

**Arabian Waterproofing Industries Company  
“Awazel” and its Subsidiaries  
(A Saudi Joint Stock Company)**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED 31 MARCH 2019**

Arabian Waterproofing Industries Company “Awazel” and its Subsidiaries  
(A Saudi Joint Stock Company)

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CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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**Independent auditor's report**  
**To the Shareholders of Arabian Waterproofing Industries Company "Awazel"**  
**(A Saudi Joint Stock Company)**

**Opinion**

We have audited the consolidated financial statements of Arabian Waterproofing Industries Company (A Saudi Joint Stock Company) (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of 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 March 2019 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.

**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.



## Independent auditor's report

To the Shareholders of Arabian Waterproofing Industries Company "Awazel"  
(A Saudi Joint Stock Company) (continued)

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

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

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



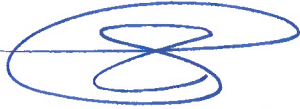
Independent auditor's report  
To the Shareholders of Arabian Waterproofing Industries Company "Awazel"  
(A Saudi Joint Stock Company) (continued)

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

- 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.

for Ernst & Young



Yousef A. AlMubarak  
Certified Public Accountant  
License No. 427



Riyadh: 18 Muhurram 1441H  
(17 September 2019)

Arabian Waterproofing Industries Company “Awazel” and its Subsidiaries  
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	31 March 2019 SR	31 March 2018 SR
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	76,546,679	81,499,242
Investment properties	7	33,257,004	33,941,479
Available-for-sale investments	8	-	29,536
Investments at fair value through other comprehensive income	8	34,287	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>109,837,970</b>	<b>115,470,257</b>
<b>CURRENT ASSETS</b>			
Prepayments and other receivables	9	11,839,757	13,083,185
Inventories	10	55,727,370	59,745,463
Accounts receivable	11	118,171,915	130,581,514
Cash and cash equivalents	12	142,738,213	129,699,027
<b>TOTAL CURRENT ASSETS</b>		<b>328,477,255</b>	<b>333,109,189</b>
<b>TOTAL ASSETS</b>		<b>438,315,225</b>	<b>448,579,446</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	13	272,999,780	272,999,780
Statutory reserve	14	21,932,699	19,502,613
Contractual reserve	15	45,541,648	43,111,562
Fair value reserve for FVOCI / AFS		11,461	6,710
Foreign currency translation reserve		67,156	63,283
Retained earnings		42,452,176	57,120,137
<b>Equity attributable to equity holders of the Parent</b>		<b>383,004,920</b>	<b>392,804,085</b>
Non-controlling interests	17	2,062,354	3,188,089
<b>TOTAL EQUITY</b>		<b>385,067,274</b>	<b>395,992,174</b>
<b>NON-CURRENT LIABILITY</b>			
Employees’ end-of-service benefits	18	14,312,722	13,526,665
<b>CURRENT LIABILITIES</b>			
Zakat payable	20	9,135,290	9,493,424
Accrued expenses and other liabilities	21	17,047,347	16,944,085
Accounts payable	22	12,752,592	12,623,098
<b>TOTAL CURRENT LIABILITIES</b>		<b>38,935,229</b>	<b>39,060,607</b>
<b>TOTAL LIABILITIES</b>		<b>53,247,951</b>	<b>52,587,272</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>438,315,225</b>	<b>448,579,446</b>

The attached notes from 1 to 29 form an integral part of these consolidated financial statements.

Arabian Waterproofing Industries “Awazel” Company and its Subsidiaries  
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019

	<i>Notes</i>	<b>2019</b> SR	<b>2018</b> SR
Sales		<b>239,584,364</b>	266,962,759
Cost of sales		<b>(168,749,045)</b>	(185,360,991)
<b>GROSS PROFIT</b>		<b>70,835,319</b>	81,601,768
Selling and distribution expenses	23	<b>(27,663,683)</b>	(26,655,607)
General and administrative expenses	24	<b>(19,293,209)</b>	(20,706,209)
<b>OPERATING PROFIT</b>		<b>23,878,427</b>	34,239,952
Finance costs	18	<b>(934,514)</b>	(781,457)
Other income, net	25	<b>7,699,135</b>	8,716,046
<b>PROFIT BEFORE ZAKAT</b>		<b>30,643,048</b>	42,174,541
Zakat	20	<b>(7,259,411)</b>	(9,190,478)
<b>NET PROFIT FOR THE YEAR</b>		<b>23,383,637</b>	32,984,063
<b>Attributable to:</b>			
Equity holders of the Parent		<b>24,300,863</b>	34,090,963
Non-controlling interests		<b>(917,226)</b>	(1,106,900)
		<b>23,383,637</b>	32,984,063

The attached notes from 1 to 29 form an integral part of these consolidated financial statements.

Arabian Waterproofing Industries Company “Awazel” and its Subsidiaries  
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	<i>Notes</i>	<b>2019</b> SR	<b>2018</b> SR
<b>NET PROFIT FOR THE YEAR</b>		<b>23,383,637</b>	32,984,063
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>To be reclassified to profit or loss in subsequent periods:</i>			
Fair value gain on available-for-sale investments	8	-	5,943
Foreign currency translation reserve		<b>4,247</b>	365,499
		<hr/>	<hr/>
Other comprehensive income to be reclassified to profit or loss in subsequent periods		<b>4,247</b>	371,442
<i>Not to be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement gain (loss) on end-of-service benefits	18	<b>979,386</b>	(805,534)
Fair value gain on FVOCI investments	8	<b>4,751</b>	-
		<hr/>	<hr/>
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods		<b>984,137</b>	(805,534)
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</b>		<b>988,384</b>	(434,092)
		<hr/>	<hr/>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>24,372,021</b>	32,549,971
		<hr/> <hr/>	<hr/> <hr/>
<b>Attributable to:</b>			
Equity holders of the Parent		<b>25,294,590</b>	33,649,473
Non-controlling interests		<b>(922,569)</b>	(1,099,502)
		<hr/>	<hr/>
		<b>24,372,021</b>	32,549,971
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The attached notes from 1 to 29 form an integral part of these consolidated financial statements.



Arabian Waterproofing Industries Company "Awazel" and its Subsidiaries  
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to equity holders of the Parent								
	Share capital SR	Statutory reserve SR	Contractual reserve SR	Fair value reserve for FVOCI/ AFS SR	Foreign currency translation reserve SR	Retained earnings SR	Total SR	Non- controlling interests SR	Total equity SR
<b>As at 31 March 2018, as previously stated</b>	272,999,780	19,502,613	43,111,562	6,710	63,283	57,120,137	392,804,085	3,188,089	395,992,174
Impact of IFRS 9 on opening balances (note 5)	-	-	-	-	-	(5,063,779)	(5,063,779)	(203,166)	(5,266,945)
As at 1 April 2018, as restated	272,999,780	19,502,613	43,111,562	6,710	63,283	52,056,358	387,740,306	2,984,923	390,725,229
Net profit (loss) for the year	-	-	-	4,751	-	24,300,863	24,300,863	(917,226)	23,383,637
Other comprehensive income (loss)	-	-	-	-	3,873	985,103	993,727	(5,343)	988,384
Total comprehensive income (loss)	-	-	-	4,751	3,873	25,285,966	25,294,590	(922,569)	24,372,021
Transfer to statutory reserve	-	2,430,086	-	-	-	(2,430,086)	-	-	-
Transfer to contractual reserve	-	-	2,430,086	-	-	(2,430,086)	-	-	-
Dividends (see notes 16)	-	-	-	-	-	(30,029,976)	(30,029,976)	-	(30,029,976)
<b>As at 31 March 2019</b>	<b>272,999,780</b>	<b>21,932,699</b>	<b>45,541,648</b>	<b>11,461</b>	<b>67,156</b>	<b>42,452,176</b>	<b>383,004,920</b>	<b>2,062,354</b>	<b>385,067,274</b>
<b>As at 1 April 2017</b>	272,999,780	16,093,517	75,192,437	767	(294,818)	55,208,201	419,199,884	4,287,591	423,487,475
Net profit (loss) for the year	-	-	-	-	-	34,090,963	34,090,963	(1,106,900)	32,984,063
Other comprehensive income (loss)	-	-	-	5,943	358,101	(805,534)	(441,490)	7,398	(434,092)
Total comprehensive income (loss)	-	-	-	5,943	358,101	33,285,429	33,649,473	(1,099,502)	32,549,971
Transfer to statutory reserve	-	3,409,096	-	-	-	(3,409,096)	-	-	-
Transfer to contractual reserve	-	-	3,409,096	-	-	(3,409,096)	-	-	-
Dividends (see note 15 and 16)	-	-	(35,489,971)	-	-	(24,555,301)	(60,045,272)	-	(60,045,272)
<b>As at 31 March 2018</b>	272,999,780	19,502,613	43,111,562	6,710	63,283	57,120,137	392,804,085	3,188,089	395,992,174

The attached notes from 1 to 29 form an integral part of these consolidated financial statements.

