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

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR’S REPORT

FOR THE YEAR ENDED 31 MARCH 2020

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

CONSOLIDATED STATEMENT FINANCIAL STATEMENTS
For the year ended 31 March 2020

Ernst & Young & Co. (Certified Public Accountants)
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C.R. No. 1010383821

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

Opinion

We have audited the consolidated financial statements of Arabian Waterproofing Industries Company "Awazel" (the "Company") and its subsidiaries (collectively, referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 March 2020, 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 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants.

Basis for Opinion

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

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

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

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

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

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

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

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.

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Independent auditor's report
To the Shareholders of Arabian Waterproofing Industries Company "Awazel"
(A Saudi Closed 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: 4 Dhul Hijjah 1441H
(25 July 2020)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 SR	2019 SR
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	**73,197,984**	76,546,679
Investment properties	6	**32,686,034**	33,257,004
Right of use assets	7	**9,240,078**	-
Investments at fair value through other comprehensive income	8	**8,048,603**	34,287
TOTAL NON-CURRENT ASSETS		**123,172,699**	109,837,970
CURRENT ASSETS			
Prepayments and other receivables	9	**16,884,035**	11,839,757
Inventories	10	**58,271,698**	55,727,370
Trade receivables	11	**116,804,478**	118,171,915
Cash and cash equivalents	12	**134,303,698**	142,738,213
TOTAL CURRENT ASSETS		**326,263,909**	328,477,255
TOTAL ASSETS		**449,436,608**	438,315,225
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	**272,999,780**	272,999,780
Statutory reserve	14	**24,488,550**	21,932,699
Contractual reserve	15	**48,097,499**	45,541,648
Fair value reserve for FVOCI		**(489,711)**	11,461
Foreign currency translation reserve		**(496,911)**	67,156
Retained earnings		**36,766,373**	42,452,176
Proposed dividends	16	**5,459,996**	-
Equity attributable to equity holders of the Parent		**386,825,576**	383,004,920
Non-controlling interests	17	**2,030,213**	2,062,354
TOTAL EQUITY		**388,855,789**	385,067,274
NON-CURRENT LIABILITIES			
Employees’ end-of-service benefits	18	**14,560,371**	14,312,722
Lease liabilities - noncurrent portion		**6,827,723**	-
TOTAL NON-CURRENT LIABILITIES		**21,388,094**	14,312,722
CURRENT LIABILITIES			
Zakat payable	20	**9,166,910**	9,135,290
Accrued expenses and other liabilities	21	**11,577,420**	17,047,347
Trade payables	22	**16,257,366**	12,752,592
Lease liabilities – current portion		**2,191,029**	-
TOTAL CURRENT LIABILITIES		**39,192,725**	38,935,229
TOTAL LIABILITIES		**60,580,819**	53,247,951
TOTAL EQUITY AND LIABILITIES		**449,436,608**	438,315,225

The attached notes 1 to 32 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the year ended 31 March 2020

	Notes	*2020* *SR*	*2019* *SR*
Sales		**254,277,163**	239,584,364
Cost of sales		**(184,659,865)**	(168,749,045)
GROSS PROFIT		**69,617,298**	70,835,319
Selling and distribution expenses	23	**(25,668,434)**	(27,663,683)
General and administrative expenses	24	**(17,896,332)**	(19,293,209)
OPERATING PROFIT		**26,052,532**	23,878,427
Finance costs	25	**(1,204,943)**	(934,514)
Other income, net	26	**9,769,698**	7,699,135
PROFIT BEFORE ZAKAT		**34,617,287**	30,643,048
Zakat	20	**(9,258,509)**	(7,259,411)
NET PROFIT FOR THE YEAR		**25,358,778**	23,383,637
Attributable to:			
Equity holders of the Parent		**25,558,506**	24,300,863
Non-controlling interests		**(199,728)**	(917,226)
		25,358,778	23,383,637

The attached notes 1 to 32 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	*2020 SR*	*2019 SR*
NET PROFIT FOR THE YEAR		**25,358,778**	23,383,637
OTHER COMPREHENSIVE INCOME			
To be reclassified to profit or loss in subsequent periods:			
Foreign currency translation reserve		**(569,984)**	4,247
Other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods		**(569,984)**	4,247
Not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gain on end-of-service benefits	18	**1,340,875**	979,386
Fair value (loss) gain on FVOCI investments	8	**(501,172)**	4,751
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		**839,703**	984,137
TOTAL OTHER COMPREHENSIVE INCOME		**269,719**	988,384
TOTAL COMPREHENSIVE INCOME		**25,628,497**	24,372,021
Attributable to:			
Equity holders of the Parent		**25,834,142**	25,294,590
Non-controlling interests		**(205,645)**	(922,569)
		25,628,497	24,372,021

