its income to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution.

5 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

Amendments to IFRS 3: Definition of a Business

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

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Group

5 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

Conceptual Framework for Financial Reporting issued on 29 March 2018

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

Amendments to IFRS 16 Covid-19 Related Rent Concessions

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

6 STANDARDS ISSUED BUT NOT EFFECTIVE

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

Reference to the Conceptual Framework – Amendments to IFRS 3

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

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

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

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

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

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

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

At 31 December 2020

6 STANDARDS ISSUED BUT NOT EFFECTIVE (continued)**IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities**

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

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

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administration costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

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

7 REVENUES

	2020 SR'000	2019 SR'000 <i>Restated</i> (Note 1.1 & 40)
<i>Revenue from the contract with customers</i>		
Revenue from sale of buildings	319,405	352,234
Sale of paint and paint related products and services	24,476	42,147
	<u>343,881</u>	<u>394,381</u>
<i>Other revenue</i>		
Rental revenue from investment properties	189,639	211,685
	<u>533,520</u>	<u>606,066</u>

8 COST OF REVENUES

	2020 SR'000	2019 SR'000 <i>Restated</i> (Note 1.1 & 40)
Direct cost	352,405	337,621
Employee salaries and benefits	87,603	92,090
Depreciation and amortisation	74,601	82,199
Others	47,259	53,450
	<u>561,868</u>	<u>565,360</u>

At 31 December 2020

9 SELLING AND DISTRIBUTION EXPENSES

	2020 SR'000	2019 SR'000 <i>Restated</i> <i>(Note 1.1 & 40)</i>
Employee salaries and benefits	23,780	24,482
Visa and license expenses	1,003	871
Depreciation and amortization	956	1,065
Travelling	674	1,598
Rent	412	679
Marketing fees	350	692
Others	2,188	2,700
	29,363	32,087

10 GENERAL AND ADMINISTRATION EXPENSES

	2020 SR'000	2019 SR'000 <i>Restated</i> <i>(Note 1.1 & 40)</i>
Employee salaries and benefits	37,947	38,068
Professional fees	15,368	4,435
Depreciation and amortization	4,150	5,466
Insurance	1,435	1,391
Utilities	1,268	926
Travelling	1,165	2,379
Allowance for expected credit losses, net	715	1,836
Rent	624	705
Others	9,934	4,402
	72,606	59,608

11 OTHER INCOME, NET

	2020 SR'000	2019 SR'000 <i>(Note 1.1 & 40)</i>
Scrap sales	867	457
Net foreign currency exchange losses	(1,299)	(1,499)
Net losses on disposal of property, plant and equipment and investment properties	(212)	(46)
Others, net	1,499	5,241
	855	4,153

At 31 December 2020

12 FINANCE COST

	2020 SR'000	2019 SR'000 (Note 1.1 & 40)
Conventional borrowings	4,040	5,678
Interest expense on lease liabilities (note 17)	3,042	2,873
Non-conventional borrowings	2,567	2,310
Discounting for non-current receivables	1,692	832
Bank charges and other costs	1,654	2,346
Unwinding of discount for provision for decommissioning (note 29)	667	661
	<u>13,662</u>	<u>14,700</u>

13 LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the loss for the year attributable to the shareholders of the Parent Company by the weighted average number of outstanding shares during the year as follows:

	2020 SR'000	2019 SR'000 (Note 1.1 & 40)
Loss for the year attributable to the shareholders of the parent Company	(158,323)	(74,851)
Weighted average number of outstanding shares during the year (share '000)	60,000	60,000
Basic and diluted loss per share attributable to the shareholders of the Parent Company	<u>(2.64)</u>	<u>(1.25)</u>
Loss for the year from continued operations attributable to the shareholders of the parent Company	(158,503)	(66,504)
Weighted average number of outstanding shares during the year (share '000)	60,000	60,000
Basic and diluted loss per share attributable to the shareholders of the Parent Company	<u>(2.65)</u>	<u>(1.11)</u>

Red Sea International Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

14 PROPERTY, PLANT AND EQUIPMENT

	<i>Freehold land</i> <i>SR '000</i>	<i>Buildings and residential houses</i> <i>(note 14.1)</i> <i>SR '000</i> <i>Restated</i> <i>(Note 40)</i>	<i>Machinery and equipment</i> <i>SR '000</i> <i>Restated</i> <i>(Note 40)</i>	<i>Furniture, fixtures and office equipment</i> <i>SR '000</i>	<i>Vehicles</i> <i>SR '000</i>	<i>Capital work- in-progress</i> <i>SR '000</i>	<i>Total</i> <i>SR '000</i> <i>Restated</i> <i>(Note 40)</i>
<i>Cost:</i>							
At 1 January 2019 - restated (note 40)	2,250	175,816	78,877	27,104	44,584	43,329	371,960
Additions - restated (note 40)	-	836	564	1,532	900	106	3,938
Disposals	-	(1,342)	(932)	(2,167)	(1,287)	-	(5,728)
Transfers	-	201	-	132	-	(333)	-
Transfer from/(to) investment properties (note 15)	-	399	-	(2)	-	-	397
Transfer to inventories	-	(2,767)	-	-	-	-	(2,767)
Transfer on disposal of a subsidiary	-	(683)	(3,344)	(935)	(2,080)	(16)	(7,058)
Foreign currency translation	-	230	119	63	337	(164)	585
At 31 December 2019 - restated (note 40)	2,250	172,690	75,284	25,727	42,454	42,922	361,327
<i>Accumulated depreciation and impairment:</i>							
At 1 January 2019 - restated (note 40)	-	91,187	59,459	18,573	31,974	41,971	243,164
Charge for the year - restated (note 40)	-	8,689	4,553	2,912	2,518	-	18,672
Disposals	-	(736)	(907)	(2,149)	(1,191)	-	(4,983)
Transfers	-	(2)	(45)	47	-	-	-
Transfer to investment properties (note 15)	-	23	-	-	-	-	23
Transfer to inventories	-	(482)	-	-	-	-	(482)
Transfer on disposal of a subsidiary	-	(315)	(1,557)	(616)	(942)	-	(3,430)
Foreign currency translation	-	133	98	59	112	(72)	330
At 31 December 2019 - restated (note 40)	-	98,497	61,601	18,826	32,471	41,899	253,294
<i>Net book amounts:</i>							
At 31 December 2019 - restated (note 40)	2,250	74,193	13,683	6,901	9,983	1,023	108,033

Red Sea International Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

14 PROPERTY, PLANT AND EQUIPMENT (continued)

	<i>Freehold land</i>	<i>Buildings and residential houses</i>	<i>Machinery and equipment</i>	<i>Furniture, fixtures and office equipment</i>	<i>Vehicles</i>	<i>Capital work- in-progress (Note 14.2)</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
<i>Cost:</i>							
At 1 January 2020 - restated (note 40)	2,250	172,690	75,284	25,727	42,454	42,922	361,327
Additions	-	2,540	988	630	7	-	4,165
Disposals	-	-	(808)	(2,202)	(705)	-	(3,715)
Transfer to inventories	-	(203)	-	-	-	-	(203)
Transfer on disposal of a subsidiary	-	(9,487)	(4,204)	(2,663)	(14,862)	-	(31,216)
Foreign currency translation	-	(1,071)	512	(23)	129	(841)	(1,294)
At 31 December 2020	2,250	164,469	71,772	21,469	27,023	42,081	329,064
<i>Accumulated depreciation and impairment:</i>							
At 1 January 2020 - restated (note 40)	-	98,497	61,601	18,826	32,471	41,899	253,294
Charge for the year	-	5,805	3,561	2,504	1,327	-	13,197
Disposals	-	-	(961)	(2,046)	(649)	-	(3,656)
Transfer to inventories	-	(56)	-	-	-	-	(56)
Transfer on disposal of a subsidiary	-	(6,289)	(4,007)	(2,623)	(11,507)	-	(24,426)
Foreign currency translation	-	(249)	-	(12)	(8)	-	(269)
At 31 December 2020	-	97,708	60,194	16,649	21,634	41,899	238,084
<i>Net book amounts:</i>							
At 31 December 2020	2,250	66,761	11,578	4,820	5,389	182	90,980

14.1 The Group production facilities are located on plots of land leased under various lease arrangements (note 17)

14.2 Capital work in progress is mainly relates to the construction of buildings and camps in Libya. In the prior years, the management of the Group had recorded an impairment loss of SR 42 million (2019: SR 42 million.)