Arabian Waterproofing Industries Company “Awazel” and its Subsidiaries  
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Notes	2019 SR	2018 SR
<b>OPERATING ACTIVITIES</b>			
Profit before zakat		30,643,048	42,174,541
<i>Adjustments to reconcile income before zakat to net cash flows from operating activities:</i>			
Depreciation on property, plant and equipment	6	7,886,068	8,106,919
Provision for doubtful debts	11	5,775,602	4,418,187
Provision for employees’ end-of-service benefits	18	3,136,513	2,742,458
Provision for slow-moving inventories, net	10	187,760	2,315,769
Depreciation on investment properties	7	685,878	683,847
Gain on disposal of property, plant and equipment	25	(132,116)	(13,194)
		<u>48,182,753</u>	<u>60,428,527</u>
<i>Working capital adjustments:</i>			
Prepayments and other receivables		1,243,428	1,204,570
Inventories		3,830,333	(5,456,498)
Accounts receivable		1,412,332	16,423,131
Accrued expenses and other current liabilities		103,262	(13,591,746)
Accounts payable		129,494	4,295,116
		<u>54,901,602</u>	<u>63,303,100</u>
Net cash from operations		54,901,602	63,303,100
Zakat paid	20	(7,617,545)	(9,329,971)
Employees’ end-of-service benefits paid		(1,240,064)	(622,161)
		<u>46,043,993</u>	<u>53,350,968</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	6	(3,037,602)	(5,500,856)
Proceeds from sale of property, plant and equipment		233,842	620,859
		<u>(2,803,760)</u>	<u>(4,879,997)</u>
<b>FINANCING ACTIVITY</b>			
Dividends paid	16	(30,029,976)	(56,188,948)
		<u>(30,029,976)</u>	<u>(56,188,948)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>			
Cash and cash equivalents at the beginning of the year		129,699,027	137,040,864
Effect of exchange rate changes in cash and cash equivalents		(125,791)	376,140
IFRS 9 first time adoption ECL impact on short term deposits		(45,280)	-
		<u>142,738,213</u>	<u>129,699,027</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>			
	12	<u>142,738,213</u>	<u>129,699,027</u>
<i>Significant non-cash transactions:</i>			
IFRS 9 first time adoption ECL impact on accounts receivable	5	5,221,665	-
Re-measurement gain (loss) on end-of-service benefits	18	979,386	(805,534)
Change in fair value of FVOCI investment	8	4,751	-
IPO-related receivable from shareholders settled against dividend	16	-	3,856,324
Change in fair value of available-for-sale investment	8	-	5,943
		<u>-</u>	<u>5,943</u>

The attached notes from 1 to 29 form an integral part of these consolidated financial statements.

# Arabian Waterproofing Industries Company “Awazel” and its Subsidiaries (A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2019

### 1 CORPORATE INFORMATION

Arabian Waterproofing Industries Company “Awazel” (the “Company”) is a Saudi joint stock company, which was converted from a limited liability company on 15 Safar 1426H (corresponding to 25 March 2005). The Company commenced its operation on 14 Sha’aban 1401H (corresponding to 17 June 1981) under the Commercial Registration No. 1010039827. The Company has branches in Riyadh (Transport Branch), Jeddah and Dammam under Commercial Registration No. 1010431578, 4030045288 and 2050020686, respectively.

The Company and its subsidiaries are collectively referred to as the “Group”. The Group is engaged in the manufacturing of waterproofing products and heat insulation material and purchasing, processing and selling of stone and marble.

<i>Subsidiary</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Effective ownership as at</i>	
			<i>31 March 2019</i>	<i>31 March 2018</i>
Awazel International Company, LLC <sup>1</sup>	United Arab Emirates	Building and construction materials trading	99%	99%
Awazel Kuwait Company for Building Materials <sup>1</sup>	Kuwait	Building materials production	99%	99%
Awazel Qatar International Company <sup>1</sup>	Qatar	Production and sale of construction products	95%	95%
Advanced Membrane Company for Industry	Kingdom of Saudi Arabia	Production of waterproofing and temperature resistant materials out of various plastics.	90%	90%
Al Sultan Contracting Trading Company Limited <sup>2</sup>	Kingdom of Saudi Arabia	Building and maintenance of pipes, residential properties, airports, railways and sewage	80%	80%
Al Takamal Company for Marble Limited <sup>2</sup>	Kingdom of Saudi Arabia	Production and preparation of natural rocks including but not limited to marbles.	80%	80%

<sup>1</sup> Legally held by a shareholder of the Company and certain other individuals for the benefit of the Company.

<sup>2</sup> In December 2017, the Board of Directors of the Company approved the acquisition of additional 10% shares in these subsidiaries. The share-purchase agreement is yet to be completed as at reporting date.

# Arabian Waterproofing Industries Company “Awazel” and its Subsidiaries (A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2019

### 2 STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND CONSOLIDATION

These consolidated financial statements are the statutory financial statements of the Group for the year ended 31 March 2019.

#### 2.1 Statement of compliance

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

#### 2.2 Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income (“FVOCI”) and available for sale investments (“AFS”) that have been measured at fair value. The consolidated financial statements are presented in Saudi Riyals (“SR”) which is the functional currency of the Company and all values are rounded to the nearest SR, except when otherwise indicated.

#### 2.3 Basis of consolidation

These consolidated financial statements comprise the assets, liabilities and the results of operations of the Group. Subsidiaries are entities that are controlled by the Group. 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; and
- the ability to use its power over the investee to affect its returns.

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, 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 when the Group ceases to control the subsidiary.

Arabian Waterproofing Industries Company “Awazel” and its Subsidiaries  
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2019

**2 STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND CONSOLIDATION  
(continued)**

**2.3 Basis of consolidation (continued)**

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

***Changes in ownership interest in subsidiaries***

Changes in Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). In such circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the shareholder of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. Retained investment is recorded at fair value.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted are as follows:

***a. 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 classified as 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 after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

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

The Group classifies all other liabilities as non-current.

Arabian Waterproofing Industries Company “Awazel” and its Subsidiaries  
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2019

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**b. Fair value measurement**

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

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

The principal or the most advantageous market must be accessible by the 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 consolidated 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

For assets and liabilities that are recognized 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 categorization (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 and in the related notes.

**c. Revenue recognition**

*Sales Revenue*

The Group recognizes revenue when control of the products sold, transfers to the customer, which shall be considered in the context of a five-step approach and applying the applicable shipping terms.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue arrangements are assessed against specific criteria to determine whether the Group is acting as a principal or agent.

*Rights of return*

When a contract with a customer provides a right of return of the good within a specified period, the Group accounts for the right of return when requested by the customer and contractual conditions are met.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2019

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*c. Revenue recognition (continued)*

*Accounting policy until 31 March 2018*

Until the year ended 31 March 2018, the Group recognised revenue in accordance with IAS 18 “Revenue”. The prevailing principle of recognition of revenue was upon the sale of goods when significant risks and rewards of ownership of the goods have been passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods was measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

*Rental income*

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in other income in the consolidated statement of profit or loss.