The attached notes 1 to 32 form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Attributable to equity holders of the Parent									
	Share capital SR	*Statutory reserve SR*	*Contractual reserve SR*	*Fair value reserve for FVOCI SR*	*Foreign currency translation reserve SR*	*Retained earnings SR*	*Proposed dividends SR*	*Total SR*	*Non-controlling interests SR*	*Total equity SR*
Balance at 1 April 2019	272,999,780	21,932,699	45,541,648	11,461	67,156	42,452,176	-	383,004,920	2,062,354	**385,067,274**
Net profit (loss) for the year	-	-	-	-	-	25,558,506	-	25,558,506	(199,728)	**25,358,778**
Other comprehensive income (loss)	-	-	-	(501,172)	(564,067)	1,340,875	-	275,636	(5,917)	**269,719**
Total comprehensive income (loss)	-	-	-	(501,172)	(564,067)	26,899,381	-	25,834,142	(205,645)	**25,628,497**
Transfer to statutory reserve	-	2,555,851	-	-	-	(2,555,851)	-	-	-	-
Transfer to contractual reserve	-	-	2,555,851	-	-	(2,555,851)	-	-	-	-
Losses of minority absorbed	-	-	-	-	-	(173,504)	-	(173,504)	173,504	-
Dividends (see notes 16)	-	-	-	-	-	(21,839,982)	-	(21,839,982)	-	**(21,839,982)**
Proposed dividends (see notes 16)	-	-	-	-	-	(5,459,996)	5,459,996	-	-	-
As at 31 March 2020	**272,999,780**	**24,488,550**	**48,097,499**	**(489,711)**	**(496,911)**	**36,766,373**	**5,459,996**	**386,825,576**	**2,030,213**	**388,855,789**
As at 31 March 2018, as previously stated	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	-	-	-	-	-	(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	-	-	-	-	-	24,300,863	-	24,300,863	(917,226)	23,383,637
Other comprehensive income (loss)	-	-	-	4,751	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)
As at 31 March 2019	272,999,780	21,932,699	45,541,648	11,461	67,156	42,452,176	-	383,004,920	2,062,354	385,067,274

The attached notes 1 to 32 form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Notes	*2020* *SR*	*2019* *SR*
OPERATING ACTIVITIES			
Profit before zakat		**34,617,287**	30,643,048
Adjustments to reconcile income before zakat to net cash flows from operating activities:			
Depreciation on property, plant and equipment	5	**6,059,299**	7,886,068
Provision for doubtful debts	11	**4,739,592**	5,775,602
Provision for employees' end-of-service benefits	18	**2,628,419**	3,136,513
(Reversal) / provision for slow-moving inventories, net	10	**(863,848)**	187,760
Depreciation on investment properties	6	**688,221**	685,878
Depreciation of right of use assets	7	**2,278,862**	-
Gain on disposal of property, plant and equipment, net	25	**(16,497)**	(132,116)
		50,131,335	48,182,753
Working capital adjustments:			
Prepayments and other receivables		**(5,044,278)**	1,243,428
Inventories		**(1,680,480)**	3,830,333
Trade receivables		**(3,372,155)**	1,412,332
Accrued expenses and other current liabilities and lease liability		**(5,469,927)**	103,262
Trade payables		**3,504,774**	129,494
Net cash from operations		**38,069,269**	54,901,602
Zakat paid	20	**(9,226,889)**	(7,617,545)
Employees' end-of-service benefits paid	18	**(912,029)**	(1,240,064)
Net cash flows from operating activities		**27,930,351**	46,043,993
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	**(2,690,527)**	(3,037,602)
Purchase of investment at FVOCI	8	**(8,515,488)**	-
Lease liability payment		**(2,500,228)**	-
Proceeds from sale of property, plant and equipment		**16,497**	233,842
Net cash flows used in investing activities		**(13,689,746)**	(2,803,760)
FINANCING ACTIVITY			
Dividends paid	16	**(21,839,982)**	(30,029,976)
Cash used in financing activity		**(21,839,982)**	(30,029,976)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**(7,599,377)**	13,210,257
Cash and cash equivalents at the beginning of the year		**142,738,213**	129,699,027
Effect of exchange rate changes in cash and cash equivalents		**(835,138)**	(125,791)
IFRS 9 first time adoption ECL impact on short term deposits		**-**	(45,280)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**134,303,698**	142,738,213
Significant non-cash transactions:			
Proposed dividends	16	**5,459,996**	-
Re-measurement (gain) on end-of-service benefits	18	**(1,340,875)**	(979,386)
Lease liabilities		**8,944,984**	-
Right of use assets		**(8,944,984)**	-
Change in fair value of FVOCI investment	8	**(501,172)**	4,751
IFRS 9 first time adoption ECL impact on trade receivables		-	5,221,665

The attached notes 1 to 32 form an integral part of these consolidated financial statements.

