ASTRA INDUSTRIAL GROUP COMPANY AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS, ALONG WITH
THE INDEPENDENT AUDITOR'S REPORT FOR
THE YEAR ENDED DECEMBER 31, 2020

Astra Industrial Group Company and Its Subsidiaries
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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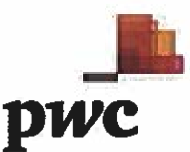

Independent auditor's report to the shareholders of Astra Industrial Group Company

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Astra Industrial Group Company (the "Company") and its subsidiaries (together the "Group") as at December 31, 2020, 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 issued by the Saudi Organization for Certified Public Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2020;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the code of professional 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.

Our audit approach

Overview

Key audit matters	• Carrying amounts of property, plant and equipment • Expected credit losses for trade receivables

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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Independent auditor's report to the shareholders of Astra Industrial Group Company (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Carrying amounts of property, plant and equipment As at December 31, 2020, the carrying amount of property, plant and equipment amounted to Saudi Riyals 1.19 billion. Management performs a formal assessment at each reporting period-end to consider whether there is any indication that items of property, plant and equipment may be impaired. When such triggers are identified, valuation models are prepared to determine recoverable amounts for the relevant Cash Generating Units ("CGUs"). Based on these models, management ensures that assets are not carried at more than their recoverable amounts which is higher of value-in-use ("VIU") or fair value less cost to sell. A number of valuation models were prepared by the management as part of their 2020 impairment considerations. Fair value less cost to sell valuations were primarily based on third party valuations reports. The VIUs were built on discounted cash flow model using key estimates and assumption including expected selling prices, expected product volumes, terminal growth rates, and discount rates. We considered this to be a key audit matter given the judgment involved in identifying impairment triggers and the complexity inherent in valuation modelling. *Refer to Note 2.11, Note 2.18, Note 3.2 and Note 6 to the consolidated financial statements for further information.*	We performed the following procedures: • Evaluated the appropriateness of management's identification of the CGUs. • Obtained an understanding of the design and implementation of key controls over the impairment assessment process comprising impairment indicator identification and estimation of recoverable amounts. • Evaluated the reasonableness of management's assumptions and estimates used to determine the recoverable amounts of the CGUs. This included: (i) Considered the reasonableness of the forecasts by comparing the historical results with its forecast. We also discussed with management to understand the basis for the assumptions used in the forecast particularly relating to revenue and price growth. We also tested the input data used in the valuation models to the relevant supporting documentation such as compared the sales prices used in the model with current market prices and production levels to the related capacity; (ii) Assessed the methodology used in the impairment assessment and the reasonableness of the discount rate and terminal growth rate by engaging our internal valuation expert; (iii) Checked the mathematical accuracy and logical integrity of the underlying calculations used in the discounted cash flow model; and (iv) Checked sensitivity analysis over key assumptions in order to assess the potential impact of a range of possible outcomes. • Assessed the adequacy and appropriateness of the related disclosures in the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses for trade receivables	
As at December 31, 2020, the gross carrying amount of trade receivables amounted to Saudi Riyals 904 million against which the Group recognized provision for impairment amounting to Saudi Riyals 147 million in accordance with the requirements of IFRS 9, *"Financial Instruments"*. The Group assesses at each reporting date whether the trade receivables are credit impaired. Management has applied a simplified expected credit loss ("ECL") model to determine the allowance for impairment. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. We considered this to be a key audit matter due to the level of judgment applied and estimates made in the application of the ECL model. *Refer to Note 2.5, Note 3.3, Note 10 and Note 32.2 to the consolidated financial statements for further information.*	We performed the following procedures: • We developed an understanding of relevant business process and assessed the design and implementation of controls over the determination of the ECL allowance. • With inputs from our experts, we performed the following procedures on management's ECL model: - Verified the consistency of the ECL model developed by the management with the requirements of IFRS 9, *"Financial Instruments"*, and reviewed the reasonableness of the methodology; - Tested the completeness and accuracy of underlying information used in the model and re-performed the arithmetical accuracy of the computation of ECL; - Considered the appropriateness of forward-looking factors to reflect the impact of future events on expected credit losses; and - Performing the sensitivity analysis of key assumptions i.e historical loss rates and future economic factor; • We also considered the adequacy and appropriateness of the related accounting policies and disclosures in the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

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

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

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

Independent auditor's report to the shareholders of Astra Industrial Group Company (continued)

Responsibilities of management and the Audit Committee 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 issued by SOCPA, and the applicable requirements of the Regulations for Companies and the 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, i.e. the Audit Committee, is 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 scepticism throughout the audit. We also:

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

Independent auditor's report to the shareholders of Astra Industrial Group Company (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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.