*Finance income*

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as AFS or FVOCI, finance income is recorded using the effective interest rate (“EIR”). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in income in the consolidated statement of profit or loss.

*d. Zakat*

The Group is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax (“GAZT”) in the Kingdom of Saudi Arabia. Provision for zakat, if any, is accrued and zakat is charged to the consolidated statement of profit or loss. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

*e. Value-added tax (“VAT”)*

Revenues, expenses and assets are recognized net of the amount of VAT, except:

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

The net amount of VAT recoverable from or payable to the tax authority is classified as an asset or a liability respectively, in the consolidated statement of financial position.

*f. Foreign currencies*

The Group’s consolidated financial statements are presented in Saudi Riyal, which is also the 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.

*Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group’s entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2019

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*f. Foreign currencies (continued)*

*Transactions and balances (continued)*

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange ruling at the reporting date. All differences arising on settlement or translation of monetary items are taken to the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or 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 and other comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to consolidated statement of profit or loss.

*g. Dividends*

Final dividends are recognised as a liability at the time of their approval by the General Assembly. Interim dividends are recorded as and when approved by the Board of Directors.

*h. Accounts receivable*

After initial recognition, accounts receivables are stated at amortized cost (original invoice amount less allowance for any impairment). The Group recognizes an allowance for impairment for expected credit losses (“ECL”). Such impairment allowance is charged to profit or loss and reported under “General and administrative expenses”. When an account receivable is uncollectible, it is written-off against the impairment allowance. Any subsequent recoveries including recoveries of amounts previously written-off are credited against “General and administrative expenses” in consolidated statement of profit or loss.

*i. Property, plant and equipment*

Property, plant and equipment, excluding land and capital work in progress, are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in consolidated statement of profit or loss as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2019

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*i. Property, plant and equipment (continued)*

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

<i>Asset categories</i>	<i>Useful lives</i>
Land improvements	33 years
Buildings	33 years
Building improvements	33 years
Furniture and fixtures	4 to 10 years
Computer and IT equipment	4 years
Motor vehicles	4 years
Plant and equipment	4 to 15 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognized.

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

Land and Capital work in progress are carried at cost less accumulated impairment loss, if any.

Project under construction is stated at cost incurred until the asset is ready for its intended use, thereafter, this cost is capitalized on the related assets. This includes the cost of contractors, materials and services.

*j. Leases*

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

*Group as a lessee*

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the consolidated statement of profit or loss on a straight-line basis over the lease term.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2019

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*j. Leases (continued)*

*Group as a lessor*

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

*k. Investment properties*

Investment properties are measured at cost less accumulated depreciation and any accumulated impairment in value. Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in consolidated statement of profit or loss in the period of derecognition.

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

Depreciation is charged on straight-line basis over the estimated useful lives of 33 years. No depreciation is charged on land and land is carried at cost less accumulated impairment, if any.

*l. Financial instruments*

*Initial recognition*

The Group records a financial asset or a financial liability in its consolidated statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument.

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss (“FVTPL”) are expensed in profit or loss. In the case of financial assets or financial liabilities other than those at FVTPL, their fair value including transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount.

*Classification*

The Group classifies its financial assets under the following categories:

- FVTPL;
- Fair value through other comprehensive income (“FVOCI”); and
- Amortized cost

The Group measures financial asset at amortized cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. The Group classifies all financial liabilities as subsequently measured at amortized cost using the effective interest rate method except for financial liabilities at FVTPL. The Group designates a financial liability at FVTPL if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a group of financial liabilities is managed and its performance is evaluated on a fair value basis.

# Arabian Waterproofing Industries Company “Awazel” and its Subsidiaries (A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2019

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### l. Financial instruments (continued)

##### *Derecognition*

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

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (a) the Company 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 recognize the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. 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 profit or loss.

##### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the consolidated 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, or to realize the assets and settle the liabilities simultaneously.

#### m. Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

#### n. Inventories

Inventories are measured at the lower of cost and net realizable value with due allowance for any obsolete or slow-moving items. Cost is determined as follows:

Raw material	- purchase cost on a weighted average basis
Finished goods	- cost of direct materials and labour plus attributable overheads based on the higher of normal capacity or actual production for the period (on a weighted average basis)
Spare parts	- purchase cost, on a specific identification basis

Arabian Waterproofing Industries Company “Awazel” and its Subsidiaries  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2019

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*n. Inventories (continued)*

Cost includes expenditure incurred in acquiring the inventories and costs incurred in bringing them to their existing location and condition.

Net realizable value is based on estimated selling price less any further costs expected to be incurred on disposal.

*o. Impairment*

*Financial assets*

The Group records ECL on all its receivables using the simplified approach and records lifetime expected losses on all its receivables. The Group assesses, on a forward-looking basis, the expected credit losses associated with its financial assets carried at amortized cost. At each reporting date, the Group recognizes in its profit or loss the amount of the change in lifetime expected credit losses as an impairment loss or reversal thereof. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

*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 cash-generating unit's ("CGU") 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.

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

Impairment losses of continuing operations are recognized in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized 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 recognized 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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss. Impairment loss recognized against goodwill is not reversed subsequently.

*p. Cash and cash equivalents*

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, 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 (if any) as they are considered an integral part of the Group's cash management.

Arabian Waterproofing Industries Company “Awazel” and its Subsidiaries  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2019

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*q. Accounts payable and accruals*

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

*r. Provisions*

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that 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 recognized 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 recognized as a finance cost.

*s. Employees' end-of-service benefits*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group has end-of-service benefits which qualify as defined benefit plans.

The liability recognized in the consolidated statement of financial position in respect of defined benefit post-employment plans is the present value of the defined benefit obligation (“DBO”) at the reporting date.

DBO is re-measured on a periodic basis using the projected unit credit method. The present value of the DBO 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 net interest cost is calculated by applying the discount rate to the net balance of the DBO.

DBO cost for year is calculated on a year-to-date basis using the actuarially determined pension cost rate at the end of the prior year, adjusted for significant market fluctuations and for any significant one-off events, such as plan amendments, curtailments and settlements. In the absence of such significant market fluctuations and one-off events, the actuarial liabilities are rolled forward based on the assumptions as at the beginning of the year. If there are significant changes to the assumptions or arrangements during the year, consideration is given to re-measure such liabilities.

Re-measurement gains and losses arising from changes in actuarial assumptions are recognized in OCI in the period in which they occur. Remeasurement gains or losses are not reclassified to the consolidated statement of profit or loss in subsequent periods. Changes in the present value of the DBO resulting from plan amendments or curtailments are recognized immediately in the consolidated statement of profit or loss as past service costs.

*t. New and amended standards and interpretations*

A number of new and amended standards and interpretations were applicable to the Group’s consolidated financial statements for the first time during the current year. The Group has adopted all such new and amended standards and interpretations in the preparation of these consolidated financial statements. The nature and effect of the changes as a result of adoption of these standards and interpretations are described below.

# Arabian Waterproofing Industries Company “Awazel” and its Subsidiaries (A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2019

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### t. *New and amended standards and interpretations (continued)*

##### *IFRS 15 - “Revenue from Contracts with Customers”*

IFRS 15 supersedes International Accounting Standards (“IAS”) 11 - “Construction Contracts”, IAS 18 - “Revenue” and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. Management opted for a modified retrospective application of IFRS 15 which did not result in any adjustment to the consolidated financial statements of the Group as at 1 April 2018.

##### *Amendments to IFRS 1 - “First-time Adoption of IFRS” - Deletion of short-term exemptions for first-time adopters*

Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Group’s consolidated financial statements.

##### *Amendments to IFRS 2 - “Share-based Payment” - Classification and measurement of share-based payment transactions*

The IASB issued amendments to IFRS 2 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. These amendments are currently not relevant to the Group’s consolidated financial statements.