1 CORPORATE INFORMATION

Arabian Waterproofing Industries Company “Awazel” (the “Company”) is a Saudi closed 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.

			Effective ownership as at	
Subsidiary	*Country of incorporation*	*Principal activities*	*31 March 2020*	*31 March 2019-*
Awazel International Company, LLC[1]	United Arab Emirates	Building and construction materials trading	**99%**	99%
Awazel Kuwait Company for Building Materials[1]	Kuwait	Building materials production	**99%**	99%
Awazel Qatar International Company[1]	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	Kingdom of Saudi Arabia	Building and maintenance of pipes, residential properties, airports, railways and sewage	**80%**	80%
Al Takamal Company for Marble Limited	Kingdom of Saudi Arabia	Production and preparation of natural rocks including but not limited to marbles.	**80%**	80%

[1] Legally held by a shareholder of the Company and certain other individuals for the benefit of the Company.

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 2020.

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

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") 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.

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.

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

2.3 Basis of consolidation (continued)

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

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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 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.

Dividend income

Dividend income is recognised when the Group's right to receive the dividend is established.

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.

Value-added tax ("VAT")

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

- 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.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary and non-monetary assets and liabilities denominated in foreign currencies are retranslated in Saudi Riyals at the rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary assets and liabilities are taken to profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

On consolidation, assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their statements of profit or loss and other comprehensive income are translated in Saudi Riyals at average exchange rates prevailing during the reporting period of related transactions. Exchange differences arising on translation for consolidation, if material, are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income for exchange differences relating to that particular foreign operation is recognised in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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

Asset categories	*Useful lives*
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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)
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.

Financial instruments
Initial recognition
The Group records 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 are expensed in profit or loss. In the case of financial assets or financial liabilities not at fair value through profit or loss, its fair value less 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:
- fair value through profit or loss (“FVPL”);
- fair value through other comprehensive income (“FVOCI”); and
- amortised cost

These classifications are on the basis of business model of the Group for managing the financial assets, and contractual cash flow characteristics.

The Group measures financial asset at amortised 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 non-derivative financial liabilities as subsequently measured at amortised cost using the effective interest rate method except for financial liabilities at FVPL.

The Group designates a non-derivative financial liability at FVPL 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

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 derecognised (i.e. removed from the Group’s 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the 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 derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in 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 recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments
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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Fair value of financial instruments (continued)

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

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

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.

Trade receivables

After initial recognition, trade receivables are stated at amortised cost less allowance for any expected credit loss (“ECL”). The Group recognises an allowance for ECL which is charged to profit or loss and reported under “selling and distribution expenses”. When an trade receivable is uncollectible, it is written-off against the impairment allowance. Any subsequent recoveries of amounts previously written-off are credited against “selling and distribution expenses” in the consolidated statement of profit or loss.

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

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.

Impairment

Financial assets

IFRS 9 – “Financial Instruments” requires the Group to record expected credit losses on all of its trade receivables, either on a 12-month or lifetime basis. The Group applies the simplified approach and records lifetime expected losses on all trade receivables. The Group assesses on a forward-looking basis the expected credit loss associated with its financial assets carried at amortised cost. At each reporting date, the Group recognises 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)
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 fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or 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.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated.

Impairment losses of continuing operations, including impairment on inventories, are recognised in 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 whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. Except for goodwill, a previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. Impairment loss recorded against the carrying value of goodwill is not reversed in subsequent periods.

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.

Trade payables and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions
Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to passage of time is recognized as financial charges.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' benefit

Short-term employee benefits

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

Post-employment obligation

The Group operates a post-employment benefit scheme driven by the labour laws of the countries in which the Group entities operate.

The post-employment benefits scheme is not funded. Valuations of the obligations under the scheme is carried out by an independent actuary based on the projected unit credit method. The costs relating to such scheme primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in profit or loss as employee cost while the unwinding of the liability at discount rates used is recorded in profit or loss as financial charges. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement and recorded in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. Re-measurement are not reclassified to profit or loss in subsequent periods.

Leases

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

Group as a lessee

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

- *Right-of-use assets*

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)
Group as a lessee (continued)

- *Lease liabilities*
  At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

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

3.1 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED BY THE GROUP

A number of new and amended standards and interpretations were applicable to the Group's consolidated financial statements for the first time during 2019. 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.