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

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

PricewaterhouseCoopers

Mufaddal A. Ali
License No. 447

March 11, 2021

PRICEWATERHOUSECOOPERS
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Astra Industrial Group Company and Its Subsidiaries
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(All amounts are in Saudi Riyals unless otherwise stated)

	Notes	As at December 31, 2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment	6, 7	1,188,929,364	1,225,369,236
Intangible assets	8	32,428,453	29,524,564
Other non-current assets	18.4	8,940,929	18,918,685
		1,230,298,746	1,273,812,485
Current assets			
Inventories	9	743,529,334	610,647,301
Trade receivables	10	757,260,116	766,626,792
Due from related parties	11.3	2,306,030	2,599,951
Prepayments and other current assets	12	113,328,476	121,676,123
Cash and cash equivalents	13	54,460,204	45,279,521
		1,670,884,160	1,546,829,688
TOTAL ASSETS		2,901,182,906	2,820,642,173
LIABILITIES AND EQUITY			
LIABILITIES			
Non-current liabilities			
Loans and lease liabilities	14	42,568,526	143,160,166
Due to a related party – loan	11.5	30,052,273	86,735,702
Employees defined benefit liabilities	15	122,798,469	125,997,480
		195,419,268	355,893,348
Current liabilities			
Trade payables	16	223,708,613	145,893,885
Accrued expenses and other current liabilities	17	338,314,733	272,367,830
Due to related parties	11.4	770,474	16,014,969
Loans and lease liabilities	14	681,689,144	750,110,410
Zakat and income tax payable	18	74,418,980	76,913,594
		1,318,901,944	1,261,300,688
Total liabilities		1,514,321,212	1,617,194,036
Equity			
Share capital	19	800,000,000	800,000,000
Statutory reserve	20	406,568,677	406,568,677
Retained earnings		184,463,118	70,599,830
Foreign currency translation reserve	32.1.1	(65,185,232)	(61,887,098)
Equity attributable to shareholders of the parent		1,325,846,563	1,215,281,409
Non-controlling interests	29	61,015,131	(11,833,272)
Net equity		1,386,861,694	1,203,448,137
TOTAL LIABILITIES AND EQUITY		2,901,182,906	2,820,642,173

The accompanying notes (1) through (36) form an integral part of these consolidated financial statements.

Vice President Finance | President / Chief Executive Officer | Authorized Board of Directors Member

Astra Industrial Group Company and Its Subsidiaries
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME
(All amounts are in Saudi Riyals unless otherwise stated)

	Notes	Year ended December 31 2020	2019
Revenue	26	2,047,876,104	1,867,111,703
Cost of revenue	21	(1,245,254,725)	(1,128,760,391)
Gross profit		802,621,379	738,351,312
Selling and distribution expenses	22	(363,823,053)	(349,820,738)
General and administrative expenses	23	(149,896,879)	(152,013,863)
Impairment of financial assets	10.2	(55,467,270)	(17,421,253)
Research expenses	26	(20,994,526)	(22,923,357)
Income from operations		212,439,651	196,172,101
Share of net loss in a joint venture	5	-	(31,204,088)
Finance costs	14	(47,871,018)	(80,164,575)
Other expenses, net	24	(20,510,047)	(72,356,791)
Income before zakat and income tax		144,058,586	12,446,847
Zakat (charge) / reversal, net	18	(18,290,240)	15,745,708
Income tax charge	18	(12,411,416)	(3,889,691)
Deferred tax	18	(7,486,961)	10,401,644
		(38,188,617)	22,257,661
Net income for the year		105,869,969	34,704,308
Attributable to			
Shareholders of the Parent		115,444,034	29,696,043
Non-controlling interests		(9,574,065)	5,008,265
		105,869,969	34,704,308
Earnings per share attributable to shareholders of the parent (basic and diluted)	25	1.44	0.37

The accompanying notes (1) through (36) form an integral part of these consolidated financial statements.

Vice President Finance	President / Chief Executive Officer	Authorized Board of Directors Member

Astra Industrial Group Company and Its Subsidiaries
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(All amounts are in Saudi Riyals unless otherwise stated)

	Notes	Year ended December 31 2020	2019
Net income for the year		**105,869,969**	34,704,308
Other comprehensive income (OCI) to be reclassified to income in subsequent years:			
Exchange (loss) / gain on translation of foreign operations		**(3,298,134)**	3,380,947
Reclassification of exchange gain from OCI to statement of income	24	**-**	119,104,534
		(3,298,134)	122,485,481
Other comprehensive income not to be reclassified to income in subsequent years:			
Re-measurement gain on employee defined benefit liabilities	15	**4,527,164**	4,885,761
		1,229,030	127,371,242
Total comprehensive income for the year		**107,098,999**	162,075,550
Attributable to:			
Shareholders of the Parent		**116,663,278**	157,081,443
Non-controlling interests		**(9,564,279)**	4,994,107
		107,098,999	162,075,550

The accompanying notes (1) through (36) form an integral part of these consolidated financial statements.

Vice President Finance — President / Chief Executive Officer — Authorized Board of Directors Member

Astra Industrial Group Company and Its Subsidiaries
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(All amounts are in Saudi Riyals unless otherwise stated)

		Attributable to shareholders of the Parent						
	Notes	Share capital	Statutory reserve	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interests	Net equity
January 1, 2020		800,000,000	406,568,677	70,599,830	(61,887,098)	1,215,281,409	(11,833,272)	1,203,448,137
Net income for the year		-	-	115,444,034	-	115,444,034	(9,574,065)	105,869,969
Other comprehensive income		-	-	4,517,378	(3,298,134)	1,219,244	9,786	1,229,030
Total comprehensive income		-	-	119,961,412	(3,298,134)	116,663,278	(9,564,279)	107,098,999
Increase of shareholding in a subsidiary	29	-	-	(6,098,124)	-	(6,098,124)	14,517,124	8,419,000
Absorption of losses in a subsidiary	29	-	-	-	-	-	67,895,558	67,895,558
December 31, 2020		800,000,000	406,568,677	184,463,118	(65,185,232)	1,325,846,563	61,015,131	1,386,861,694
January 1, 2019		800,000,000	406,568,677	36,003,868	(184,372,579)	1,058,199,966	(9,057,672)	1,049,142,294
Net income for the year		-	-	29,696,043	-	29,696,043	5,008,265	34,704,308
Other comprehensive income		-	-	4,899,919	122,485,481	127,385,400	(14,158)	127,371,242
Total comprehensive income		-	-	34,595,962	122,485,481	157,081,443	4,994,107	162,075,550
Dividend declared by a subsidiary with non-controlling interest	29	-	-	-	-	-	(8,032,913)	(8,032,913)
Acquisition of a subsidiary	29	-	-	-	-	-	263,206	263,206
December 31, 2019		800,000,000	406,568,677	70,599,830	(61,887,098)	1,215,281,409	(11,833,272)	1,203,448,137

The accompanying notes (1) through (36) form an integral part of these consolidated financial statements.