##### *Amendments to IFRS 4 - “Insurance Contracts” - Applying IFRS 9 with IFRS 4*

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 - “Insurance Contracts”, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are currently not relevant to the Group’s consolidated financial statements.

##### *Amendments to IAS 28 - “Investments in Associates and Joint Ventures” - Clarification that measuring investees at FVTPL is an investment-by-investment choice*

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at FVTPL. If an entity that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, then it may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate’s or joint venture’s interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments are currently not relevant to the Group’s consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2019

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*t. New and amended standards and interpretations (continued)*

*Amendments to IAS 40 - “Investment Property” - Transfers of investment property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management’s intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group’s consolidated financial statements.

*International Financial Reporting Interpretations Committee (“IFRIC”) 22 - “Foreign Currency Transactions and Advance Considerations”*

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This interpretation did not have any impact on the Group’s consolidated financial statements.

*u. New and amended standards and interpretations issued but not yet effective and not early adopted*

At the date of authorization of these consolidated financial statements, a number of new and amended accounting standards and interpretations were issued by the IASB but were not yet effective and not early adopted by the Group.

The Group is currently evaluating the impact that these new accounting standards, amendments and interpretations may have on the consolidated financial statements.

*IFRS 16 - “Leases”*

IFRS 16 was issued in January 2016 and it replaces IAS 17 - “Leases”, IFRIC 4 - “Determining Whether an Arrangement Contains a Lease”, Standards Interpretations Committee (“SIC”) 15 - “Operating Leases: Incentives” and SIC 27 - “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of low-value assets (e.g. personal computers) and short-term leases (i.e. leases with a term of 12 months or less). At the commencement date of the lease, a lessee will recognize a liability to make lease payments (i.e. lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use assets.

Lessees will also be required to re-measure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future payments resulting from a change in index or rate used to determine those payments). The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17. Management is currently evaluating the impacts that this new standard may have on the Group’s future consolidated financial statements.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2019

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *u. New and amended standards and interpretations issued but not yet effective and not early adopted (continued)*

##### *IFRS 17 - “Insurance Contracts”*

In May 2017, the IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

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

IFRS 17 is effective for annual periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is currently not applicable to the Group.

##### *Amendments to IFRS 9 - “Financial Instruments” - Prepayment feature with negative compensations*

Under IFRS 9, a debt instrument can be measured at amortized cost or at FVOCI, provided that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the “SPPI criterion”) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments should be applied retrospectively and are effective for annual period beginning on or after 1 January 2019, with earlier application permitted. These amendments currently have no impact on the Group’s consolidated financial statements.

##### *Amendments to IFRS 10 - “Consolidated Financial Statements” and IAS 28 - “Investments in Associates and Joint Ventures” - Sale or contribution of assets between an investor and its associate or joint venture*

These amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3 - “Business Combination”, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors’ interests in the associate or joint venture.

The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*u. New and amended standards and interpretations issued but not yet effective and not early adopted (continued)*

*Amendments to IAS 19 - “Employee Benefits” - Plan amendment, curtailment or settlement*

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment and settlement, using the actuarial assumptions used to re-measure the net defined benefit liability/asset reflecting the benefits offered under the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability/asset reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to re-measure that net defined benefit liability/asset.

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring during the annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

*Amendments to IAS 28 - “Investments in Associates and Joint Ventures” - Long-term interests in associates and joint ventures”*

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28.

The amendments should be applied retrospectively and are effective for annual periods beginning on or after 1 January 2019, with early application permitted. These amendments currently have no impact on the Group’s consolidated financial statements.

*IFRIC 23 - “Uncertainty over Income Tax Treatment”*

The interpretation addresses the accounting for income taxes when tax treatment involve uncertainty that affects the application of IAS 12 - “Income Taxes” and does not apply to taxes or levies outside of the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity make about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit/loss, tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date. Management believes that the interpretation will not have an impact on Group’s consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2019

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*u. New and amended standards and interpretations issued but not yet effective and not early adopted (continued)*

*Annual Improvements: 2015-2017 Cycle (Issued in December 2017)*

These improvements include:

- *IFRS 3 - “Business Combination”*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including re-measuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer re-measures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. The Group will apply this improvement to future business combinations.

- *IFRS 11 - “Joint Arrangements”*

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not re-measured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. This standard is currently not applicable to the Group.

- *IAS 12 - “Income Taxes”*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is being permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period. These amendments have no impact on the Group’s consolidated financial statements.

- *IAS 23 - “Borrowing Costs”*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. This standard is currently not applicable to the Group.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2019

**4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

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

In the process of applying the Group’s accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements. 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 discussed below.

***Provision for expected credit losses of accounts receivables***

*Applicable from 1 April 2018*

The Group uses a provision matrix to calculate ECLs for accounts receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

At the reporting date, the gross accounts receivable (including due from related parties) was SR 141.7 million (31 March 2018: SR 143.1 million) and the provision for expected credit losses was estimated at SR 23.5 million (31 March 2018: provision for doubtful debts amounting to SR 12.5 million).

*Applicable before 1 April 2018*

An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

***Impairment of inventories***

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts 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.

***Impairment of non-financial assets***

Impairment exists when the carrying value of an asset or CGU 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, conducted at arm’s length, for similar assets or observable market prices less incremental costs of disposing of the asset.

The value in use calculation is based on a Discounted Cash Flow (“DCF”) model, if applicable. 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.

***End-of-service benefit plans***

The cost of employees’ defined benefit obligation and other post-employment benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2019

**4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

***Contingent liabilities***

The Group is exposed to various contingent liabilities in the normal course of business. Management evaluates the status of these exposures on a regular basis to assess the probability of the Group incurring related liabilities. However, provisions are only made in the consolidated financial statements where, based on the managements' evaluation, a present obligation has been established.

***Economic useful lives of property, plant, 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 Group 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

***Going concern***

Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

**5 CHANGES IN ACCOUNTING POLICIES**

Effective 1 April 2018, the Group has applied two new significant accounting standards, International Financial Reporting Standard 9 'Financial Instruments' ("IFRS 9") and IFRS 15 'Revenue from Contracts with Customers' ("IFRS 15").

***Adoption of IFRS 9 and its related impacts***

The Group has adopted IFRS 9 and has opted for the modified retrospective approach for the adoption without changing the comparative financial information presented. The difference between the carrying amounts of the financial assets resulting from adopting IFRS 9 are recognised in retained earnings and other reserves as at 1 April 2018. Accordingly, the comparative information presented does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for current year under IFRS 9. The financial liabilities are not affected.

The following assessments have been made based on the facts and circumstances at the date of initial application:

- The determination of the business model within which a financial asset is held
- The designation and revocation of previous designated financial assets as measured at Fair Value through Income Statement ("FVIS")
- The designation of certain investments in equity instruments not held for trading as FVOCI
- The designation of debt instruments as financial assets at amortised cost

Details of the significant changes that have occurred due to the adoption of IFRS 9 by the Group effective 1 April 2018 are set out below:

***Classification of financial assets and liabilities***

- i) Assets – Similar to IAS 39, - "Financial Instruments: Recognition and Measurement", the Group's significant financial assets i.e. accounts receivable, cash and cash equivalents, will continue to be held at amortized cost under IFRS 9. The available-for-sale investment has been reclassified as investment held at FVOCI.
- ii) Liabilities – There has been no change to the classification of financial liabilities due to IFRS 9 and these continue to be held at amortized cost.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2019

**5 CHANGES IN ACCOUNTING POLICIES (continued)**

***Adoption of IFRS 9 and its related impacts (continued)***

***Measurement***

Based on IFRS 9 impairment provision requirements of ECL, cash equivalents and accounts receivable have been remeasured as at 1 April 2018 and a provision of SR 5.3 million has been adjusted against opening balance of equity in the consolidated statement of changes in equity as disclosed below:

	<i>Amount</i> SR
ECL impact on accounts receivable as on 1 April 2018	5,221,665
ECL impact on cash and cash equivalents as on 1 April 2018	45,280
	<hr/>
ECL impact adjusted against the equity balance as on 1 April 2018	5,266,945
	<hr/> <hr/>

***Reclassification***

There have been no reclassifications of financial assets and liabilities under IFRS 9 as compared to IAS 39 except for the available-for-sale investment being reclassified as investment held at FVOCI. All other financial assets and liabilities continue to be held under amortized cost.