IFRS 16 - "Leases"
The Group applied IFRS 16 for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

IFRS 16 supersedes International Accounting Standard ("IAS") 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of Lease. The standard 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.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

At the date of initial application, lease liabilities for leases previously classified as operating lease under IAS 17 are recognized and measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payment.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED BY THE GROUP (continued)

IFRS 16 - “Leases” (continued)

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the ROU asset.

The Group has adopted for the simplified modified method of adoption with the date of initial application 1 April 2019, that is permitted by IFRS 16 in accordance with paragraph C8(b)(ii) of IFRS 16, and accordingly the Group has not restated comparative information. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (‘short-term leases’), and lease contracts for which the underlying asset is of low value (‘low-value assets’). Instead, the Group recognized the ROU asset by an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application (1 April 2019).

As a result, of the initial application of IFRS 16 to operating leases using the above-mentioned method, lease liability was measured at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate at 1 April 2019.

The impact of adopting IFRS 16 on the consolidated statement of financial position as at 1 April 2019 are as follows:

	SR
Increase in right use of assets	**8,944,984**
Increase in lease liabilities	**(8,944,984)**

The following table shows the reconciliation of operating lease commitments under IAS 17 to the lease liability under IFRS 16 on 1 April 2019:

	As at 1 April 2019 SR
Operating lease commitments as at 31 March 2019	**11,353,762**
Discounted using the Group’s incremental borrowing rate	**(2,039,853)**
(Less): low-value leases recognized on a straight-line basis as expense	**(368,925)**
Lease liability recognized as at 1 April 2019	**8,944,984**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED BY THE GROUP (continued)

***IFRS 16 - “Leases”* (continued)**
Impact on the statement of profit or loss (increase/(decrease)) for the year ended 31 March 2020:

	As at 31 March 2020 SR
Depreciation expense (included in selling and administrative expense)	**2,278,862**
Rent expense for the year	**(2,386,963)**
Operating loss	**(372,281)**
Finance cost	**434,511**
Loss for the year	**(45,871)**

Significant judgement in determining the lease term of contracts with renewal options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

The Group included the renewal period as part of the lease term for leases of rent contract due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on production if a replacement is not readily available. The Group applied the interpretation from its effective date

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED BY THE GROUP (continued)

***Amendments to IAS 19 - "Employee Benefits" - Plan amendment, curtailment or settlement* (continued)**
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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 NEW AND AMMENDED STANDARDS ISSUED BUT NOT EFFECTIVE AND NOT EARLY ADOPTED

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

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The 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, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised 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.

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 2023, 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 3 - Definition of a Business
In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 – “Presentation of Financial Statements” and IAS 8 – “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of Material
In October 2018, the IASB issued amendments to IAS 1 and IAS 8 to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ’Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.’

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 NEW AND AMMENDED STANDARDS ISSUED BUT NOT EFFECTIVE AND NOT EARLY ADOPTED (continued)

Amendments to IAS 1 – “Presentation of Financial Statements” and IAS 8 – “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of Material (continued)

The amendments to the definition of material is not expected to have a significant impact on the Group’s consolidated financial statements.

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 trade receivables

The Group uses a provision matrix to calculate expected credit losses (“ECLs”) for trade 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 every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables is disclosed in note 11.

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.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Employees' terminal benefits liabilities

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.

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 PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 March 2020	*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*
Cost							
At 1 April 2019	20,545,938	64,112,903	51,019,015	12,098,155	119,501,527	1,477,677	**268,755,215**
Additions during the year	-	181,865	2,191,144	(160,280)	348,415	129,383	**2,690,527**
Disposals during the year	-	-	(653,888)	-	-	-	**(653,888)**
Foreign currency adjustment	-	1,008	1,503	153	18,927	-	**21,591**
At 31 March 2020	20,545,938	64,295,776	52,557,774	11,938,028	119,868,869	1,607,060	**270,813,445**
Accumulated depreciation							
At 1 April 2019	-	(25,294,361)	(47,831,411)	(11,669,825)	(107,412,939)	-	**(192,208,536)**
Depreciation charge for the year	-	(1,953,111)	(1,320,736)	(89,797)	(2,695,655)	-	**(6,059,299)**
Relating to disposals	-	-	653,888	-	-	-	**653,888**
Foreign currency adjustment	-	(378)	(998)	(138)	-	-	**(1,514)**
At 31 March 2020	-	(27,247,850)	(48,499,257)	(11,759,760)	(110,108,594)	-	**(197,615,461)**
Net book value as at 31 March 2020	**20,545,938**	**37,047,926**	**4,058,517**	**178,268**	**9,760,275**	**1,607,060**	**73,197,984**

5 PROPERTY, PLANT AND EQUIPMENT (continued)

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
Cost							
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
Accumulated depreciation							
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)
Net book value as at 31 March 2019	20,545,938	38,818,542	3,187,604	428,330	12,088,588	1,477,677	76,546,679

Capital work-in-progress pertains to the Group’s refurbishment of its manufacturing facilities and camp site.