Vice President Finance | President / Chief Executive Officer | Authorized Board of Directors Member

Astra Industrial Group Company and Its Subsidiaries
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
(All amounts are in Saudi Riyals unless otherwise stated)

	Notes	Year ended December 31 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before zakat and income tax		144,058,586	12,446,647
Adjustments for non-cash items			
Exchange loss on reclassification from OCI to statement of income	24	-	119,104,534
Depreciation and amortization	6, 8.2	89,682,132	82,412,348
Finance costs	14	47,871,018	80,164,575
Provision for near expiry, obsolete and slow-moving inventories		74,279,961	44,547,202
Share of net loss in a joint venture	5	-	31,204,088
Employee defined benefit costs	15	18,760,211	19,719,331
Impairment of financial assets	10	55,467,270	17,421,253
Loss on disposal of property, plant and equipment	24	1,142,007	4,298,320
Gain on disposal of Tanmiya	5, 24	-	(58,500,000)
Changes in operating assets and liabilities:			
Inventories		(207,161,994)	(21,377,159)
Trade receivables		(46,100,594)	123,877,662
Due from related parties		293,921	(558,367)
Prepayments and other assets		8,347,647	14,895,853
Trade payables		77,814,728	(7,969,372)
Accrued expenses and other current liabilities		65,946,903	(14,635,272)
Due to related parties		(255,175)	(11,046,252)
End of service benefits paid	15	(17,432,058)	(17,456,052)
Zakat and income tax paid	18	(40,683,231)	(44,252,866)
Net cash generated from operating activities		272,031,332	374,296,473
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash acquired on acquisition of subsidiary	5	-	715,943
Investment in joint venture		-	(20,532,257)
Payments for property, plant and equipment	6	(62,431,224)	(36,911,251)
Other non-current assets		9,977,756	(3,481,106)
Additions to intangible assets		(3,792,027)	(3,034,858)
Net cash used in investing activities		(56,245,495)	(63,243,529)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in short-term loans	14	(64,536,419)	(340,750,424)
Proceeds from long-term loans	14	6,318,156	97,300,000
Repayment of long-term loans	14	(108,874,819)	(7,108,451)
		(167,093,082)	(250,558,875)
Due to a related party – loan		4,641,809	-
Payment of lease liabilities		(3,923,044)	(5,564,026)
Finance costs paid		(45,867,798)	(78,109,080)
Net cash used in financing activities		(212,242,115)	(334,231,981)
Net change in cash and cash equivalents		3,543,722	(23,179,037)
Cash and cash equivalents at the beginning of the year		45,279,521	65,465,034
Net foreign exchange loss		5,636,961	2,993,524
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	13	54,460,204	45,279,521

For supplement schedule of significant non-cash information, see note 34 in these consolidated financial statements.

The accompanying notes (1) through (36) form an integral part of these consolidated financial statements.

Vice President Finance | President / Chief Executive Officer | Authorized Board of Directors Member

1 ORGANIZATION AND ACTIVITIES

Astra Industrial Group Company (the "Company" / "AIG") is a Saudi Joint Stock Company operating under commercial registration number 1010069607 issued in Riyadh on 9 Muharram 1409H (August 22, 1988). The address of the Group's head office is as follows:

Astra Industrial Group
P.O. Box 1560
Riyadh 11441
Kingdom of Saudi Arabia (KSA)

The principal activities of the Group are as follows:

- Building, managing, operating and investing in industrial plants.
- Production, marketing and distribution of medicine and pharmaceutical products.
- Production of polymer compounds, plastic additives, color concentrates and other plastic products.
- Production of compounded fertilizers and agriculture pesticides and wholesale and retail trading of fertilizers, fungicides and insecticides.
- Metal based construction of industrial buildings, building frames, production of rebar, and billet steel products.
- Operating plant for processing of minerals and production of industrial mineral.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed in KSA and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

These consolidated financial statements have been prepared under the historical cost convention. However, in line with IFRS requirements, employees defined benefit liabilities are recognised at the present value of future obligations using the Projected Unit Credit Method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation

The subsidiary companies included in these consolidated financial statements are as follows:

Subsidiary Company	*Country of Incorporation*	*Percentage of effective ownership (directly or indirectly)*	
		2020	**2019**
Pharmaceutical segment:			
Tabuk Pharmaceutical Manufacturing Company ("TPMC")			
TPMC has the following subsidiaries:	Kingdom of Saudi Arabia	**100**	100
- Tabuk Pharmaceutical Research Company	The Hashemite Kingdom of Jordan	**100**	100
- Tabuk Pharmaceutical Company Limited ("TPCL Sudan")	Republic of the Sudan	**100**	100
- Tabuk Pharmaceutical Manufacturing Company	Arab republic of Egypt	**100**	100
- Tabuk Eurl Algeria	People's Democratic Republic of Algeria	**100**	100
Specialty chemical segment:			
Astra Polymer Compounding Company Limited ("Polymer")			
Polymer has the following subsidiaries:	Kingdom of Saudi Arabia	**100**	100
- Astra Polymers free zone Imalat Sanayi Ve Ticaret Anonim Sirketi. ("Astra Polymers Free Zone")	Republic of Turkey	**100**	100
- Astra Polymer Pazarlama San. Ve Tic. A.Ş	Republic of Turkey	**100**	100
- Astra Specialty Compounds India Private Limited	Republic of India	**100**	100
Astra Industrial Complex Co. Ltd. for Fertilizer and Agrochemicals ("AstraChem")			
AstraChem has the following subsidiaries:	Kingdom of Saudi Arabia	**100**	100
- AstraChem Saudia	People's Democratic Republic of Algeria	**100**	100
- AstraChem Morocco	Kingdom of Morocco	**100**	100
- Aggis International Limited	British Virgin Islands	**100**	100
- AstraChem Turkey	Republic of Turkey	**100**	100
- AstraChem Syria	Syrian Arab Republic	**100**	100
- AstraChem Tashqand	Republic of Uzbekistan	**100**	100
- Astra Industrial Complex Co. Ltd. for Fertilizer and Agrochemicals, Jordan	The Hashemite Kingdom of Jordan	**100**	100
- Astra Nova, Turkey	Republic of Turkey	**100**	100
- AstraChem Ukraine Ltd.	Ukraine	**100**	100
- AstraChem Saudi Jordan Co.	Arab republic of Egypt	**100**	100
- Astra Agricultural Saudi Jordan Co.	Arab republic of Egypt	**100**	100
- Astra Industrial Complex for Fertilizers and Agrochemicals and Investments	Sultanate of Oman	**100**	100
- Green Highland Seeds Company Limited – Jordon	The Hashemite Kingdom of Jordan	**100**	100
- AstraChem Agriculture Co, LLC.	United Arab Emirates	**100**	100
- Universal United Chemicals Co. Ltd.	People's Republic of China	**100**	100
- Astra Agricultural Company Limited	Kingdom of Saudi Arabia	**100**	100
Power and steel industries segment:			
International Building Systems Factory Company Limited ("IBSF")	Kingdom of Saudi Arabia	**100**	100
Astra Energy LLC ("Astra Energy")* Astra Energy has the following subsidiary:	The Hashemite Kingdom of Jordan	**76**	76
- Fertile Crescent for Electricity Generation Company	Republic of Iraq	**76**	76
Al-Tanmiya Company for Steel Manufacturing*	The Hashemite Kingdom of Jordan	**65**	65
- Al Inma'a Company	Republic of Iraq	**65**	65
Processing of minerals segment:			
Astra Mining Company Limited ("Astra Mining")* - Note 29 (c)	Kingdom of Saudi Arabia	**77.3**	60

*The Company exercises control over this investee company and therefore is considered a subsidiary.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("Group") as at December 31, 2020.

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Entities are deconsolidated from the date when the Group ceased to have control.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.7).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Consolidation is performed based on consistent accounting policies throughout the Group including all subsidiaries.

2.3 New and amended standards adopted by the Group

The Group has not early adopted any new standards, interpretations or amendments that have been issued but that are not yet effective.

2.4 Group as a lessor

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

2.5 Financial instruments

Classification of financial assets depends on the Group's business model for managing its financial assets and the contractual terms of the cash flows. The Group classifies its financial assets as:

- financial assets measured at amortised cost, or
- financial assets measured at fair value

Gains or losses of assets measured at fair value will be recognised either through the consolidated statement of income or through the consolidated statement of other comprehensive income ("OCI").

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interests, are measured at amortised cost.

<u>Initial measurement</u>

Financial assets are initially measured at its fair value, plus transaction costs in the case of a financial asset not at fair value through income statement. Transaction costs of financial assets carried at fair value through income statement are recognised in the consolidated statement of income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the requirements as solely payment of principal and interest.

<u>Subsequent measurement</u>

Debt instruments

Currently, the Group subsequently measures its debt instruments at amortized cost.

Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) are measured at amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost and not part of a hedging relationship is recognised in the consolidated statement of income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

De-recognition

A financial asset or a part of a financial asset is de-recognised 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) 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.

Impairment

The Group assesses on a forward looking basis the Expected Credit Losses ("ECL") associated with its debt instruments as part of its financial assets, carried at amortised cost.

For accounts receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, receivables are grouped based on shared credit risk characteristics and the days past due. Expected loss rates are derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors.

The financial assets, other than trade receivables, of the Group are categorized as follows:

(a) Performing: these represent the financial assets where customers have a low risk of default and a strong capacity to meet contractual cash flows. Less than 30 days past due balances do not result in significant increase in credit risk and are considered as performing.

    The Company measures the loss allowance for performing financial assets at an amount equal to 12-month expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime. 12-month expected credit losses are the portion of expected credit losses that results from default events on the financial assets that are possible within 12 months after the reporting date.

(b) Underperforming: these represent the financial assets where there is a significant increase in credit risk and that is presumed if the customer is more than 30 days past due in making a contractual payment.

    The Group measures the loss allowance for underperforming financial assets at an amount equal to lifetime expected credit losses.

(c) Non-performing: these represent defaulted financial assets. A default on a financial asset is considered when the customer fails to make a contractual payment/installment within 90 days after they fall due.