Red Sea International Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

14 PROPERTY, PLANT AND EQUIPMENT (continued)

14.3 Depreciation for the years has been allocated as follows:

	2020 SR'000	2019 SR'000 <i>Restated</i> (Note 1.1 & 40)
Cost of revenue	11,140	16,119
General and administration expenses	1,497	1,769
Selling and distribution expenses	560	784
	13,197	18,672

15 INVESTMENT PROPERTIES

	<i>Freehold land</i> SR '000	<i>Buildings and residential houses</i> SR '000	<i>Capital work-in- progress</i> SR '000	<i>Total</i> SR '000
<i>Cost:</i>				
At 1 January 2019	4,228	918,768	9,561	932,557
Additions	-	1,787	23,062	24,849
Disposals	-	(125)	-	(125)
Transfers	-	14,638	(14,638)	-
Transfer from inventories	-	-	17,624	17,624
Transfer to inventories	-	(12,487)	-	(12,487)
Transfer from property, plant and equipment (note 14)	-	-	2	2
Transfer to property, plant and equipment (note 14)	-	(399)	-	(399)
Foreign currency translation	-	37	-	37
At 31 December 2019	4,228	922,219	35,611	962,058
Additions	-	14,555	34,580	49,135
Disposal	-	(114)	(403)	(517)
Transfer to joint operations	-	(45,976)	-	(45,976)
Transfers	-	26,422	(26,422)	-
Transfer on disposal of a subsidiary	-	(1,651)	-	(1,651)
Foreign currency translation	-	2	-	2
At 31 December 2020	4,228	915,457	43,366	963,051
<i>Accumulated depreciation and impairment:</i>				
At 1 January 2019	-	533,235	-	533,235
Charge for the year	-	58,968	-	58,968
Disposal	-	(125)	-	(125)
Transfer to property, plant and equipment	-	(23)	-	(23)
Transfer to inventories	-	(7,571)	-	(7,571)
Foreign currency translation	-	13	-	13
At 31 December 2019	-	584,497	-	584,497
Charge for the year	-	53,029	-	53,029
Disposal	-	(102)	-	(102)
Transfer to joint operations	-	(29,898)	-	(29,898)
Transfer on disposal of a subsidiary	-	(742)	-	(742)
At 31 December 2020	-	606,784	-	606,784
<i>Net book amounts:</i>				
At 31 December 2020	4,228	308,673	43,366	356,267
At 31 December 2019	4,228	337,722	35,611	377,561

15 INVESTMENT PROPERTIES (continued)

15.1 Direct operating expenses in respect of investment properties generating rental income for the year amounts to SR 62.02 million (2019: SR 58.01 million).

15.2 During the year, the Group finalised joint arrangement in Algeria with a third party and transferred investment properties with a carrying value of SR 16 million. The Group re-recognised the investment properties transferred to the joint operations based on the % of ownership. At the reporting date, balance of investment properties includes SR 7.8 million related to joint operation.

15.3 At the reporting date, the fair value of the Group's investment property has been arrived on the basis of the valuation exercise carried out by following independent valuers, who are not related to the Group. Fair value of investment properties carried at cost less accumulated depreciation and impairment losses.

<u>Location</u>	<u>Independent valuers</u>	<u>Valuer's qualification</u>	<u>Fair Value</u> <u>SR '000</u>
<u>2020</u>			
KSA	Land Sterling Property Consultants	Registered valuers with Saudi	394,115
Dubai	Land Sterling Property Consultants	Authority for Accredited Valuers	2,809
Oman	Land Sterling Property Consultants	(Taqeem Saudi Arabia) and	1,570
Algeria	Land Sterling Property Consultants	Member of Royal Institute of	10,037
		Chartered Surveyors	408,531
<u>2019</u>			
KSA	Land Sterling Property Consultants	Registered valuers with Saudi	416,960
Dubai	Land Sterling Property Consultants	Authority for Accredited Valuers	3,654
Oman	Land Sterling Property Consultants	(Taqeem Saudi Arabia) and	1,705
		Member of Royal Institute of	
Algeria	Land Sterling Property Consultants	Chartered Surveyors	21,840
PNG	Century 21 Siule Real Estate Company	Certified Valuer (Papua New	
	(Mark Joseph Kelep)	Guinea Valuers Registration	1,563
		Board)	445,722

15.4 To determine the fair value of the properties, the valuer used net income method whereby the market rentals of all lettable properties are assessed by reference to the rentals achieved for the same properties as well as similar properties in the neighbourhood, except for the properties at Dubai which were valued using cost approach - depreciated replacement cost method (DRC). The capitalization rate is adopted by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. DRC is based on an estimate of the current gross replacement costs of improvements less allowance for physical deterioration and all relevant forms of obsolescence's and optimisation. Above fair value does not include assets under construction.

15.5 The Group uses the following hierarchy for determining and disclosing the fair values of its investment properties by valuation techniques:

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
2020	-	-	408,531	408,531
2019	-	-	445,722	445,722

15.6 Any significant movement in the assumptions used for fair valuation of investment properties such as discount rate, yield, rental growth etc. would result in significantly lower / higher fair value of these assets.

16 INTANGIBLE ASSETS

	<i>Licenses</i> <i>SR'000</i>	<i>Goodwill</i> <i>SR'000</i>	<i>Computer</i> <i>software</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
<i>Cost:</i>				
At 1 January 2019	50,307	6,416	6,785	63,508
Additions	-	-	2,919	2,919
Disposal	-	-	(20)	(20)
Transfer on disposal of a subsidiary	(26,478)	-	(304)	(26,782)
Foreign currency translation differences	-	-	9	9
At 31 December 2019	23,829	6,416	9,389	39,634
Additions	-	-	849	849
Disposal	-	-	(128)	(128)
Transfer on disposal of a subsidiary	-	-	(305)	(305)
At 31 December 2020	23,829	6,416	9,805	40,050
<i>Accumulated amortisation and impairment:</i>				
At 1 January 2019	17,533	-	4,934	22,467
Charge for the year	3,935	-	590	4,525
Disposal	-	-	(20)	(20)
Impairment (note 16.1)	-	4,962	-	4,962
Transfer on disposal of a subsidiary	(6,620)	-	(195)	(6,815)
Foreign currency translation differences	-	-	7	7
At 31 December 2019	14,848	4,962	5,316	25,126
Charge for the year	2,150	-	710	2,860
Disposal	-	-	(120)	(120)
Impairment (note 16.1)	6,831	1,403	-	8,234
Transfer on disposal of a subsidiary	-	-	(280)	(280)
At 31 December 2020	23,829	6,365	5,626	35,820
<i>Net carrying value</i>				
At 31 December 2020	-	51	4,179	4,230
At 31 December 2019	8,981	1,454	4,073	14,508

16.1 Impairment test for CGU containing licenses and goodwill

Majority of the Goodwill has been allocated to "Paints and related services" operating segment and it is monitored by the management at "Premier Paints Company" CGU level. The recoverable amount of this CGU was based on value in use of CGU. The cashflow projections included specific estimates for 5 years and a terminal growth rate thereafter. The recoverable amounts of the CGU has been determined based on a value in use calculation using the cash flow projections based on financial budgets approved by the management for 2021 and assuming an average annual growth rate of 5% for the next five years and thereafter, the growth rate estimated to be the current short-term growth rate for the paint industry. As a result of this exercise, the management has recorded an impairment of SR 1.4 million related to goodwill and SR 6.8 million related to Licenses in the consolidated statement of profit or loss.