The cost of fully-depreciated property, plant and equipment still used in operations amounted to SR 148.5 million (31 March 2019: SR 144.1 million). As at reporting date, the Group does not have any idle assets.

5 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2020 *SR*	*2019* *SR*
Cost of sales	**4,468,662**	5,377,603
Selling and distribution expenses (see note 23)	**806,762**	690,741
General and administrative expenses (see note 24)	**783,875**	1,817,724
	6,059,299	7,886,068

6 INVESTMENT PROPERTIES

	2020 *SR*	*2019* *SR*
Cost		
At the beginning of the year	**35,232,331**	35,230,928
Foreign currency adjustment	**117,251**	1,403
At the end of the year	**35,349,582**	35,232,331
Accumulated depreciation		
At the beginning of the year	**(1,975,327)**	(1,289,449)
Depreciation charge for the year (see note 23)	**(688,221)**	(685,878)
At the end of the year	**(2,663,548)**	(1,975,327)
Net book value at the end of the year	**32,686,034**	33,257,004

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 2020 is estimated at SR 43.02 million (31 March 2019: SR 47.63 million) which was determined by the management using income capitalization method. During 2019 valuation done by Chestertons (“Valuer”), an independent third party, 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 - 90% (2019: 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.

6 INVESTMENT PROPERTIES (continued)

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

Rent revenue for the lease of the Group's investment property amounted to SR 3.66 million for the year ended 31 March 2020 (2019: SR 3.86 million). Related direct expenses amounted to SR 570,970 for the year ended 31 March 2020 (2019: SR 685,878).

7 RIGHT OF USE ASSETS

The Group leases several assets including lands and buildings. Information about assets for which the Group is a lessee is presented below:

	Land	*Buildings*	*Total*
	SR	*SR*	*SR*
Cost:			
At 1 April 2019	2,985,643	5,959,341	**8,944,984**
Amendment during the year	-	2,573,956	**2,573,956**
At the end of the year	2,985,643	8,533,297	**11,518,940**
Depreciation:			
Charge for the year (see note 23)	(223,485)	(2,055,377)	**(2,278,862)**
Net book values as at 31 March 2020	**2,762,158**	**6,477,920**	**9,240,078**

The depreciation charge in the consolidated statement of profit or loss for the year ended 31 March 2020 is allocated to selling and distribution as follows:

	2020
	SR
Depreciation expense	**(2,278,862)**

8 INVESTMENTS HELD AT FVOCI

	2020	*2019*
	SR	*SR*
Quoted securities – held at FVOCI		
At the beginning of the year	**34,287**	29,536
Additions during the year	**8,515,488**	-
Movement during the year	**(501,172)**	4,751
At the end of the year	**8,048,603**	34,287

9 PREPAYMENTS AND OTHER RECEIVABLES

	2020 *SR*	*2019* *SR*
Staff receivable and others	**12,579,934**	12,793,160
Advances to suppliers	**5,700,384**	3,428,229
Prepayments	**4,643,205**	4,090,165
Advance payment for investment	**1,257,003**	306,885
Margin on bank guarantees	**739,163**	497,400
Refundable security deposit	**164,204**	-
Receivable on sludge lifting service	**-**	44,468
Others	**2,692,560**	2,349,823
Prepayments and other receivables, gross	**27,776,453**	23,510,130
Less: advances to employees (see note 18)	**(10,892,418)**	(11,670,373)
	16,884,035	11,839,757

10 INVENTORIES

	2020 *SR*	*2019* *SR*
Raw materials	**29,020,019**	27,713,341
Finished products	**28,141,143**	28,642,959
Spare parts	**6,547,101**	5,671,483
	63,708,263	62,027,783
Less: provision for slow-moving inventories	**(5,436,565)**	(6,300,413)
	58,271,698	55,727,370

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

	2020 *SR*	*2019* *SR*
At the beginning of the year	**6,300,413**	6,112,653
Charge for the year	**193,565**	187,760
Reversal during the year	**(1,057,413)**	-
At the end of the year	**5,436,565**	6,300,413

11 TRADE RECEIVABLES

	2020 *SR*	*2019* *SR*
Trade receivables	**144,610,952**	141,101,879
Less: provision for doubtful debts	**(28,260,309)**	(23,520,717)
	116,350,643	117,581,162
Due from related parties (see note 19)	**453,835**	590,753
	116,804,478	118,171,915

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

Due from government and quasi-government institutions included in trade receivables are nil for both the current and prior year.