    The Group measures the loss allowance for non-performing financial assets at an amount equal to lifetime expected credit losses.

A credit loss, including for the loans to joint venture, is calculated as the present value (at original effective profit rate) of the difference between:

(a) The contractual cash flows that are due to the Group under the contract; and
(b) The cash flows that the Group expects to receive.

Financial assets are written-off only when it is past due for at least three years and there is no reasonable expectation of recovery. Where financial assets are written off, the Group continues to engage enforcement activities to attempt to recover the receivable due. Where recoveries are made, after write-off, they are presented as part of provision for impairment-net and are recognized as other income in the consolidated statement of comprehensive income/loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Revenue recognition

(i) Revenue from sale of goods

Revenue on the sale of the Group products is recognized when contractual promise to a customer (performance obligation) has been fulfilled by transferring control over the promised goods to the customer. Revenue is recognized at the point in time of shipment, at the receipt of the products by the customer.

The pharmaceutical segment of the Group has arrangements with customers related to goods return. Therefore, a refund liability (included in accrued expenses and other liabilities) is recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method) and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

(ii) Revenue from rendering of services

The service revenue is recognized when the related performance obligations are satisfied.

The Group determines whether it is a principal or agent for each specified services promised to the customer. When the Group acts as an agent and satisfies a performance obligation, the Group recognises revenue at net amount of any fee or commission to which it expects to be entitled, from Principal, in exchange for rendering of services to the other party. In such cases, the Group does not recognize the related inventory in the consolidated financial statements.

Multiple performance obligations

Some contracts include multiple performance obligations, such as the delivery and installation of steel structures. In such cases, at contract inception the total selling price is allocated to goods based on the standalone selling prices of goods and the residual is allocated to installation services. The revenue is recognised when each performance obligation is satisfied under the terms of the contract. When contracts contain customer acceptance provisions, revenue is recognized upon the satisfaction of the acceptance criteria.

Financing components

The amount of revenue to be recognized is based on the consideration that the Group expects to receive, at contract inception, in exchange for its goods and services. The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

See Note 26 for the details of revenue recognized during 2020 and 2019.

2.7 Business combination and goodwill

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

In a business combination achieved in stages, the Group remeasures its previously held interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in the consolidated statement of income.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Contingent consideration, if any, to be transferred by the acquirer will be recognised at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in income. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

On first time adoption of IFRS, the Group has applied exemption whereby IAS 21 was not retrospectively applied to fair value adjustments and goodwill from business combinations that occurred before the date of transition to IFRS. Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

2.8 Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash and bank balances 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 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.

2.9 Foreign currencies

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

(i) Transactions and balances

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is classified to consolidated statement of income. Repayment of intercompany loans are considered as disposal or partial disposal. Tax charges and credits, if any, attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(ii) Group companies

On consolidation, the assets and liabilities of foreign operations (whose functional currency is not the currency of a hyperinflationary economy) including comparatives, are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their statement of income are translated at the average exchange rates. The exchange differences arising on the translation of foreign operations are recognised in OCI. On partial or full disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in the consolidated statement of income.

On consolidation, the financial statements of foreign operations (whose functional currency is the currency of a hyperinflationary economy), are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date. Prior to translating the financial statements of foreign operations in a hyperinflationary economy, the statement of income and non-monetary statement of financial position items are restated taking into account changes in the general purchasing power of the functional currency based on the inflation up to the statement of financial position date. The net monetary gain or loss is recognized as part of 'Other income (expenses)' in the consolidated statement of income. The comparative amounts presented previously in a stable currency are not restated.

2.10 Zakat and income tax

(i) Zakat and foreign income tax

Zakat is provided for in accordance with General Authority of Zakat and Tax ("GAZT") regulations. Income tax for foreign entities is provided for in accordance with the relevant income tax regulations of the countries of incorporation. Adjustments arising from final Zakat and Foreign income tax assessments are recorded in the period in which such assessments are made.

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and unused tax losses can be utilised. Such deferred tax assets and liabilities are not recognized if the temporary difference and unused tax losses arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.11 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any, except for land and projects under construction which are stated at cost. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for qualifying assets if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria is satisfied. All other repairs and maintenance costs are recognised in the consolidated statement of income as incurred. The present value of the expected cost for the decommissioning of the asset after its use, is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

	Years
Buildings	10 - 33
Leasehold improvements	4 - 10
Machinery and equipment	5 - 20
Furniture, fixtures and office equipment	3 - 10
Vehicles	4

A units of production method of depreciation is applied where the Unit of Production method will depreciate the assets in a manner that more accurately reflects the economic benefits of the assets over their remaining useful life than the straight-line method. Currently, Astra Mining and Tanmiya for Steel Industries are the only subsidiaries of the Group, where the unit of production method is being used to depreciate their machinery and equipment.

An item of property, plant and equipment is derecognised 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 income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each period end and adjusted accordingly, if appropriate.

Leasehold improvements are depreciated over the shorter of the estimated useful life or the remaining term of the lease. The capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

2.12 Leases

Leases are recognized as a right-of-use asset and a corresponding liability, at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate.

Lease payments include in the measurement of lease liabilities comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequently, the lease liabilities are measure at amortized cost using the effective interest rate method. It is re-measured when there is a change in future lease payments arising from a change in index or rate, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liabilities are re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in consolidated statement of income if the carrying amount of right-of-use asset is reduced to zero.