Red Sea International Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

17 LEASES

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

	<i>Land</i> <i>SR'000</i>	<i>Equipment</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
<i>Cost:</i>			
Amount recognised as of 1 January 2019 due to adoption of IFRS 16	65,728	144	65,872
Additions	16,060	-	16,060
Transfer on disposal of a subsidiary	(2,983)	-	(2,983)
At 31 December 2019	78,805	144	78,949
Additions	2,098	-	2,098
Remeasurement	(14)	-	(14)
Transfer on disposal of a subsidiary	(2,600)	-	(2,600)
At 31 December 2020	78,289	144	78,433
<i>Accumulated amortisation:</i>			
Depreciation expense	12,169	36	12,205
Transfer on disposal of a subsidiary	(1,790)	-	(1,790)
At 31 December 2019	10,379	36	10,415
Depreciation expense	10,585	36	10,621
Transfer on disposal of a subsidiary	(612)	-	(612)
At 31 December 2020	20,352	72	20,424
<i>Net carrying value</i>			
At 31 December 2020	57,937	72	58,009
At 31 December 2019	68,426	108	68,534

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

	<i>Lease liabilities</i>	
	<i>SR'000</i> <i>2020</i>	<i>SR'000</i> <i>2019</i>
At 1 January	61,226	56,944
Additions to lease liabilities	2,098	16,060
Interest expense (note 12)	3,042	3,104
Remeasurement	(18)	-
Transfer on disposal of subsidiary	(2,041)	(1,224)
Payments	(7,784)	(13,658)
At 31 December	56,523	61,226
Current portion of lease liabilities	13,014	9,181
Non-current portion of lease liabilities	43,509	52,045

Maturity analysis of lease liabilities have been disclosed in the note 37 of these consolidated financial statements.

At 31 December 2020

17 LEASES (continued)

17.3 The following are the amounts recognised related to the right-of-use assets and lease liabilities in the consolidated statement of profit or loss:

	2020 SR'000	2019 SR'000
Depreciation expense of right-of-use assets	10,621	12,205
Interest expense on lease liabilities	3,042	3,105
Expense relating to short-term leases and low value assets	9,654	9,148
	23,317	24,458

18 INVENTORIES

	2020 SR'000	2019 SR'000
Raw materials	55,026	55,267
Finished goods	52,195	56,021
Work in progress	50,989	13,839
	158,210	125,127
Less: provision for obsolete inventory	(35,093)	(33,502)
	123,117	91,625

18.1 During the year, movement in the provision for obsolescent inventory is as follows:

	2020 SR'000	2019 SR'000
At the beginning of the year	33,502	33,222
Provision for the year	4,091	6,018
Write-off during the year	-	(31)
Reversal during the year	(49)	(4,670)
Transfer on disposal of a subsidiary	(2,451)	(999)
Exchange differences	-	(38)
	35,093	33,502

At the balance sheet date, the Group re-assessed the realisable value of inventories and as a result recorded an additional provision of SR 4 million (2019: SR 1.3 million) in the consolidated statement of profit or loss by taking into consideration the age and condition of these inventories.

19 CONTRACT ASSETS

	2020 SR'000	2019 SR'000
Cost and estimated earnings	248,286	267,459
Less: billings and recognised losses	(204,522)	(223,165)
	43,764	44,294

The contract assets increased in the current year due to the additional contracts with customers for the construction of camps. Expected credit losses against contract assets maintained to SR 2.1 million maintained at year end was recognised during the last year (2019: 2.1 million).

At 31 December 2020

20 TRADE RECEIVABLES

	2020			2019		
	<i>Receivables from contracts with customers</i>	<i>Rental receivables</i>	<i>Total</i>	<i>Receivables from contracts with customers</i>	<i>Rental receivables</i>	<i>Total</i>
	<i>SR'000</i>			<i>SR'000</i>		
				<i>Restated (Note 40)</i>		<i>Restated (Note 40)</i>
Billed	210,190	61,228	271,418	232,648	73,785	306,433
Retentions receivable	27,003	51	27,054	22,540	1,046	23,586
Allowance for expected credit losses	(78,731)	(3,758)	(82,489)	(78,119)	(2,939)	(81,058)
	158,462	57,521	215,983	177,069	71,892	248,961
Less: current portion	(126,967)	(57,521)	(184,488)	(143,882)	(71,892)	(215,774)
Non current portion (note 20.1)	31,495	-	31,495	33,187	-	33,187

Trade receivables are non-interest bearing and the Group's credit period is 60-90 days after which trade receivables are considered to be past due. Unimpaired trade receivables are unsecured and are expected, on the basis of past experience, to be fully recoverable. Movements in allowance for expected credit losses are as follows:

	2020 <i>SR'000</i>	2019 <i>SR'000</i>
At the beginning of the year	81,058	80,434
Provision for the year	5,786	2,266
Reversal during the year	(3,379)	(545)
Write-off during the year	(502)	(1,468)
Exchange differences	(474)	371
At the end of the year	82,489	81,058

20.1 In 2016, the Group filed a legal case in Houston, Texas, USA against one of its customers, its subsidiaries and its directors (for the construction of a camp facility based in Angola), demanding repayment of receivable balances due from this customer. The customer had failed to meet its obligations for timely transfer of funds to the Group as per the repayment schedule due to certain restrictions on repatriation of the funds in foreign currency out of Angola. However, following extended discussions and negotiations between the customer and Group, the customer agreed to execute legal documentation acknowledging the debt and giving the Company a claim over the assets of the customer's camp in Angola, which would allow the Company the right to take a secondary charge over these assets. Accordingly, the Group and customer subsequently withdraw from litigation proceedings in Houston, Texas, USA and filed its claim against the customer's camp and related assets with the relevant court in Angola and will proceed with next steps in accordance with local Angolan laws. At the balance sheet date, the decision on lawsuit is still pending.

Total outstanding balance from this customer included in the non-current portion amounted to SR 86.9 million as of 31 December 2020 (2019: SR 88.7 million). During the year, the balance has been further discounted by SR 1.7 million in consideration of time value of money. In the light of the above pending litigation and related outcome, the management of the Group has recorded a allowance against this balance amounting to SR 57.2 million (2019: SR 55.5 million). The Group management believes that the amount recorded as provision is sufficient to meet any future expected losses and the eventual outcome will not result in any additional significant loss to the Group. This is further supported with the fact that the Group has secured its outstanding receivable from customer (including interest), by (a) entering into a promissory note of SR 122 million (US \$ 32.5 million); and (b) by registering a second charge over the camp assets in Angola.

20.2 The Group had a receivable balance of SR 12.8 million from Papua New Guinea Government outstanding from several years, which have been collected in full during the current year.

20.3 Refer to note 37.2 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

Red Sea International Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

21 INVESTMENT IN ASSOCIATE

The Group has 49% interest in RSHM which is accounted for using the equity method in consolidated financial statements. Below is the summarized financial information of the Group's investment in the associate:

Summarised statement of financial position for associate

<i>Percentage of ownership</i>	<i>RSHM</i>	
	<i>49%</i>	
	<i>2020</i>	<i>2019</i>
	<i>SR'000</i>	<i>SR'000</i>
Current assets	6,222	7,783
Non current assets	15,572	17,684
Current liabilities	(11,648)	(11,202)
Non current liabilities	-	(1,402)
Group's carrying amount of investment	10,146	12,863

Carrying value of the investment in associate includes goodwill attributable to associate.