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

Movement in provision for doubtful debts is as follows:

	2020 *SR*	*2019* *SR*
Opening balance	**23,520,717**	12,525,882
ECL impact on the opening balance from IFRS 9 adoption	**-**	5,221,665
At the beginning of the year	**23,520,717**	17,747,547
Charge for the year (see note 23)	**4,739,592**	5,775,602
Written-off during the year	**-**	(2,432)
At the end of the year	**28,260,309**	23,520,717

12 CASH AND CASH EQUIVALENTS

	2020 *SR*	*2019* *SR*
Cash in hand	**728,966**	411,330
Cash at bank (see note 12.1)	**46,843,817**	52,346,088
Short-term deposits (see note 12.1 and 12.2)	**86,730,915**	90,000,000
	134,303,698	142,757,418
Less: ECL on short term deposits	**-**	(19,205)
	134,303,698	142,738,213

12.1 Management has conducted an assessment as required by IFRS 9. Based on such assessment, management has recorded SR Nil impairment loss on the short-term deposits for the current year and SR 0.02 million in prior year. 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. Interest income earned from short-term deposits amounted to SR 2.4 million (2019: SR 2.5 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 2019: 27,299,978 of SR 10 each) held as follows:

	31 March 2020		*31 March 2019*	
	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%**	19,126,390	7.01%
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%**	15,557,590	5.70%
Mr. Mansour Ali Al Sugair	**15,491,340**	**5.67%**	15,491,340	5.67%
Mr. Nasir Ali Al Sugair	**14,715,930**	**5.39%**	14,715,930	5.39%
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%
	272,999,780	**100.00%**	272,999,780	100.00%

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 383.0 million as at 31 March 2020 (31 March 2019: SR 382.9 million).

14 STATUTORY RESERVE

In accordance with the Companies' Law 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 30% 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.

16 DIVIDENDS

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.

16 DIVIDENDS (continued)

Dividends for the year ended 31 March 2019 **(continued)**

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.

Dividends for the year ended 31 March 2020

The General Assembly of the Company, in its meeting held in September 2019 approved the distribution of dividend for the quarter ended 31 March 2019, at the rate of SR 0.2 per share amounting to SR 5.5 million, which has been paid in October 2019.

The Board of Directors in their meeting held in October 2019 approved the distribution of dividend for the quarter ended 30 June 2019, at the rate of SR 0.2 per share, amounting to SR 5.5 million for the quarter, which has been paid in October 2019.

The Board of Directors in their meeting held in December 2019 approved the distribution of dividend for the quarter ended 30 September and 31 December 2019 and 31 March 2020, at the rate of SR 0.2 per share, amounting to SR 5.5 million for each quarter. 30 September and 31 December 2019 dividends are paid in January 2020 and 31 March 2020 yearend dividend will be paid after the approval of the shareholders in year-end general assembly meeting.

17 NON-CONTROLLING INTERESTS

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

	2020 *SR*	*2019* *SR*
Al Sultan Contracting Trading Company Limited	**618,671**	600,377
Advanced Membrane Company for Industry	**518,439**	618,848
Awazel International Company, LLC	**386,887**	336,969
Al Takamal Company for Marble Limited	**278,182**	312,592
Awazel Kuwait Company for Building Materials	**228,034**	243,256
Awazel Qatar International Company	**-**	(49,688)
	2,030,213	2,062,354

17 NON-CONTROLLING INTERESTS (continued)

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

	Net (loss) profit		*Other comprehensive (loss) income*	
	2020 SR	*2019 SR*	*2020 SR*	*2019 SR*
Al Sultan Contracting Trading Company Limited	**18,033**	(619,717)	**(4,452)**	(4,604)
Al Takamal Company for Marble Limited	**(39,892)**	(112,598)	**(923)**	(911)
Advanced Membrane Company for Industry	**(99,867)**	(107,515)	**(154)**	(203)
Awazel International Company, LLC	**49,083**	62,751	**1,627**	1,989
Awazel Qatar International Company	**(119,821)**	(150,873)	**327**	416
Awazel Kuwait Company for Building Materials	**(7,264)**	10,726	**(2,342)**	(2,030)
	(199,728)	(917,226)	**(5,917)**	(5,343)