***Adoption of IFRS 15***

The Group has adopted IFRS 15 and has opted for the modified retrospective approach for the adoption without changing the comparative financial information presented. There is no impact in the Group’s consolidated financial statements as at 1 April 2018 due to adoption of IFRS 15.

***Comparative financial information***

The adoption of IFRS 9 has resulted in a change in the retained earnings and non-controlling interests as follows:

	<i>Retained</i> <i>Earnings</i> SR	<i>Non-controlling</i> <i>interests</i> SR
Balance as at 31 March 2018	57,120,137	3,188,089
<b><i>IFRS 9 adjustment:</i></b>		
Recognition of provision based on ECL	(5,063,779)	(203,166)
	<hr/>	<hr/>
Opening balance as at 1 April 2018 (restated)	52,056,358	2,984,923
	<hr/> <hr/>	<hr/> <hr/>

Arabian Waterproofing Industries Company "Awazel" and its Subsidiaries  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
At 31 March 2019

**6 PROPERTY, PLANT AND EQUIPMENT**

*For the year ended 31 March 2019*

	Land SR	Land improvements, buildings and building improvements SR	Furniture, fixtures and motor vehicles SR	Computer and IT equipment SR	Plant and equipment SR	Capital work-in-progress SR	Total SR
<b>Cost</b>							
At 1 April 2018	20,546,191	63,211,768	51,101,224	12,064,369	117,625,862	1,779,450	266,328,864
Additions during the year	-	597,904	374,795	35,488	2,029,415	-	3,037,602
Transfers from CWIP	-	301,773	-	-	-	(301,773)	-
Disposals during the year	-	-	(459,525)	(2,100)	(153,750)	-	(615,375)
Foreign currency adjustment	(253)	1,458	2,521	398	-	-	4,124
At 31 March 2019	20,545,938	64,112,903	51,019,015	12,098,155	119,501,527	1,477,677	268,755,215
<b>Accumulated depreciation</b>							
At 1 April 2018	-	(23,361,038)	(46,890,500)	(9,965,491)	(104,612,593)	-	(184,829,622)
Depreciation charge for the year	-	(1,922,856)	(1,384,600)	(1,707,128)	(2,871,484)	-	(7,886,068)
Relating to disposals	-	-	438,486	1,312	73,851	-	513,649
Foreign currency adjustment	-	(10,467)	5,203	1,482	(2,713)	-	(6,495)
At 31 March 2019	-	(25,294,361)	(47,831,411)	(11,669,825)	(107,412,939)	-	(192,208,536)
<b>Net book value as at 31 March 2019</b>	<b>20,545,938</b>	<b>38,818,542</b>	<b>3,187,604</b>	<b>428,330</b>	<b>12,088,588</b>	<b>1,477,677</b>	<b>76,546,679</b>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
At 31 March 2019

**6 PROPERTY, PLANT AND EQUIPMENT (continued)**

<i>For the year ended 31 March 2018</i>	<i>Land</i> <i>SR</i>	<i>Land improvements, buildings and building improvements</i> <i>SR</i>	<i>Furniture, fixtures and motor vehicles</i> <i>SR</i>	<i>Computer and IT equipment</i> <i>SR</i>	<i>Plant and equipment</i> <i>SR</i>	<i>Capital work-in-progress</i> <i>SR</i>	<i>Total</i> <i>SR</i>
<i>Cost</i>							
At 1 April 2017	20,545,686	63,364,385	49,948,100	11,849,624	116,025,622	390,674	262,124,091
Additions during the year	-	1,098,082	1,198,943	215,058	1,599,997	1,388,776	5,500,856
Disposals during the year	-	(1,249,264)	(58,960)	(2,041)	-	-	(1,310,265)
Foreign currency adjustment	505	(1,435)	13,141	1,728	243	-	14,182
At 31 March 2018	20,546,191	63,211,768	51,101,224	12,064,369	117,625,862	1,779,450	266,328,864
<i>Accumulated depreciation</i>							
At 1 April 2017	-	(21,959,022)	(45,571,915)	(8,278,173)	(101,605,033)	-	(177,414,143)
Depreciation charge for the year	-	(2,047,648)	(1,364,800)	(1,687,441)	(3,007,030)	-	(8,106,919)
Relating to disposals	-	643,837	57,403	1,360	-	-	702,600
Foreign currency adjustment	-	1,795	(11,188)	(1,237)	(530)	-	(11,160)
At 31 March 2018	-	(23,361,038)	(46,890,500)	(9,965,491)	(104,612,593)	-	(184,829,622)
<i>Net book value as at 31 March 2018</i>	20,546,191	39,850,730	4,210,724	2,098,878	13,013,269	1,779,450	81,499,242

Capital work-in-progress pertains to the Group's refurbishment of its office and manufacturing facilities.

The cost of fully-depreciated property, plant and equipment still used in operations amounted to SR 144.1 million (31 March 2018: SR 140.1 million). As at reporting date, the Group does not have any idle assets.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2019

**6 PROPERTY, PLANT AND EQUIPMENT (continued)**

The depreciation expense provided during the year has been allocated to the following:

	2019 SR	2018 SR
Cost of sales	5,377,603	5,537,977
Selling and distribution expenses (see note 23)	690,741	748,292
General and administrative expenses (see note 24)	1,817,724	1,820,650
	<u>7,886,068</u>	<u>8,106,919</u>

**7 INVESTMENT PROPERTIES**

	2019 SR	2018 SR
<i>Cost</i>		
At the beginning of the year	35,230,928	35,229,572
Foreign currency adjustment	1,403	1,356
At the end of the year	<u>35,232,331</u>	<u>35,230,928</u>
<i>Accumulated depreciation</i>		
At the beginning of the year	(1,289,449)	(605,602)
Depreciation charge for the year (see note 23)	(685,878)	(683,847)
At the end of the year	<u>(1,975,327)</u>	<u>(1,289,449)</u>
<i>Net book value at the end of the year</i>	<u>33,257,004</u>	<u>33,941,479</u>

The Group’s investment properties consist of land, warehouse and showroom in the United Arab Emirates. Management has intentions to hold these properties for the purposes of capital appreciation and these properties (except land which is not depreciated) are carried at cost less depreciation and any accumulated impairment in value.

The fair value of the investment properties as at 31 March 2019 is estimated at SR 47.63 million (31 March 2018: SR 51.1 million). This is based on a valuation done by Chestertons (“Valuer”), an independent third party, as at 28 April 2019 (year ended 31 March 2018: 25 April 2018) using the income capitalization method which is in accordance with RICS Valuation Standards. The valuation has been prepared in accordance with the definition of market value adopted by the International Valuation Standards Committee (“IVSC”) and endorsed by RICS Valuation Standards. The assumptions used in the valuation were as follows: Yield – 8.5%; Occupancy - 100% (2018: Yield – 8.5%; Occupancy - 100%).

Under the income capitalization method, the value of any asset or business is estimated by comparing and correlating its features to those of similar assets or businesses in the market, determining the capitalization rate applicable to such assets and arriving at the value of the asset by applying this capitalization rate to the established net income of the asset.

The Valuer has appropriate qualifications and experience in the valuation of properties at the relevant locations.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

The fair value measurement of the investment property is categorized under Level 3 of the fair value hierarchy.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2019

**7 INVESTMENT PROPERTIES (continued)**

Rent revenue for the lease of the Group’s investment property amounted to SR 3.86 million for the year ended 31 March 2019 (2018: SR 2.2 million). Related direct expenses amounted to SR 685,878 for the year ended 31 March 2019 (2018: SR 683,847).