Summarised statements of comprehensive income for associates

	<i>RSHM</i>	<i>RSHP</i>	<i>Total</i>	<i>Total</i>
	<i>2020</i>			<i>2019</i>
	<i>SR'000</i>			<i>SR'000</i>
Revenue	3,394	28,767	32,161	-
Cost of revenue	(6,929)	(21,491)	(28,420)	-
Other income	1,163	(175)	988	-
Administrative expenses	(2,904)	(4,643)	(7,547)	-
Other operating expenses	(315)	(70)	(385)	-
Finance charges	-	(100)	(100)	-
Income tax	-	(986)	(986)	-
Finance income	47	15	62	-
Total comprehensive (loss)/profit	(5,544)	1,317	(4,227)	-
Group's share of (loss)/profit for the year	(2,717)	263	(2,454)	-

At 31 December 2020, the Group disposed off its remaining interest (20%) in RSHP for a consideration of SR 3.75 million. As a result, the equity interest in RSHP reduced to nil (2019: 100%) (refer note 1 for further details).

22 PREPAYMENTS AND OTHER RECEIVABLES

	<i>2020</i>	<i>2019</i>
	<i>SR'000</i>	<i>SR'000</i>
Consideration receivable for sale of subsidiary (note 1.1)	13,027	9,277
Amounts due from related parties (note 33)	22,642	15,706
Prepaid expenses and deposits	11,103	15,675
Advance and valued added tax for the foreign subsidiaries	2,409	2,409
Advances to employees	1,731	2,045
Margin deposits	1,610	3,616
Prepaid short-term lease rentals	324	2,548
Others	6,059	3,856
	58,905	55,132

Balance amount due from related parties includes SR 13.8 million, net of impact of time value of money for SR 832 thousand (2019: SR 15.7 million). Terms and conditions for related party transactions and balances are disclosed under note 33 of these consolidated financial statements.

Red Sea International Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

23 CASH AND CASH EQUIVALENTS

	2020 SR'000	2019 SR'000
Bank balances	31,122	66,303
Cash in hand	472	637
Short-term deposits	-	40,139
	31,594	107,079

Short term deposits (conventional) were held with commercial banks and yield financing income at prevailing market rates. The annual interest on short-term deposits ranges from 0.70% to 2.4% per annum (2019: 1.5% to 2.5% per annum). Total finance income on short-term deposits amounted to SR 0.35 million (2019: SR 1.7 million).

24 SHARE CAPITAL

The authorised paid up share capital of the Company as at 31 December 2020 and 2019 was comprised of 60,000,000 shares stated at Saudi Riyals 10 per share.

25 STATUTORY RESERVE

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's by-laws the Company is required to transfer 10% of the net profit for the year to a statutory reserve until such reserve equals 30% of its share capital. This reserve currently is not available for distribution to the shareholders of the Company. No such transfer was made during the year due to net loss for the year.

At 31 December 2020, the Board of Directors resolved to transfer the statutory reserves in order to absorb the accumulated losses of the Group therefore, balance was transferred in full to the accumulated losses.

26 MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name	Principal activities	Country of incorporation	2020	2019
SARL Red Sea Housing Services Algeria Limited ("RSA")	Rental/sales of non -concrete building	Algeria	2%	2%
Premier Paints Company ("PPC")	Manufacturing and trading paints	Saudi Arabia	19%	19%

The summarised financial information of the above subsidiaries provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss and other comprehensive income:

	31 December 2020 SR'000		31 December 2019 SR'000		
	RSA	PPC	RSA	PPC Restated (Note 1.1 & 40)	RSHM (Note 26.1)
Revenues	5,851	26,178	7,882	43,597	1,683
Loss for the year	(1,992)	(18,860)	(801)	(14,904)	(12,623)
Other comprehensive (loss)/income	-	108	-	(2,091)	109
Total comprehensive loss	(1,992)	(18,752)	(801)	(16,995)	(12,514)
Attributable to non-controlling interests	(40)	(3,564)	(16)	(3,229)	(1,251)

At 31 December 2020

26 MATERIAL PARTLY-OWNED SUBSIDIARIES (continued)*Summarised statement of financial position:*

	<i>31 December 2020</i>		<i>31 December 2019</i>		<i>1 January 2019</i>	
	<i>SR'000</i>		<i>SR'000</i>		<i>SR'000</i>	
	<i>RSA</i>	<i>PPC</i>	<i>RSA</i>	<i>PPC</i>	<i>RSA</i>	<i>PPC</i>
		<i>Restated</i>		<i>Restated</i>		<i>Restated</i>
		<i>(Note 40)</i>		<i>(Note 40)</i>		<i>(Note 40)</i>
Current assets	13,962	9,419	10,598	20,438	9,684	17,046
Current liabilities	(2,971)	(31,987)	(3,159)	(30,188)	(3,096)	(28,268)
Net current assets/(liabilities)	10,991	(22,568)	7,439	(9,750)	6,588	(11,222)
Non-current assets	11,995	8,127	17,503	10,316	18,968	11,005
Non-current liabilities	-	(53,559)	-	(50,296)	-	(32,423)
Net non-current assets/(liabilities)	11,995	(45,432)	17,503	(39,980)	18,968	(21,418)
	<i>31 December 2020</i>		<i>31 December 2019</i>			
	<i>SR'000</i>		<i>SR'000</i>			
	<i>RSA</i>	<i>PPC</i>	<i>RSA</i>	<i>PPC</i>	<i>RSHM</i>	
				<i>Restated</i>		
				<i>(Note 40)</i>	<i>(Note 26.1)</i>	
Cash flows (used in)/from operating activities		5,468	(2,257)	997	(15,072)	(11,367)
Cash (used in) /from investing activities		(3,838)	(47)	(197)	(124)	(39)
Cash from/(used in) financing activities		-	2,431	-	15,391	11,070
Net increase/(decrease) in cash and cash equivalents		1,630	127	800	195	(336)

26.1 The Summarised statement of profit or loss and other comprehensive income for RSHM is presented as discontinued operations (refer note 1 for further details).

27 INTEREST BEARING LOANS AND BORROWINGS

	<i>2020</i>	<i>2019</i>
	<i>SR'000</i>	<i>SR'000</i>
Interest bearing short-term borrowings (note 27.1)	79,273	120,922
Current portion of long-term borrowings (note 27.2)	26,365	42,691
Total short-term and current portion of long-term borrowings	105,638	163,613
Non-current portion of long-term borrowing (note 27.2)	36,608	43,939
Total borrowings	142,246	207,552

27.1 At 31 December 2020 and 2019, short-term borrowings represent bank loans obtained from various commercial banks and bear financial charges at prevailing market rates which are based on Saudi and UAE inter-bank offer rates. These borrowings are denominated in SR. Total unused credit facilities available to the Group at 31 December 2020 were approximately SR 63.0 million (2019: SR 92.8 million) principally representing overdrafts, short-term loans and re-financing of invoices and letters of credit. Certain credit facility agreements contain covenants requiring maintenance of certain financial ratios and other matters and are secured by promissory notes, inventories and assignment of contract proceeds.