18 EMPLOYEES' END-OF-SERVICE BENEFITS

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

	2020 SR	*2019 SR*
Opening balance – present value of defined benefit obligation	**25,983,095**	25,780,608
Current service cost	**1,857,987**	2,201,999
Interest cost	**770,432**	934,514
Benefits paid	**(1,689,984)**	(1,823,634)
Actuarial gain on obligation	**(1,340,875)**	(979,386)
Foreign currency adjustment	**(127,866)**	(131,006)
Closing balance – present value of defined benefit obligation	**25,452,789**	25,983,095
Less: advance payments to employees (see note 9)	**(10,892,418)**	(11,670,373)
Employees' end-of-service benefits	**14,560,371**	14,312,722

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

	2020	*2019*
Financial assumptions:		
Discount rate (per annum)	**3.90%**	3.85%
Salary growth rate (per annum)	**3.90%**	3.85%
Demographic assumptions:		
Retirement age	**65 years**	65 years

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

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 2020 and 2019 assuming all other assumptions are held constant:

		Increase/(decrease) in Defined Benefit Obligations	
	Increase (decrease) in Basis Points	*2020 SR*	*2019 SR*
Discount rate	+50	**(1,023,185)**	(1,074,236)
	-50	**829,448**	926,392
Salary increase rate	+50	**768,409**	931,179
	-50	**(975,139)**	(1,086,415)

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

	2020 SR	*2019 SR*
Within the next 12 months	**1,119,151**	973,267
Between 2 and 5 years	**7,135,578**	7,308,263
Beyond 5 years	**17,292,856**	16,034,513

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:

Related parties	*Nature of transactions*	*2020 SR*	*2019 SR*
Entities under common control	Sales	**766,396**	1,007,048
	Purchases	**1,481,757**	1,357,457
	Expenses charged by the Company	**21,474**	24,340
Key management personnel	Salaries and wages	**5,239,839**	5,499,725
	End-of-service benefits	**295,144**	295,144
	Board remuneration	**1,000,000**	900,000

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

	2020 SR	*2019 SR*
Due from related parties		
Entities under common control (see note 11)	**453,835**	590,753

19 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	2020 *SR*	*2019* *SR*
Due to a related party		
Entity under common control (see note 22)	**464**	464

Due from and to related parties are included as part of trade receivables and trade payables, 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:

	2020 *SR*	*2019* *SR*
At the beginning of the year	**9,135,290**	9,493,424
Charge for the year	**9,258,509**	7,259,411
Paid during the year	**(9,226,889)**	(7,617,545)
At the end of the year	**9,166,910**	9,135,290

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

	2020 *SR*	*2019* *SR*
Equity	**296,731,962**	325,056,138
Opening allowances and other adjustments	**118,460,818**	115,474,173
Book value of long-term assets (net of related financing)	**(81,709,679)**	(128,295,046)
	333,483,101	312,235,265
Adjusted net income for the year	**36,857,259**	45,849,637
Total zakat base	**370,340,360**	358,084,902
Zakat provision @ 2.5% of zakat base	**9,258,509**	8,952,123
Zakat accrued during the year	**9,258,509**	7,259,411

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

	2020 *SR*	*2019* *SR*
Employee related accruals	**6,615,890**	8,104,137
Accrued sales commission	**2,354,380**	2,477,890
Accrued transportation charges	**640,357**	765,053
Accrued professional fees	**635,017**	654,333
Value added tax payable	**418,864**	406,202
Accrued utilities expenses	**160,621**	317,928
Accrued sales incentives	**37,667**	76,114
Accrued custom duty on import	**-**	3,061,878
Others	**714,624**	1,183,812
	11,577,420	17,047,347

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

During the year ended 31 March 2020, the Group reversed an amount of SR 3.06 million, and recorded as other income, representing the reversal of accruals for which the authorities’ right to claim has lapsed (see note 25).

22 TRADE PAYABLES

	2020 *SR*	*2019* *SR*
Trade payables	**16,256,902**	12,752,128
Due to a related party (note 19)	**464**	464
	16,257,366	12,752,592

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.

23 SELLING AND DISTRIBUTION EXPENSES

	2020 *SR*	*2019* *SR*
Salaries and employees' benefits	**10,682,127**	11,409,796
Doubtful debts expense (see note 11)	**4,739,592**	5,775,602
Right of use assets depreciation (see note 7)	**2,278,862**	-
Sales commission expense	**2,001,643**	1,896,483
Depreciation on property, plant and equipment (see note 5)	**806,762**	690,741
Advertising and promotion expense	**739,905**	513,176
Travel expense	**729,123**	305,852
Depreciation on investment properties (see note 6)	**688,221**	685,878
Repairs and maintenance expense	**514,579**	617,055
Office utilities	**414,025**	378,342
Communication expense	**389,397**	327,142
Insurance expense	**279,503**	271,348
Bank charges	**172,457**	301,832
Rental expense	**37,973**	2,573,235
Others	**1,194,265**	1,917,201
	25,668,434	27,663,683