Right-of-use ("ROU") assets

Right-of-use assets are initially measured at cost, comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Refundable security deposits are not included in the initial measurement of a right-of-use asset. However, the difference between the nominal amount of the refundable security deposits and its fair value at the commencement of the lease represent, an additional lease payment which is prepaid and accordingly added to the initial carrying amount of the right-of-use asset and released to the consolidated statement of income over the lease term as part of the depreciation of that asset.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition, the right-to-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of lease liabilities.

Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Short-term and low value leases

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statement of income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office equipment and furniture.

2.13 Borrowings and borrowing costs

2.13.1 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The borrowings are classified as a current liability when the remaining maturity is less than 12 months.

2.13.2 Borrowing costs

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

2.14 Intangible assets (other than goodwill and intangible assets with indefinite useful lives)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the consolidated statement of income when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives, which ranges from 2 to 7 years. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category consistent with the function of the intangible assets.

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

2.15 Impairment of goodwill and intangible assets with indefinite useful lives

These are tested for impairment annually as at December 31, and when circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill or intangible asset relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised.

Impairment losses relating to goodwill cannot be reversed in future periods.

2.16 Research costs

Research costs are expensed as incurred.

2.17 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost of raw and packing materials, consumables and finished goods is principally determined on a weighted average cost basis. Inventories of work in progress and finished goods include cost of materials, labor and an appropriate proportion of direct overheads based on normal level of activity. When inventories become old or obsolete, a provision for slow-moving and obsolete inventories is provided and charged to the consolidated statement of income.

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

2.18 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It 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. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

2.19 Trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost.

2.20 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.21 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 including Murabaha investments with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

2.22 Expenses

Selling and marketing expenses are those that mainly relate to salesmen of the Group. All other expenses are allocated to general and administration expenses in accordance with allocation factors determined as appropriate by the Group.

2.23 Dividends to shareholders

The Group recognises a liability to make cash or non-cash distributions to shareholders of the Parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the Regulations for Companies of Saudi Arabia, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

2.24 Provision

(i) General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income net of any reimbursement, if any.

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

(ii) Employees' benefit

The Group recognizes a liability when an employee has provided service in exchange for employee benefits to be paid in the future and an expense when the Group consumes the economic benefits arising from service provided by an employee in exchange for employee benefits. Employee benefits are short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Short-term employee benefits

Provision is made for benefits accruing to employees in respect of salaries and wages, vacation leaves, ticket and other benefits when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months, if any, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits, which are not expected to be settled within 12 months, are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

(b) Employee benefit obligations

The Group operates a defined benefit scheme for its employees in accordance with the applicable labor regulations. The cost of providing the benefits under the defined benefits plan is determined using the projected unit credit method. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in the retained earnings and are not reclassified to consolidated statement of income in subsequent periods.

Interest expense is calculated by applying the discount rate to the net defined benefit liability. The Group recognises the following changes in the net defined benefit obligation under "Cost of sales", 'General and administrative expenses" and "Selling and distribution expenses" in the consolidated statement of income (by function).

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and,
- Net interest expense or income

The defined benefit asset or liability comprises the present value of the defined benefit obligation, less past service costs and less the fair value of plan assets out of which the obligations are to be settled. However, currently the plan is unfunded and has no assets.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make 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. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Significant accounting judgements, estimates and assumptions are described below:

3.1 Going concern

The Group operates in diversified industries including pharmaceutical, specialty chemical, power and steel and other. Further, the operations are geographically spread in various locations. 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. Moreover, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis. Also see Notes 30 (Capital management) and 32.3 (Liquidity risk).

3.2 Impairment of non-financial assets (Note 2.18, 6, 8)

Impairment tests are undertaken on the basis of the smallest identifiable group of assets (cash-generating unit), or individual assets, for which there are largely independent cash inflows. The key assumptions used to determine the different cash-generating units involves significant judgment from management. In general, each subsidiary and manufacturing plant were considered as separate CGUs.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

For CGUs where there was an indicator of impairment, a number of valuation models were prepared by the management as part of their 2020 impairment considerations. Fair value less cost to sell valuations were primarily based on third party valuations reports. The VIUs were built on discounted cash flow model using key estimates and assumption including expected selling prices, expected product volumes, terminal values, and discount rates. There is an inherent uncertainty over forecasted information and assumptions. Changes in these assumptions and forecasts could impact the recoverable amounts of assets.

The recoverable amounts computed using valuation models, in all cases, except for TPCL Sudan, were in excess of the carrying values of the CGUs. As a result, impairment charges was only recorded for TPCL Sudan in the consolidated financial statements.

3.3 Impairment of financial assets (Note 10)

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Due to COVID-19 situation, the expected credit losses increased during the year. For additional details, refer to Notes 2.5, 10 and 32.2.

3.4 Impairment of inventories

The Group determines its provision for near expiry, obsolete and slow-moving inventories based upon historical experience, current condition, and current and future expectations with respect to its use. The estimate of the Group's provision for inventory could change from period to period, which could be due to assessment of the future usage of inventories. The risk of impairment of inventories mainly arises from pharmaceutical segment as the pharmaceutical products are subject to expiry. As at December 31, 2020, the inventory of pharmaceutical net of provision was amounted SAR 288.7 million (2019: SR 203.9 million).

3.5 Defined benefit plan (Note 15)

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial techniques. 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, mortality rates and other factors.

Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates.

4 NEW STANDARDS AND INTERPRETATIONS

4.1 New standards and interpretations effective during the year

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2020.

4.1.1 Amendments to IFRS 3 – definition of a business

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

4.1.2. Amendments to IAS 1 and IAS 8 on the definition of material

These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:
i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.