At 31 December 2020

27 INTEREST BEARING LOANS AND BORROWINGS (continued)

27.2 Long term borrowing represents loans obtained from commercial banks mainly in the Kingdom of Saudi Arabia. These borrowings are denominated in SR and generally bear financial charges based on prevailing market rates which are based on inter-bank offer rates. The aggregate maturities of these borrowings, based on their respective repayment schedules, are spread through the years until 2023. The portion of the loan payable before 1 January 2021 has been classified under current liabilities. The facilities are subject to interest at SIBOR plus a fixed margin between 1.25% and 2.00% for these loans. These loans are principally secured by promissory notes and assignment of contract proceeds. The long-term borrowing agreements contain covenants requiring maintenance of certain financial ratios, lenders' prior approval for change in ownership structure of the Company, retention of a certain proportion of profits in the business and certain other matters, of which the Group was in compliance with at the reporting date.

27.3 Following are the combined aggregate amounts of future maturities of the principal amounts of the term loans:

	2020 SR'000	2019 SR'000
2020	-	163,613
2021	105,638	25,510
2022	31,465	13,286
2023	5,143	5,143
	142,246	207,552

27.4 Following are the major categories of the borrowings of the parent company and its subsidiaries at the reporting date:

	<i>Red Sea International Company</i>	<i>Premier Paints Company</i>	<i>Total</i>
	SR ' 000		
Conventional borrowings	62,259	9,273	71,532
Tawarruq	70,714	-	70,714
At 31 December 2020	132,973	9,273	142,246
Conventional borrowings	101,893	10,923	112,816
Murabaha	8,736	-	8,736
Tawarruq	86,000	-	86,000
At 31 December 2019	196,629	10,923	207,552

Premier Paints Company's ("PPC") short-term loan agreement is subject to covenant clauses, whereby the PPC is required to meet certain key financial ratios. PPC did not maintain the required tangible net worth ratio as defined in the facility agreement however, the loan is secured by corporate guarantee issued by the shareholders of PPC. The outstanding balance is presented as a current liability as at 31 December 2020 and does not have any impact on the consolidated financial statements of the Group .

28 EMPLOYEES' DEFINED BENEFIT LIABILITIES

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

	2020	2019
Discount rate	1.6%	2.8%
Expected rate of salary increase	4.0%	4.0%
Retirement period	60 years	60 years

At 31 December 2020

28 EMPLOYEES' DEFINED BENEFIT LIABILITIES (continued)

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

	2020 SR'000	2019 SR'000
Current service cost	4,266	2,890
Interest cost on benefit obligation	842	1,116
Net benefit expense	5,108	4,006

28.2 Changes in the present value of defined unfunded benefit obligation is as follows:

	2020 SR'000	2019 SR'000
At the beginning of the year	34,495	38,025
Net benefit expense	5,108	4,006
Benefits paid	(8,000)	(11,906)
Remeasurement loss on employees' defined benefit liabilities	1,394	4,370
At the end of the year	32,997	34,495

28.3 Remeasurement loss on employees' defined benefit liabilities arose due to the followings:

	2020 SR'000	2019 SR'000
Actuarial gains arising from changes in demographic assumptions	-	(79)
Actuarial losses arising from changes in financial assumptions	2,515	1,418
Experience adjustments	(1,121)	3,031
At the end of the year	1,394	4,370

28.4 Breakup of the employee benefit obligations by geographic segment:

	Saudi Arabia SR'000	UAE SR'000	Ghana SR'000	Papua New Guinea SR'000	Algeria SR'000	Other SR'000	Total SR'000
2020	19,723	8,153	4,438	-	362	321	32,997
2019	18,074	8,783	5,043	1,617	317	661	34,495

28.5 The quantitative sensitivity analysis for significant assumptions as at the reporting date is as follows:

	Increase/ (decrease)	2020 SR '000	2019 SR '000
Discount rate	1.00% (1.00%)	(1,978) 2,187	(1,959) 2,187
Expected rate of salary increase	1.00% (1.00%)	2,000 (1,846)	2,021 (1,842)
Retirement age	1 Year (1 Year)	(703) 907	(1,559) 1,650

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.

At 31 December 2020

28 EMPLOYEES' DEFINED BENEFIT LIABILITIES (continued)

28.6 The following payments are expected contributions to the defined benefit plan in future years:

	2020 SR '000	2019 SR '000
Within the next 12 months (next annual reporting period)	4,575	4,848
Between 2 and 5 years	10,724	11,947
Over 5 years	21,419	24,492
Total expected payments	36,718	41,287

The average duration of the defined benefit plan obligation at the end of the reporting period is 6.7 years (31 December 2019: 6.1 years).

During the year, the Group have contributed SR 1.4 million (2019: SR 1.5 million) into the general organisation of social insurance ("GOSI") for its Saudi national staff.

29 OTHER NON CURRENT LIABILITIES

Other non-current liabilities represents the provision for decommissioning costs related to liabilities for restoration work or land restoration required for dismantling of investment properties used to generate rental revenue. The expected dates for usage at the provision are spread in years 2019 through 2026. Movement in the provision for decommissioning costs was as follows:

	2020 SR'000	2019 SR'000
At the beginning of the year	26,236	26,628
Unwinding of discount charge for the year	667	661
Amount utilised during the year	(1,511)	(1,053)
At the end of the year	25,392	26,236
Less: current portion (note 31)	(317)	(8,918)
	25,075	17,318

30 TRADE PAYABLES

	31 December 2020 SR'000	31 December 2019 SR'000	1 January 2019 SR'000 Restated (Note 40)
Trade accounts payables	136,617	77,254	60,430
Due to related parties (note 33)	1,543	1,800	606
	138,160	79,054	61,036

30.1 Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-45 day terms
- For terms and conditions with related parties, refer to Note 33.

Red Sea International Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

31 ACCRUALS AND OTHER LIABILITIES

	2020 SR'000	2019 SR'000
Accrual for project operation and catering costs	110,018	64,066
Employee salaries and benefits	16,276	12,846
Accrued consultancy charges	9,778	677
Accrued indirect taxes	7,461	5,876
Provision for assurance type warranties	765	1,154
Provision for decommissioning costs (note 29)	317	8,918
Payable against acquisition of a subsidiary	-	724
Other accrued expenses	34,079	17,828
	178,694	112,089

32 ZAKAT AND INCOME TAX

The major components of zakat and income tax expense for the year ended 31 December 2020 and 2019 are:

Consolidated statement of profit or loss

	2020 SR'000	2019 SR'000
Zakat	8,664	5,500
Income tax expense	-	(958)
	8,664	4,542

32.1 Movement in zakat and income tax for the year was as follows:

	Zakat	Current tax	Total	Zakat	Current tax	Total
	31 December 2020 SR '000			31 December 2019 SR '000		
At the beginning of the year	18,719	4,257	22,976	21,575	4,954	26,529
Current year (credit)/provision	8,664	-	8,664	5,500	(194)	5,306
Transfer on disposal of a subsidiary	-	(890)	(890)	-	-	-
Payments during the year	(6,733)	(48)	(6,781)	(8,356)	(503)	(8,859)
At 31 December	20,650	3,319	23,969	18,719	4,257	22,976

32.2 Zakat

(i) Zakat charge for the year consist of :

	2020 SR'000	2019 SR'000
Charge for the year	5,100	5,500
Prior period adjustment	3,564	-
	8,664	5,500

The provision for the year is based on zakat base of the Company and its wholly owned Saudi subsidiaries as a whole and individual zakat base of other Saudi subsidiaries.

The significant components of the Company's zakat base are comprised of shareholders' equity at the beginning of the year, provisions at the beginning of the year, long-term borrowings and adjusted net profit or loss, less deductions for the net book value of property, plant and equipment and investment properties and certain other items.