**8 INVESTMENTS HELD AT FVOCI**

	2019 SR	2018 SR
<i>Quoted securities – held at FVOCI</i>		
Reclassified from available for sale investments at the beginning of the year as a result of adoption of IFRS 9	29,536	-
Movement during the year	4,751	-
At the end of the year	<u>34,287</u>	<u>-</u>
<i>Quoted securities – available for sale investments</i>		
At the beginning of the year	-	23,593
Movement during the year	-	5,943
At the end of the year	<u>-</u>	<u>29,536</u>

**9 PREPAYMENTS AND OTHER RECEIVABLES**

	2019 SR	2018 SR
Staff receivable and others	12,793,160	13,839,376
Prepayments	4,090,165	3,857,342
Advances to suppliers	3,428,229	3,097,417
Margin on bank guarantees	497,400	409,397
Receivable on sludge lifting service	44,468	444,688
Others	2,656,708	3,688,908
Prepayments and other receivables, gross	<u>23,510,130</u>	<u>25,337,128</u>
Less: advances to employees (see note 18)	<u>(11,670,373)</u>	<u>(12,253,943)</u>
	<u>11,839,757</u>	<u>13,083,185</u>

**10 INVENTORIES**

	2019 SR	2018 SR
Finished products	28,642,959	31,426,819
Raw materials	27,713,341	28,342,143
Spare parts	5,671,483	6,089,154
	<u>62,027,783</u>	<u>65,858,116</u>
Less: provision for slow-moving inventories	<u>(6,300,413)</u>	<u>(6,112,653)</u>
	<u>55,727,370</u>	<u>59,745,463</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2019

**10 INVENTORIES (continued)**

Movement in provision for slow-moving inventories is as follows:

	2019 SR	2018 SR
At the beginning of the year	6,112,653	3,796,884
Charge for the year	187,760	2,315,769
At the end of the year	<u>6,300,413</u>	<u>6,112,653</u>

**11 ACCOUNTS RECEIVABLE**

	31 March 2019 SR	31 March 2018 SR
Trade receivables	141,101,879	142,526,520
Less: provision for doubtful debts	(23,520,717)	(12,525,882)
Due from related parties (see note 19)	117,581,162 590,753	130,000,638 580,876
	<u>118,171,915</u>	<u>130,581,514</u>

Trade receivables are non-interest bearing and are generally collected within 60 days.

For the terms and conditions of amounts due from related parties, refer to note 19.

Movement in provision for doubtful debts is as follows:

	2019 SR	2018 SR
Opening balance	12,525,882	9,179,357
ECL impact on the opening balance from IFRS 9 adoption	5,221,665	-
At the beginning of the year	17,747,547	9,179,357
Charge for the year (see note 23)	5,775,602	4,418,187
Written-off during the year	(2,432)	(1,071,662)
At the end of the year	<u>23,520,717</u>	<u>12,525,882</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2019

**12 CASH AND CASH EQUIVALENTS**

	2019 SR	2018 SR
Cash in hand	411,330	748,025
Cash at bank (see note 12.1)	52,346,088	38,951,002
Short-term deposits (see note 12.1 and 12.2)	90,000,000	90,000,000
	<u>142,757,418</u>	<u>129,699,027</u>
Less: ECL on short term deposits	(19,205)	-
	<u>142,738,213</u>	<u>129,699,027</u>

**12.1** Management has conducted an assessment as required by IFRS 9. Based on such assessment, management has recorded an impairment loss on the short-term deposits (note 5). However, in respect of the cash at bank balances management believes that no impairment loss is required against the carrying values of the same.

**12.2** Short-term deposits are with a local bank with an original maturity of up to three months.

Interest income earned from short-term deposits amounted to SR 2.5 million (2018: SR 1.1 million) (see note 25).

**13 SHARE CAPITAL**

The share capital of the Company is divided into 27,299,978 shares of SR 10 each (31 March 2018: 27,299,978 of SR 10 each) held as follows:

	31 March 2019		31 March 2018	
	Amount SR	Percentage	Amount SR	Percentage
Boubyan Petrochemical Company	56,720,360	20.78%	56,720,360	20.78%
Mr. Ibrahim Ali Al Sugair	19,126,390	7.01%	18,375,470	6.73%
Mrs. Hela Abdul Rahman Issa Al Remaiah	17,830,230	6.53%	17,830,230	6.53%
Samama Investment Company	17,369,490	6.36%	17,369,490	6.36%
Mr. Firas Ali Al Sugair	15,557,590	5.70%	14,939,190	5.47%
Mr. Mansour Ali Al Sugair	15,491,340	5.67%	14,939,190	5.47%
Mr. Nasir Ali Al Sugair	14,715,930	5.39%	16,637,400	6.10%
Mr. Sugair Ali Ibrahim Al Sugair	13,867,980	5.08%	13,867,980	5.08%
Other shareholders	102,320,470	37.48%	102,320,470	37.48%
	<u>272,999,780</u>	<u>100.00%</u>	<u>272,999,780</u>	<u>100.00%</u>

**Capital management**

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern and benefit other stakeholders. Management’s policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business.

The Company is not subject to significant externally imposed capital requirements.

No changes were made in the objectives, policies or processes for managing capital during the current and prior year.

For the purpose of the Company’s capital management, capital includes share capital, reserves and retained earnings totaling SR 381.3 million as at 31 March 2019 (31 March 2018: SR 392.8 million).

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2019

### 14 STATUTORY RESERVE

In accordance with the Saudi Arabian Regulations for Companies and the Company’s By-Laws, 10% of the net income for the year (after zakat and income tax) is required to be transferred to statutory reserve. The Company may resolve to discontinue such transfers when the reserve total 50% of share capital. The reserve is not available for distribution.

### 15 CONTRACTUAL RESERVE

The Group makes 10% transfers to contractual reserve for dividend protection purposes. The contractual reserve will be used as per Board of Directors’ decision in the manner as stipulated in the Company’s By-Laws.

The Board of Directors in their meeting held in December 2017 approved the distribution of special dividend, at the rate of SR 1.3 per share based on shares outstanding as at 27 December 2017, amounting to SR 35.5 million to be paid from the contractual reserve (see note 16).

### 16 DIVIDENDS

#### *Dividends for the year ended 31 March 2018*

The General Assembly of the Company, in its meeting held in September 2017 approved the distribution of dividend for the quarter ended 31 March 2017, at the rate of SR 0.4 per share amounting to SR 10.9 million, which has been paid in October 2017.

The Board of Directors in their meeting held in December 2017 approved the distribution of dividend for the quarters ended 30 June 2017 and 30 September 2017, at the rate of SR 0.25 per share for each quarter based on shares outstanding as at 27 December 2017, amounting to SR 6.8 million for each quarter, which has been paid in January 2018. The Board of Directors also approved, in their aforementioned meeting, distribution of special dividend, at the rate of SR 1.3 per share based on shares outstanding as at 27 December 2017, amounting to SR 35.5 million which was paid in January 2018 out of the Company’s contractual reserve (see note 15). The payment was net of amount receivable from the shareholders amounting to SR 3.9 million representing the expenses incurred (and recoverable from shareholders) in relation to the planned initial public offering of the Company. Such initial public offering was cancelled by the Company during 2017.

#### *Dividends for the year ended 31 March 2019*

The Board of Directors in their meeting held in June 2018 approved the distribution of dividend for the quarter ended 31 December 2017 at the rate of SR 0.25 per share, amounting to SR 6.8 million, which has been paid in July 2018.

The General Assembly of the Company, in their meeting held in September 2018 approved the distribution of dividend for the quarter ended 31 March 2018, at the rate of SR 0.25 per share amounting to SR 6.8 million, which has been paid in October 2018.

The Board of Directors in their meeting held on 7 March 2019 approved the distribution of dividend for the quarters ended 30 June 2018 and 30 September 2018 at the rate of SR 0.20 per share, amounting to SR 5.5 million per quarter, which has been paid in March 2019.