24 GENERAL AND ADMINISTRATIVE EXPENSES

	2020 *SR*	*2019* *SR*
Salaries and employees' benefits	**13,637,907**	14,515,042
Professional services	**1,289,984**	912,610
Communication expense	**882,250**	564,770
Depreciation on property, plant and equipment (see note 5)	**783,875**	1,817,724
Insurance expense	**335,583**	340,079
Bank guarantee charges	**227,561**	231,980
Travel expense	**198,026**	171,830
Bank charges	**22,590**	20,517
Others	**518,556**	718,657
	17,896,332	19,293,209

25 FINANCE COSTS

	2020 *SR*	*2019* *SR*
Financial charges	**770,432**	934,514
Charges on lease liabilities	**434,511**	-
	1,204,943	934,514

26 OTHER INCOME, NET

	2020 *SR*	*2019* *SR*
Income from rental of warehouse and store	**3,667,319**	3,911,856
Reversal of accrued custom duty on import (see note 21)	**3,061,878**	435,445
Income from short-term deposits (see note 12)	**2,383,414**	2,500,734
Foreign exchange gain (loss), net	**248,472**	(233,977)
Gain on disposal of property, plant and equipment, net	**16,497**	132,116
Sale of scrap and raw materials	**-**	23,622
Others	**392,118**	929,339
	9,769,698	7,699,135

27 COMMITMENTS AND CONTINGENCIES

27.1 Contingent liabilities

The Group had contingent liabilities arising in the normal course of business, in respect of performance guarantees, as at 31 March 2020 amounting to SR 9.9 million (31 March 2019: SR 9.9 million).

27.2 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:

	2020 *SR*	*2019* *SR*
Within one year	**62,171**	82,419

Group as a lessee

The minimum lease payments for the years subsequent to the date of the consolidated statement of financial position are as follows

	2020 *SR*	*2019* *SR*
Maturity analysis - contractual undiscounted cash flows		
Within one year	**2,806,975**	-
After one year but not more than five years	**6,538,749**	-
More than five years	**1,469,138**	-
Total undiscounted lease liabilities	**10,814,862**	-

28 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.

28.1 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.

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

	2020 *SR*	*2019* *SR*
Trade receivables	**116,804,478**	118,171,915
Other receivables	**6,540,446**	4,321,363
Cash equivalents	**133,574,732**	142,326,883
	256,919,656	264,820,161

Trade receivables
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 trade receivables that were not impaired are as follows:

	2020 *SR*	*2019* *SR*
Neither past due nor impaired	**8,822,171**	10,520,974
Past due 1 to 90 days	**42,484,350**	48,916,399
Past due 91 to 180 days	**14,029,210**	16,273,620
Past due 181 to 270 days	**7,520,783**	8,696,943
Past due 271 to 360 days	**6,492,593**	5,286,093
More than 361 days	**37,455,371**	28,477,886
	116,804,478	118,171,915

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 trade receivables, is presented in note 11.

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

28 FINANCIAL RISK MANAGEMENT (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.

28.2 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 trade payables are all due within 12 months. The undiscounted amount of these financial liabilities approximate their carrying values at the reporting date.

28.3 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.

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

29 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value of investment properties is disclosed in note 6 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 trade receivables, other receivables, cash equivalents, accrued expenses and other liabilities and trade payables 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.

30 IMPACT OF COVID-19

During March 2020, the World Health Organisation (“WHO”) declared the Coronavirus (“COVID-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

Oil prices have also witnessed significant volatility during the current period, owing not just to demand issues arising from COVID-19 as the world economies go into lockdown, but also supply issues driven by volume which had predated the pandemic. For the Group, whose operations are largely concentrated in economies which are primarily based on oil, the economic impacts of the above events, though the scale and duration of which remains uncertain, primarily include:

- Significant business interruption arising from hinderance in generating new originations, travel restrictions and unavailability of personnel etc.;
- Deterioration in credit worthiness of customers in particular to those working or involved in ‘highly exposed sectors’ such as transportation and communication, commerce, construction and retail; and others
- A significant increase in economic uncertainty, evidenced by more volatile asset prices and currency exchange rates, and a general decline in interest rates globally.

Collectively, these current events and the prevailing conditions require the Group to analyse the likely impact of these events on the Group’s business operations. The outbreak of COVID-19 continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact.

The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorization of these consolidated financial statements. These developments could impact Group’s future financial results, cash flows and financial condition.

31 COMPARATIVE FIGURES

Certain comparative figures for the previous year have been reclassified in line with the classification for the current year.

32 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved by the Board of Directors on 24 Dhul Qadah 1441H (corresponding to 15 July 2020).