At 31 December 2020

32 ZAKAT AND INCOME TAX (continued)**32.2 Zakat (continued)****(ii) Status of assessments (continued)**

The status of assessments of the Company including its wholly owned subsidiaries and major partially owned subsidiaries are as follows:

a) The Company and its wholly owned subsidiaries

The zakat assessments of the Company and its wholly owned Saudi subsidiaries as a whole have been agreed with the General Authority of Zakat and Tax ("the GAZT") up to 2010. The zakat declarations until years 2019 have been filed with the GAZT. However, the assessments have not yet been raised by the GAZT from 2011 through 2013 and for the years 2018 and 2019.

During the year, the General Authority of Zakat and Income Tax ("GAZT") had issued an assessment for the years 2014 through 2017 amounting to SR 67.1 million for the Company and its wholly owned subsidiaries. The Company filed an appeal against the GAZT assessment for the said period. However, the parent Company maintains sufficient provision in the books to account for any liability arising upon the ultimate resolution of these issued assessment.

b) Partially owned subsidiaries*Premier Paints Company*

During 2019, PPC received a revised additional zakat assessment from the GAZT for the years 1999 to 2014 amounting to SR 2.6 million. The Company has filed an appeal against the assessment, which is pending with the relevant authority. However, the Company maintains sufficient provision in the books to account for any liability arising upon the ultimate resolution of these additional assessments.

Zakat base and the income tax provision have been computed based on the Company's understanding of zakat and income tax regulations prevailing in the Kingdom of Saudi Arabia. The zakat and income tax regulations in Saudi Arabia are subject to different interpretations and the assessments to be raised by the GAZT could be different from the declarations filed by the Company.

32.3 Income Tax**(i) The income tax (credit) for the year consist of:**

	2020 SR '000	2019 SR '000
Current year provision	-	799
Adjustment related to prior year	-	(993)
	-	(194)

Income tax provision is provided for in accordance with fiscal authorities in which the Group's subsidiaries operate outside the Kingdom of Saudi Arabia. No income tax provided during the year due to the taxable losses.

(ii) Reconciliation of income tax expense

	2020 SR '000	2019 SR '000
Income tax at statutory tax rate of 20%	-	509
Adjustments for the foreign income tax	-	290
Income tax expense	-	799

(iii) Status of assessments

The status of assessments of the major foreign subsidiaries are as follows:

Red Sea Housing Services (Ghana) Limited ("RSG")

Income tax assessments have been agreed with the Ghana Revenue Authority ("the GRA") up to the year ended 31 December 2010. The company received tax assessment for years from 2011 to 2016 amounting to SR 4.7 million. The company filed an appeal against this amount and settled SR 1.5 million in 2018, however the assessment yet to be finalised. The company is currently under a tax audit for the 2017-2020 years of assessment. The income tax return for year ended 31 December 2019 have been filed with the GRA. However, the final assessment has not yet been raised.

At 31 December 2020

32 ZAKAT AND INCOME TAX (continued)**32.4 Deferred Tax**

The Group has not recognized net deferred tax asset of SR 13.8 million (2019: SR 22.1 million) due to uncertainty over recoverability of such deferred tax asset in the near future.

33 RELATED PARTY TRANSACTIONS AND BALANCES

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

Related parties principally comprise at Dabbagh Group Holding Company Limited and its affiliated entities (collectively the "Dabbagh Group"), majority shareholder of the Company, and the Group's minority shareholders and their affiliated entities.

The Group in the normal course of business carries out transactions with various related parties. Amounts due from/to related parties are shown under accounts receivable and account payable, respectively. Pricing policies and terms of these transactions are approved by the Company's management. Amounts due from and due to related parties are unsecured and settled in cash between the parties.

33.1 Significant transactions with related parties' included in the consolidated statement of profit and loss are as follows:

	2020	2019
Nature of transaction	SR'000	SR'000
Expenses paid on behalf of associates	3,547	-
Other income	938	-
Payment for land rentals	883	883
Expenses paid by the ultimate parent company on behalf of the Group	338	-
Payment against insurance premium	-	197

33.2 The breakdown of the amounts due from and due to related parties are as follows:*Amount due from related parties presented under prepayments and other receivables*

	2020	2019
	SR'000	SR'000
Petromin Corporation (note 22)	13,767	15,706
Red Sea Housing Malaysia SDN BHD (note 22)	8,875	-
	22,642	15,706

Amount due to related parties presented under trade payables

	31 December 2020 SR'000	31 December 2019 SR'000 Restated (Note 40)	1 January 2019 SR'000 Restated (Note 40)
Dabbagh Group Holding Company Limited (note 30)	784	546	606
National Scientific Company (note 30)	15	-	-
Sherwin-Williams Protective and Marine Coatings (note 30)	744	1,254	-
	1,543	1,800	606

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

33 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Remuneration and compensation for members of Board of Directors and Executives are as follows:

	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
	<i>Members of</i>		<i>Key</i>	
	<i>Board of Directors</i>		<i>Management</i>	
Short-term employee benefits	-	-	8,974	8,519
End-of service employee benefits	-	-	323	323
Board of directors' fees	1,202	804	-	-
	1,202	804	9,297	8,842

34 CONTINGENCIES AND COMMITMENTS

As at 31 December 2020, the Group had capital commitments of SR 1.5 million (2019: SR 4.8 million). Also at December 31 the Group had the following outstanding contingencies:

	<i>2020</i>	<i>2019</i>
	<i>SR'000</i>	<i>SR'000</i>
Letters of guarantee	97,139	88,551
Letters of credit	347	6,110

35 OPERATING LEASES

The Group leased out various residential houses under operating lease agreements. Rental income from such leases for the year ended 31 December 2020 amounted to SR 189.6 million (2019: SR 211.7 million).

Operating leases for rental income with terms expiring within one year and in excess of one year are as follows:

	<i>2020</i>	<i>2019</i>
	<i>SR'000</i>	<i>SR'000</i>
Within one year	187,000	149,000
After one year but not more than five	240,000	43,000
	427,000	192,000

36 SEGMENTAL INFORMATION

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

- Manufacturing and sale of non-concrete residential and commercial buildings ("Non-concrete residential and commercial buildings");
- Rentals from investment properties; and
- Manufacturing and sale of paints and related services ("Paints and related services")

The Board of directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on income and is measured consistently in the consolidated financial statements.

The following tables present revenue and profit information for the Group's operating segments, excluding RSHM and RSHP (disclosed as discontinued operations (note 1.1)), for the years ended 31 December 2020 and 2019, respectively:

Business segments

	31 December 2020				31 December 2019			
	Non-concrete residential and commercial buildings	Rentals from investment properties	Paints and related services	Total segments	Non-concrete residential and commercial buildings (Note 1.1)	Rentals from investment properties	Paints and related services	Total segments
	SR '000				SR '000			
							Restated (Note 1.1 & 40)	Restated (Note 1.1 & 40)
Revenue:								
Total segment revenue	319,405	189,639	26,177	535,221	352,234	211,685	43,598	607,517
Inter-segment revenue elimination	-	-	(1,701)	(1,701)	-	-	(1,451)	(1,451)
Revenue from external customers	319,405	189,639	24,476	533,520	352,234	211,685	42,147	606,066
Timing of revenue recognition:								
At point in time	190,720	-	24,476	215,196	310,701	-	42,147	352,848
Over time	128,685	189,639	-	318,324	41,533	211,685	-	253,218
	319,405	189,639	24,476	533,520	352,234	211,685	42,147	606,066
(Loss)/profits before finance cost, finance income, depreciation & amortization and zakat and income tax	(103,064)	67,358	(16,503)	(52,209)	(23,199)	74,090	(8,997)	41,894
Impairment			(8,234)	(8,234)	-	-	(4,962)	(4,962)
Finance cost	(5,445)	(5,689)	(2,528)	(13,662)	(4,083)	(4,439)	(6,178)	(14,700)
Finance income	350	-	-	350	1,688	-	-	1,688
Depreciation & amortisation	(22,227)	(53,029)	(4,451)	(79,707)	(25,532)	(58,967)	(4,231)	(88,730)
(Loss)/profit before zakat and income tax	(130,386)	8,640	(31,716)	(153,462)	(51,126)	10,684	(24,368)	(64,810)
Income tax	-	-	-	-	889	69	-	958
Zakat	(4,538)	(4,741)	615	(8,664)	(2,686)	(2,814)	-	(5,500)
Segment (loss)/profit from continued operations	(134,924)	3,899	(31,101)	(162,126)	(52,923)	7,939	(24,368)	(69,352)