The Board of Directors in their meeting held on 26 March 2019 approved the distribution of dividend for the quarter ended 31 December 2018 at the rate of SR 0.20 per share, amounting to SR 5.5 million per quarter, which has been paid in March 2019.

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At 31 March 2019

**17 NON-CONTROLLING INTERESTS**

This balance represents the share of the non-controlling interests in the following consolidated subsidiaries:

	<i>31 March</i> <b>2019</b> SR	<i>31 March</i> <b>2018</b> SR
Al Sultan Contracting Trading Company Limited	<b>600,377</b>	1,318,012
Advanced Membrane Company for Industry	<b>618,848</b>	726,566
Al Takamal Company for Marble Limited	<b>312,592</b>	426,101
Awazel International Company, LLC	<b>336,969</b>	285,345
Awazel Kuwait Company for Building Materials	<b>243,256</b>	235,192
Awazel Qatar International Company	<b>(49,688)</b>	196,873
	<b><u>2,062,354</u></b>	<b><u>3,188,089</u></b>

Information on the non-controlling interests' share in profit (loss) and other comprehensive income for the year ended 31 March is as follows:

	<i>Net (loss) profit</i>		<i>Other comprehensive</i>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	SR	SR	SR	SR
Al Sultan Contracting Trading Company Limited	<b>(619,717)</b>	(918,764)	<b>(4,604)</b>	-
Al Takamal Company for Marble Limited	<b>(112,598)</b>	(127,995)	<b>(911)</b>	-
Advanced Membrane Company for Industry	<b>(107,515)</b>	(116,204)	<b>(203)</b>	-
Awazel International Company, LLC	<b>62,751</b>	38,127	<b>1,989</b>	15
Awazel Qatar International Company	<b>(150,873)</b>	12,224	<b>416</b>	3,616
Awazel Kuwait Company for Building Materials	<b>10,726</b>	5,712	<b>(2,030)</b>	3,767
	<b><u>(917,226)</u></b>	<b><u>(1,106,900)</u></b>	<b><u>(5,343)</u></b>	<b><u>7,398</u></b>

**18 EMPLOYEES' END-OF-SERVICE BENEFITS**

The movement of employees' end-of-service benefits liability for the year ended 31 March is as follows:

	<b>2019</b> SR	<b>2018</b> SR
Opening balance – present value of defined benefit obligation	<b>25,780,608</b>	23,617,016
Current service cost	<b>2,201,999</b>	1,961,001
Interest cost	<b>934,514</b>	781,457
Benefits paid	<b>(1,823,634)</b>	(1,399,419)
Actuarial (gain) loss on obligation	<b>(979,386)</b>	805,534
Foreign currency adjustment	<b>(131,006)</b>	15,019
Closing balance – present value of defined benefit obligation	<b>25,983,095</b>	25,780,608
Less: advance payments to employees (see note 9)	<b>(11,670,373)</b>	(12,253,943)
Employees' end-of-service benefits	<b><u>14,312,722</u></b>	<b><u>13,526,665</u></b>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2019

**18 EMPLOYEES’ END-OF-SERVICE BENEFITS (continued)**

The principal assumptions used for the year ended 31 March presented are as follows:

	2019	2018
Financial assumptions:		
Discount rate (per annum)	3.85%	3.60%
Salary growth rate (per annum)	3.85%	3.60%
Demographic assumptions:		
Retirement age	65 years	65 years

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at 31 March 2019 and 2018 assuming all other assumptions are held constant:

	<i>Increase (decrease) in Basis Points</i>	<i>Increase/(decrease) in Defined Benefit Obligations</i>	
		<i>31 March 2019 SR</i>	<i>31 March 2018 SR</i>
Discount rate	+50	(3,380,579)	(1,165,888)
	-50	1,379,955	1,258,165
Salary increase rate	+50	1,375,168	1,232,182
	-50	(3,392,762)	(1,153,470)

Shown below is the maturity profile of the undiscounted benefit payments as at 31 March:

	2019 SR	2018 SR
Within the next 12 months	973,267	509,758
Between 2 and 5 years	7,308,263	5,915,373
Beyond 5 years	16,034,513	14,978,429

**19 RELATED PARTY TRANSACTIONS AND BALANCES**

The Group enters into certain transactions with related parties for which the terms and conditions are approved by the Group’s management.

Significant transactions with related parties in the ordinary course of business included in the consolidated financial statements are summarized below:

<i>Related parties</i>	<i>Nature of transactions</i>	2019 SR	2018 SR
Entities under common control	Sales	1,007,048	1,807,293
	Purchases	1,831,955	1,518,132
	Expenses charged by the Company	24,340	347,145
Key management personnel	Salaries and wages	5,499,725	5,280,189
	End-of-service benefits	295,144	295,144
	Board remuneration	900,000	1,500,000

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**19 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

Significant balances arising from transactions with related parties are as follows:

	2019 SR	2018 SR
<i>Due from related parties</i>		
Entities under common control (see note 11)	<u>590,753</u>	<u>580,876</u>
<i>Due to a related party</i>		
Entity under common control (see note 22)	<u>464</u>	<u>-</u>

Due from and to related parties are included as part of accounts receivable and accounts payable, respectively.

***Terms and conditions of transactions and balances with related parties***

Transactions with related parties are made at terms equivalent to those that prevail in Group’s normal commercial transactions. Outstanding balances at the reporting date are unsecured, interest free and are usually settled in cash. There have been no guarantees provided or received for any related party receivables or payables. During the current and prior year, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each period by examining the financial position of the related party and the market in which the related party operates.

**20 ZAKAT**

The movement in Group’s zakat payable for the year ended 31 March is as follows:

	2019 SR	2018 SR
At the beginning of the year	9,493,424	9,632,917
Charge for the year	7,259,411	9,190,478
Paid during the year	<u>(7,617,545)</u>	<u>(9,329,971)</u>
At the end of the year	<u>9,135,290</u>	<u>9,493,424</u>

The zakat charge for the year ended 31 March pertains to current year provision and is based on the following:

	2019 SR	2018 SR
Equity	325,056,138	359,449,431
Opening allowances and other adjustments	115,474,173	21,710,426
Book value of long-term assets (net of related financing)	<u>(128,295,046)</u>	<u>(121,559,398)</u>
Zakatable income for the year	<u>312,235,265</u>	<u>259,600,459</u>
	45,849,637	50,369,940
Total	<u>358,084,902</u>	<u>309,970,399</u>
Zakat provision @ 2.5% of zakat base	<u>8,952,123</u>	<u>7,749,260</u>
Zakat accrued during the year	<u>7,259,411</u>	<u>9,190,478</u>

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**20 ZAKAT (continued)**

*Status of assessments*

The Company has obtained zakat certificates from the General Authority of Zakat and Tax (“GAZT”) up to 31 March 2019. The assessments up to the year 31 March 2011 have been finalized, whereas assessments from the year 31 March 2012 to 31 March 2019 have not yet been raised by the GAZT.

**21 ACCRUED EXPENSES AND OTHER LIABILITIES**

	<i>31 March</i> 2019 SR	<i>31 March</i> 2018 SR
Employee related accruals	8,104,137	7,245,287
Accrued custom duty on import	3,061,878	3,497,323
Accrued sales commission	2,477,890	2,696,159
Accrued transportation charges	765,053	760,309
Accrued professional fees	654,333	852,078
Value added tax payable	406,202	779,034
Accrued utilities expenses	317,928	555,407
Accrued sales incentives	76,114	97,149
Others	1,183,812	461,339
	<u>17,047,347</u>	<u>16,944,085</u>

Accrued custom duty on import represents custom duty accrued on import of raw materials during prior years.

During the year ended 31 March 2018, based on a legal advice, the Company reversed an amount of SR 4.5 million, and recorded as other income, representing the reversal of accruals for which the authorities’ right to claim has lapsed (see note 25).