4 NEW STANDARDS AND INTERPRETATIONS (continued)

4.1.3. Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally, cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the consolidated statement of income.

The adoption of above amendments does not have any material impact on the consolidated financial statements during the year.

4.2 New standards and interpretations effective on or after January 1, 2021

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2021 and have not been applied in preparing these consolidated financial statements. None of these standards are expected to have a significant effect on the consolidated financial statements of the Group.

5 STEP ACQUISITION OF TANMIYA

On December 31, 2019, Al-Tanmiya Company for Steel Manufacturing ("Tanmiya") previously accounted as a joint venture, became a subsidiary of AIG. This change was accounted for as step acquisition and was disclosed in the Group's annual consolidated financial statements for the year ended December 31, 2019. Accordingly, the share of net loss in joint venture during the year amounted to nil (2019: SAR 31.2 million).

Below was the gain recognized on the step acquisition of Tanmiya during 2019:

Fair value of previously held interest	**383,143,789**
Carrying value before acquisition	**(324,643,789)**
Gain – recognized as part of other income (Note 24)	**58,500,000**

6 PROPERTY, PLANT AND EQUIPMENT ("PPE")

2020	Land and buildings	Leasehold improvements	Machinery and equipment	Furniture, fixtures and office equipment	Vehicles	Projects under construction	Total
Cost:							
Opening balance	589,829,464	18,400,037	1,079,624,828	70,043,851	36,908,778	41,279,575	1,846,086,533
Additions	5,291,122	303,955	21,068,939	4,089,538	2,930,761	28,746,909	62,431,224
Impact of hyperinflation on cost (Note 24.2)	128,499,256	-	44,128,520	7,199,602	6,748,250	9,293,282	195,868,910
Transfers	(11,409,390)	4,981,481	10,342,480	12,608,051	210,207	(16,732,829)	-
Disposals / write-offs	(194,361)	(62,010)	(4,855,764)	(2,011,344)	(3,289,294)	-	(10,412,773)
Exchange differences	(5,371,455)	(90,539)	(4,710,180)	(268,616)	(658,477)	(90,361)	(11,189,628)
Closing balance	716,644,636	23,532,924	1,145,598,823	91,661,082	42,850,225	62,496,576	2,082,784,266
Accumulated depreciation and impairment loss:							
Opening balance	150,772,878	11,245,680	369,154,252	54,639,518	28,659,495	6,245,474	620,717,297
Charges for the year	18,058,135	2,853,582	51,130,914	13,806,735	2,705,476	-	88,554,842
Impact of hyperinflation on accumulated depreciation (Note 24.2)	15,276,028	-	35,455,759	5,922,688	4,943,613	-	61,598,087
Impairment loss (Note 24.2)	113,223,228	-	8,672,761	1,276,914	1,804,638	9,293,282	134,270,823
Disposals/ write-offs	(160,464)	(51,675)	(3,852,328)	(1,971,436)	(3,234,863)	-	(9,270,766)
Exchange differences	(311,212)	12,175	(1,168,065)	(130,282)	(275,259)	(142,738)	(2,015,381)
Closing balance	296,858,593	14,059,762	459,393,293	73,544,137	34,603,099	15,396,018	893,854,902
Net book value:							
December 31, 2020	419,786,043	9,473,162	686,205,530	18,116,945	8,247,126	47,100,558	1,188,929,364

No borrowing costs were capitalised during the year ended December 31, 2020 and 2019 considering that there were no qualifying assets, which necessary takes substantial period of time to get ready for its intended use.

As at December 31, 2020:

- The land and buildings include land amounting to SAR 41.77 million (2019: SAR 42.88 million).
- ROU net book value was SAR 43.25 million (2019: SAR 46.26 million). See Note 7.
- Project under construction mainly includes advances to suppliers for construction projects.

6 PROPERTY, PLANT AND EQUIPMENT (continued)

2019	Land and buildings	Leasehold improvements	Machinery and equipment	Furniture, fixtures and office equipment	Vehicles	Projects under construction	Total
Cost:							
Opening balance	502,098,641	18,303,711	822,023,959	76,165,581	34,227,277	32,448,304	1,485,267,473
Additions	7,691,735	242,902	9,613,648	3,443,193	1,997,643	13,922,130	36,911,251
Acquired under business combination (Note 5)	84,230,161	-	288,705,266	437,147	1,232,655	-	374,605,229
Impact of hyperinflation on cost (Note 24.2)	5,624,345	-	21,991,645	1,000,767	699,261		29,316,018
Transfers	4,759	-	3,435,270	3,023,277	557,654	(7,020,960)	-
Disposals/ write-offs	-	-	(64,761,140)	(14,023,564)	(1,768,583)	-	(80,553,287)
Exchange differences	179,823	(146,576)	(1,383,820)	(2,550)	(37,129)	1,930,101	539,849
Closing balance	599,829,464	18,400,037	1,079,624,828	70,043,851	36,908,778	41,279,575	1,846,086,533
Accumulated depreciation and impairment loss:							
Opening balance	124,612,603	10,550,607	361,788,064	57,476,504	26,499,953	5,353,810	586,281,541
Charges for the year	20,685,902	715,316	47,401,861	9,390,659	3,028,541	-	81,222,279
Impact of hyperinflation on accumulated depreciation (Note 24.2)	1,663,127	-	6,045,345	829,341	755,264	-	9,293,077
Impairment loss (Note 24.2)	3,961,218	-	15,946,300	171,426	(56,003)	-	20,022,941
Disposals/ write-offs	-	-	(61,470,320)	(13,215,780)	(1,568,867)	-	(76,254,967)
Exchange differences	(149,972)	(20,243)	(556,998)	(12,632)	607	891,664	152,426
Closing balance	150,772,878	11,245,680	369,154,252	54,639,518	28,659,495	6,245,474	620,717,297
Net book value:							
December 31, 2019	449,056,586	7,154,357	710,470,576	15,404,333	8,249,283	35,034,101	1,225,369,236

During 2018, Tabuk Pharmaceutical Manufacturing Company, a subsidiary in Egypt recognized impairment loss amounting to SAR 5.4 million. The loss was recognized based on valuation, of building and machinery, performed by a third-party valuer.