At 31 December 2020

36 SEGMENTAL INFORMATION (continued)

The following table presents assets and liabilities information for the Group's operating segments at the reporting date:

	At 31 December 2020				At 31 December 2019			
	Non-concrete residential and commercial buildings	Rentals from investment properties	Paints and related services	Total segments	Non- concrete residential and commercial buildings	Rentals from investment properties	Paints and related services	Total segments
	SR '000				SR '000			
							Restated (Note 1.1 & 40)	Restated (Note 1.1 & 40)
Total assets	500,664	523,085	17,344	1,041,093	542,966	568,725	41,075	1,152,766
Total liabilities	412,515	175,189	32,563	620,267	398,303	137,467	31,254	567,024

During the year ended 31 December 2020, approximately 67% of the total revenues from non-concrete residential and commercial buildings segment were derived from 7 customers (2019: approximately 38% from 4 customers). During the year, approximately 60% of the total revenues from rental segment were derived from 3 customers (2019: approximately 55% from 3 customers).

The Group's operations are conducted in Saudi Arabia, UAE, Ghana, Algeria, Malaysia and certain other locations. The following tables present revenue and profit information for the Group's geographical segments for the year, which is based on the locations of the customers.

	31 December 2020					
	Saudi Arabia	UAE	Ghana	Algeria	Others	Total
	SR '000					
Total segment revenue	396,099	112,562	22,642	5,850	2,886	540,039
Inter-segment revenue elimination	(1,701)	(4,818)	-	-	-	(6,519)
Revenue from external customers	394,398	107,744	22,642	5,850	2,886	533,520
Segment loss from continued operations	(96,109)	(52,806)	(16,295)	(2,866)	5,950	(162,126)
	31 December 2019					
	Saudi Arabia	UAE	Ghana	Algeria	Others	Total
	SR '000					
	Restated (Note 40)					Restated (Note 40)
Total segment revenue	445,153	129,072	32,269	7,882	9,412	623,788
Inter-segment revenue elimination	(1,451)	(16,254)	(17)	-	-	(17,722)
Revenue from external customers	443,702	112,818	32,252	7,882	9,412	606,066
Segment loss from continued operations	(39,439)	(11,751)	(13,496)	(1,896)	(2,770)	(69,352)

At 31 December 2020

36 SEGMENTAL INFORMATION (continued)**31 December 2020**

	<i>Saudi Arabia</i>	<i>UAE</i>	<i>Ghana</i>	<i>Algeria</i>	<i>Others</i>	<i>Total</i>
	<i>SR '000</i>					
Non-current assets						
Investment in an associate	-	10,146	-	-	-	10,146
Property, plant and equipment	31,990	33,663	21,887	3,255	185	90,980
Investment properties	345,230	1,803		8,002	1,232	356,267
Intangible assets	3,294	920	8	8	-	4,230

Total assets and liabilities

Total assets	759,577	164,219	80,378	25,956	10,963	1,041,093
Total liabilities	494,941	108,764	12,630	2,971	961	620,267

31 December 2019

	<i>Saudi Arabia</i>	<i>UAE</i>	<i>Ghana</i>	<i>Papua New Guinea</i>	<i>Algeria</i>	<i>Others</i>	<i>Total</i>
	<i>SR '000</i>						
Non-current assets							
Investment in an associate	-	12,863	-	-	-	-	12,863
Property, plant and equipment	39,219	36,543	23,528	6,790	412	1,541	108,033
Investment properties	356,931	2,112	-	909	16,243	1,366	377,561
Intangible assets	12,827	1,612	33	24	12	-	14,508

Total assets and liabilities

Total assets	791,640	190,029	97,243	40,314	28,100	5,440	1,152,766
Total liabilities	446,366	95,796	12,280	7,963	3,159	1,460	567,024

At 31 December 2020

37 FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, and cash and short-term deposits that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management regularly review the policies and procedures to ensure that all the financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Group does not engage into any hedging activities. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

37.1 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: commission rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings and short-term deposits.

37.1 (a) 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 Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The interest rate risk is partially mitigated by interest income, which Company earns at floating interest rates from its bank deposits.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit/loss before tax is affected through the impact on floating rate borrowings, as follows:

	<i>Increase/ (Decrease) in basis points</i>	<i>Effect on profit/(loss) before tax</i>
		<i>SR '000</i>
2020	-100	(481)
	+100	481
2019	-100	(779)
	+100	779

37.1 (b) Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group's financial assets and liabilities are not exposed to price risk.

37.1 (c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries and associates. The Group did not undertake significant transactions in currencies other than Saudi Riyals (SR), US Dollars (US \$), UAE Dirhams ("AED"), Australian Dollars ("AUD"), Papua New Guinea Kina ("PGK"), Omani Riyals ("OMR") and Malaysia Ringgit ("MYR") during the year. As SR is pegged to US \$ and AED, the management of the Group believes that the currency risk for financial instruments denominated in US \$ and AED is not significant.

The Group is exposed to currency risk on transactions and balances in AUD, PGK, OMR and MYR. The Group manages currency risk exposure to the above currencies by continuously monitoring the currency fluctuations.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group also has investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. Currently, such exposures are mainly related to exchange rate movements between SR against PGK, AUD, OMR, MYR and certain other currencies are recorded as a separate component of shareholders' equity in the accompanying consolidated financial statements.

At 31 December 2020

37 FINANCIAL RISK MANAGEMENT (continued)**37.1 Market risk (continued)****37.1 (c) Foreign currency risk (continued)**

The following tables demonstrate the sensitivity to a reasonably possible change in the exchange rates of these currencies, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

Currency	2020		2019	
	Change in currency rate %	Effect on equity SR'000	Change in currency rate %	Effect on equity SR'000
PGK	10	847	10	3,235
OMR	10	150	10	176
MYR	10	-	10	100
LYD	10	19	10	89
MZN	10	22	10	33

37.2 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its bank balances, short-term deposits, accounts receivables and some other receivables as follows:

	2020 SR'000	2019 SR'000 Restated (Note 40)
Bank balances	31,122	66,303
Short-term deposits	-	40,139
Accounts receivable	215,983	248,961
Contract assets	43,764	44,294
Other receivables	45,069	34,500
	335,938	434,197

The Group seeks to manage its credit risk with respect to customers by setting credit periods for individual customers and monitoring outstanding receivables.