**22 ACCOUNTS PAYABLE**

	<i>31 March</i> 2019 SR	<i>31 March</i> 2018 SR
Trade payables	12,752,128	12,623,098
Due to a related party (note 19)	464	-
	<u>12,752,592</u>	<u>12,623,098</u>

Trade payables are non-interest bearing and are due for payment within 120 days.

For terms and conditions of amount due to a related party, refer to note 19.



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**23 SELLING AND DISTRIBUTION EXPENSES**

	2019 SR	2018 SR
Salaries and employees' benefits	11,409,796	11,263,948
Doubtful debts expense (see note 11)	5,775,602	4,418,187
Rental expense	2,573,235	2,757,257
Sales commission expense	1,896,483	1,509,753
Depreciation on property, plant and equipment (see note 6)	690,741	748,292
Depreciation on investment properties (see note 7)	685,878	683,847
Repairs and maintenance expense	617,055	192,328
Advertising and promotion expense	513,176	887,354
Office utilities	378,342	318,900
Communication expense	327,142	338,823
Travel expense	305,852	330,754
Bank charges	301,832	337,867
Insurance expense	271,348	280,337
Others	1,917,201	2,587,960
	<u>27,663,683</u>	<u>26,655,607</u>

**24 GENERAL AND ADMINISTRATIVE EXPENSES**

	2019 SR	2018 SR
Salaries and employees' benefits	14,515,042	15,328,705
Depreciation on property, plant and equipment (see note 6)	1,817,724	1,820,650
Professional services	912,610	1,280,202
Insurance expense	340,079	448,307
Bank guarantee charges	231,980	390,464
Travel expense	171,830	199,112
Bank charges	20,517	25,071
Others	1,283,427	1,213,698
	<u>19,293,209</u>	<u>20,706,209</u>

**25 OTHER INCOME, NET**

	2019 SR	2018 SR
Income from rental of warehouse and store	3,911,856	2,431,313
Income from short-term deposits (see note 12)	2,500,734	1,054,565
Gain on disposal of property, plant and equipment, net	132,116	13,194
Sale of scrap and raw materials	23,622	213,582
Reversal of accrued custom duty on import (see note 21)	-	4,538,266
Foreign exchange loss, net	(233,977)	(323,816)
Others	1,364,784	788,942
	<u>7,699,135</u>	<u>8,716,046</u>

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**26 COMMITMENTS AND CONTINGENCIES**

**26.1 Contingent liabilities**

The Group had contingent liabilities arising in the normal course of business, in respect of performance guarantees, as at 31 March 2019 amounting to SR 9.9 million (31 March 2018: SR 8.0 million).

**26.2 Operating lease commitments**

*Group as a lessor*

The Group has entered into an operating lease for a portion of its land, warehouse and showroom in Dubai (see note 7) for a period of one year. Future minimum lease receivable under the non-cancellable operating leases are as follows:

	<i>31 March</i> <b>2019</b> SR	<i>31 March</i> <b>2018</b> SR
Within one year	<b>82,419</b>	204,206

*Group as a lessee*

The Company has lease agreements with the government covering the land where the manufacturing and office facilities in Riyadh and Jeddah are located for an annual rental totaling SR 0.2 million. The leases are for a period of 25 years, subject to renewal, and are accounted for as operating leases. Rental expense on these lease contracts for the year ended 31 March 2019 amounted to SR 0.2 million (2018: SR 0.2 million).

Future minimum lease payments are as follows:

	<i>31 March</i> <b>2019</b> SR	<i>31 March</i> <b>2018</b> SR
Within one year	<b>237,940</b>	237,940
After one year but not more than five years	<b>951,760</b>	951,760
More than five years	<b>1,709,583</b>	1,947,523
	<b><u>2,899,283</u></b>	<b><u>3,137,223</u></b>

**27 FINANCIAL RISK MANAGEMENT**

The Group’s activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including foreign currency risk, commission rate risks and price risks). The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance. Risk management is carried out by senior management. The most important types of risk are summarised below.

**27.1 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

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27 FINANCIAL RISK MANAGEMENT (continued)

27.1 Credit risk (continued)

The following table shows the Group’s maximum exposure to credit risk for components of the consolidated statement of financial position.

	<i>31 March</i> <b>2019</b> SR	<i>31 March</i> 2018 SR
Accounts receivable	<b>118,171,915</b>	130,581,514
Other receivables	<b>4,321,363</b>	6,128,426
Cash equivalents	<b>142,326,883</b>	128,951,002
	<b><u>264,820,161</u></b>	<b><u>265,660,942</u></b>

*Accounts receivable*

The Group’s exposure to credit risk on trade receivables is influenced mainly by the individual characteristics of each customer.

As at reporting date, the ageing of accounts receivable that were not impaired are as follows:

	<i>31 March</i> <b>2019</b> SR	<i>31 March</i> 2018 SR
Neither past due nor impaired	<b>10,520,974</b>	-
Past due 1 to 90 days	<b>48,916,399</b>	40,303,160
More than 90 days	<b>58,734,542</b>	90,278,354
	<b><u>118,171,915</u></b>	<b><u>130,581,514</u></b>

Management believes that the unimpaired amounts that are past due by more than 90 days are still collectible in full, based on historical payment behavior and extensive analysis of credit risk, including customers credit ratings, if they are available.

Movement in allowance for impairment during the year, in respect of accounts receivable, is presented in note 11.

*Other receivables*

This mainly includes staff receivables, margin on bank guarantees and other receivables. There is no significant credit risk attached to other receivables and management expects to recover these fully.

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**27 FINANCIAL RISK MANAGEMENT (continued)**

**27.1 Credit risk (continued)**

*Cash equivalents*

Credit risk on cash equivalents is limited as these are held with banks with sound credit ratings.

*Credit concentration*

No significant concentrations of credit risk were identified by the management as at the reporting date.

**27.2 Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group’s approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Group’s reputation. Accordingly, the Group ensures that sufficient bank facilities are always available.

The remaining contractual maturities at the reporting date of the Group’s financial liabilities consisting of accrued expenses and other liabilities and accounts payable are all due within 12 months. The undiscounted amount of these financial liabilities approximate their carrying values at the reporting date.

**27.3 Market risk**

Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates, will affect the Group’s income or cash flows. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

*Foreign currency risk*

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of business. The Group undertook significant transactions and has significant monetary assets and liabilities in Saudi Riyals, Qatari Riyals, Kuwaiti Dinars and UAE Dirhams. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group has investments in foreign subsidiaries, and their net assets are also exposed to currency translation risk. Management monitors such exposures and believes that the Group’s exposure to foreign currency risk is not significant as at the reporting date. Management mitigates foreign currency risk of the Group by regularly monitoring foreign currency rates of the currencies that the Group deals in.

*Commission rate risk*

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Group’s commission rate risk arise mainly from short-term deposits and these short-term deposits carry a fixed interest rate and therefore management believes that there is no commission rate risk for the Group.

*Price risk*

Price risk is the risk that the value of the Group’s financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The price risk of the Group mainly arises from its FVOCI investment which is carried at fair value. Management believes that the Group’s exposure to price risk is not significant.

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**28 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Group measures FVOCI and AFS investment at fair value at each reporting date. Fair value of FVOCI and AFS investment is disclosed on the consolidated statement of financial position and is categorized within Level 1 of the fair value hierarchy.

Fair value of investment properties is disclosed in note 7 to these consolidated financial statements and is categorized within Level 3 of the fair value hierarchy.

The fair value of the Group’s other financial instruments including accounts receivables, other receivables, cash equivalents, accrued expenses and other liabilities and accounts payable approximate their carrying values due to the relatively short-term maturity of these financial instruments. These are categorized within Level 2 of the fair value hierarchy.

During the current and prior year, there were no transfers between Levels 1 and 2 or transfers into/out of Level 3 of the fair value hierarchy.

**29 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements have been approved by the Board of Directors on 18 Muhurram 1441H (corresponding to 17 September 2019).