With respect to credit risks arising from the other financial assets of the Company, including bank balances and other receivables, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these assets.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance obtained from reputable banks and other financial institutions. At 31 December 2020, the Group had 4 customers (2019: 7) that owed it more than SR 10 million each and accounted for approximately 62% (2019: 58%) of all the receivables and contract assets outstanding.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed below. The Group does not hold collateral as security. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

At 31 December 2020

37 FINANCIAL RISK MANAGEMENT (continued)**37.2 Credit Risk (continued)**

Set out below is the information about the credit risk exposure at reporting date on the Group's accounts receivables:

	<i>Trade receivables</i>					<i>Total</i>
	<i>Current</i>	<i>< 30 days</i>	<i>30 - 60 days</i>	<i>61 - 90 days</i>	<i>> 91 days</i>	
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
31 December 2020	57,160	22,037	49,717	9,514	160,044	298,472
31 December 2019	121,296	43,827	17,646	6,685	140,565	330,019

Based on a provision matrix, the Group's expected credit losses at 31 December 2020 against its trade receivables exposed to credit risk amounted to SR 82.5 million (2019: SR 81 million). In 2020, the Group recognised an amount of SR 5.8 million as allowance for expected credit losses in its statement of profits or loss (2019 : SR 2.26 million).

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

37.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The cash flows, funding requirements and liquidity of Group companies are monitored on a centralised basis, under the control of the Group Treasury. The objective of this centralised system is to optimise the efficiency and effectiveness of the management of the Group's capital resources. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank borrowings. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group currently has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations.

37.3 (a) Excessive risk concentration

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 Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group'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. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels.

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

Year ended 31 December 2020

	<i>Less than 1</i>	<i>1 to 5 years</i>	<i>> 5 years</i>	<i>Total</i>
	<i>year</i>			
	<i>SR '000</i>			
Interest bearing loans and borrowin	105,173	38,338	-	143,511
Lease liabilities	14,058	27,641	18,382	60,081
Trade and other payables	154,436	-	-	154,436
	273,667	65,979	18,382	358,028

At 31 December 2020

37 FINANCIAL RISK MANAGEMENT (continued)**37.3 Liquidity risk (continued)****37.3 (a) Excessive risk concentration (continued)**

Year ended 31 December 2019

	<i>Less than 1 year</i>	<i>1 to 5 years</i>	<i>> 5 years</i>	<i>Total</i>
	SR'000			
Interest bearing loans and borrowings	168,412	45,992	-	214,404
Lease liabilities	12,830	41,244	24,799	78,873
Trade and other payables	75,676	-	-	75,676
Other liabilities	724	-	-	724
	257,642	87,236	24,799	369,677

37.4 Changes in liabilities arising from financing activities

	<i>Non-current portion of Interest bearing loans and borrowings</i>	<i>Current portion of interest bearing loans and borrowings</i>	<i>Short-term loans</i>	<i>Total</i>
	SR'000			
At 1 January 2019	85,418	48,805	90,500	224,723
Cash flows	(41,341)	(6,252)	30,422	(17,171)
Reclassifications	(138)	138	-	-
31 December 2019	43,939	42,691	120,922	207,552
Cash flows	(7,331)	(16,326)	(41,649)	(65,306)
31 December 2020	36,608	26,365	79,273	142,246

38 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholder.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

- "Total gearing ratio", determined as "total liabilities (current and non-current) divided by tangible net worth (equity as shown in the accompanying consolidated statement of financial position including, non-controlling interests less intangible assets)"
- "Leverage ratio", determined as "total borrowings (current and non-current) divided by equity (as shown in the accompanying consolidated statement of financial position, including non-controlling interests)"

During the year, the Group's strategy, which remained unchanged from last year, was to maintain total gearing ratio within 0.7 to 3.0 and leverage ratio within 0.5 to 1 (2019: total gearing ratio within 0.5 to 3 and leverage ratio within 0.2 to 1)

At 31 December 2020

39 FAIR VALUES OF FINANCIAL INSTRUMENTS

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- 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

Financial assets consist of cash and cash equivalents, accounts receivable, advances to suppliers, contract assets and other current assets which are measure at amortized cost. Financial liabilities consist of term loans, short term loan, advances from customers, accounts payable and some other current liabilities. Such assets and liabilities are subsequently measured using effective interest rate method. The management assessed that the fair values approximate their carrying values largely due to the short-term maturities of these financial instruments.

The management has assessed the fair value of non-current accounts receivables, other non-current assets, term loans and other non-current liabilities based on level 2 hierarchy, which is not materially different from their respective carrying values.

The following methods and assumptions were used to estimate the fair values:

- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the estimated losses of these receivables.
- The fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2020 was assessed to be insignificant.

40 RESTATEMENT OF COMPARATIVE FINANCIAL INFORMATION

During the year ended 31 December 2020, management of one of the subsidiaries, identified certain errors in relation to certain irregularities involving personnel of predecessor management. The management decided to correct such errors by restating each of the affected financial statement line items for the prior period. The impact of restatement was as follows:

Impact on statement of financial position (increase/(decrease)) :

	31 December 2019			1 January 2019		
	Previously reported	Adjustment SR '000	Restated	Previously reported	Adjustment SR '000	Restated
ASSETS						
Property, plant and equipment	136,007	(27,974)	108,033	159,121	(30,325)	128,796
Accounts receivables - current	218,687	(2,913)	215,774	-	-	-
	354,694	(30,887)	323,807	159,121	(30,325)	128,796
EQUITY						
Accumulated losses	(87,986)	(27,755)	(115,741)	(12,129)	(24,788)	(36,917)
Non-controlling interests	(10,756)	(6,510)	(17,266)	(13,458)	(5,814)	(19,272)
	(98,742)	(34,265)	(133,007)	(25,587)	(30,602)	(56,189)
LIABILITY						
Accounts payable	75,676	3,378	79,054	60,759	277	61,036

At 31 December 2020

40 RESTATEMENT OF COMPARATIVE FINANCIAL INFORMATION (continued)**Impact on statement of profit or loss:**

	31 December 2019		
	Previously reported	Adjustment	Reclassification (Note 1.1) SR '000
Revenue	641,081	(2,913)	(32,102)
Cost of sales	(589,392)	(453)	24,485
Gross profits	51,689	(3,366)	(7,617)
EXPENSES			
Selling and distribution expenses	(32,654)	(224)	791
General and administration expenses	(62,098)	(73)	2,563
Impairment of intangible assets	(4,962)	-	-
OPERATING LOSS	(48,025)	(3,663)	(4,263)
LOSS ATTRIBUTABLE TO:			
Equity holders of the parent company	(71,884)	(2,967)	-
Non-controlling interests	(3,414)	(696)	-
	(75,298)	(3,663)	-

Impact on earning per share:

	31 December 2019		
	Previously reported SR	Adjustment SR	Restated SR
LOSS PER SHARE:			
Basic and diluted losses per share attributable to the shareholders of the parent company	(1.20)	(0.05)	(1.25)

41 COVID-19 ASSESSMENT

The outbreak of novel coronavirus ("COVID-19") since early 2020 and its spread across mainland China and then globally caused disruptions to businesses and economic activities including the KSA. The World Health Organisation qualified COVID-19 as a pandemic, with governments issuing strict regulations and guidance for its populations and companies. It necessitated the Company to re-assess its judgments and the key sources of estimation applied to the annual financial statements for the year ended 31 December 2020.

During the year ended 31 December 2020, management has assessed the overall impact on the Company's operations and business aspects, and considered factors like effects on impact of decreased oil prices, margin squeeze and project delays and prolongation. Based on this assessment, no significant adjustments were required in the financial statements for the year ended 31 December 2020. However, in view of the ongoing uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and/or liabilities in future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

42 SUBSEQUENT EVENTS

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

At 31 December 2020

43 COMPARATIVE FIGURES

In addition to the restatement mentioned in the note 40, certain of the prior year amounts have been reclassified to conform to the presentation in the current year. The details for reclassification are as follows:

	<i>31 December 2019</i>		
	<i>Previously reported</i>	<i>Reclassification SR '000</i>	<i>Reclassified amount</i>
Trade receivables - non current	48,893	(15,706)	33,187
Prepayments and other receivables	39,426	15,706	55,132