7 LEASES

The Group holds various properties and vehicles on lease. Rental contracts period after considering extension options reach between 2 to 22 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

7.1 The consolidated statement of financial position included the following amounts relating to leases:

	December 31, 2020	December 31, 2019
Right-of-use assets		
Land and buildings	**41,971,086**	45,320,451
Vehicles	**1,281,998**	943,743
	43,253,084	46,264,194
Lease liabilities		
Non-current	**38,038,298**	41,250,423
Current	**5,569,608**	4,277,307
	43,607,906	45,527,730

Right-of-use assets and lease liabilities were included in the line item "Property, plant and equipment" and "Loans and lease liabilities", respectively, in the consolidated statement of financial position.

7.2 The consolidated statement of income included the following amounts related to leases:

	2020	2019
Depreciation charge of right-of-use assets	**6,422,068**	7,250,818
Interest expense (included in finance costs)	**2,003,220**	2,707,012
	8,425,288	9,957,830

7.3 Additions on right-of-use assets amounted to SAR 3.3 million during the year ended December 31, 2020. The total cash outflow for leases during the year ended December 31, 2020 amounted to SAR 3.9 million (2019: SAR 5.6 million).

7.4 The contractual maturities of lease liabilities were as follows:

	2020	2019
Up to three years	**17,594,902**	22,604,174
More than three years	**35,013,004**	32,923,556
	52,607,906	55,527,730

7.5 Short-term and low value leases expense for the year amounted to SAR 14 million (2019: SAR 10.4 million).

8 INTANGIBLE ASSETS

	Notes	2020	2019
Goodwill	8.1	**25,206,754**	25,206,754
Software and licenses	8.2	**7,221,699**	4,317,810
		32,428,453	29,524,564

8.1 Goodwill

The goodwill was generated from the acquisition of Astra Nova, Turkey (SAR 9 million) and Astra Polymers Free Zone, Turkey (SAR16 million).

The recoverable amount of goodwill is determined based on value-in-use calculations. These calculations use cash flow projections which are based on financial budgets approved by management covering a five year period as well as the factors used in computing terminal value. Terminal value was calculated using earnings multiple / Gordon Growth Model for the final year of the forecast period.

8 INTANGIBLE ASSETS (continued)

The key assumptions used for value-in-use calculations were as follows:

	Astra Nova, Turkey		Astra Polymers Free Zone, Turkey	
	2020	**2019**	**2020**	**2019**
Revenue growth rate (average)	**9.7%**	13.8%	**3.7%**	16.7%
Pre-tax and pre-Zakat discount rate	**23%**	18.1%	**23%**	21.1%
Terminal growth rate	**2.5%**	2.5%	**2.5%**	2.5%

The results of impairment test indicated no impairment charge.

Sensitivity analysis

Given below is the impact of sensitivity analysis due to change in key assumptions used for the valuation of Goodwill, considering all other assumptions being constant:

Astra Nova, Turkey

	2020	2019
Revenue growth rate decrease by 5%	**Nil**	Nil
Pre-tax and pre-Zakat discount rate increase by 5%	**Nil**	Nil
Terminal growth rate at 2%	**Nil**	Nil

Astra Polymers Free Zone, Turkey

	2020	2019
Revenue growth rate decrease by 5%	**Nil**	(SAR 5 million)
Pre-tax and pre-Zakat discount rate increase by 5%	**Nil**	Nil
Terminal growth rate at 2%	**Nil**	Nil

8.2 Software and licenses

The Group holds computer software and licenses with a cost amounting to SAR 37.5 million (2019: SAR 34.7 million) and accumulated amortisation amounting to SAR 30.2 million (2019: SAR 30.4 million). Amortization charge for the year amounted to SAR 1.1 million (2019: SAR 1.2 million).

9 INVENTORIES

	2020	2019
Raw and packing materials	**496,061,505**	346,623,584
Finished goods	**240,963,258**	252,974,132
Work-in-process	**37,410,213**	21,768,679
Goods in transit	**16,772,185**	28,836,310
Consumables	**22,247,779**	19,056,389
	813,454,940	669,259,094
Provision for near expiry, obsolete and slow-moving inventories	**(69,925,606)**	(58,611,793)
	743,529,334	610,647,301

10 TRADE RECEIVABLES (also see note 32.2.1.3)

	2020	2019
Not yet past due	**529,877,387**	494,301,230
Past due	**374,029,376**	378,005,969
	903,906,763	872,307,199
Provision for impairment	**(146,646,647)**	(105,680,407)
	757,260,116	766,626,792
Provision to trade receivables coverage ratio	**16.22%**	12.12%
Provision to past due trade receivables coverage ratio	**39.21%**	27.96%

10.1 As at December 31, 2020, trade receivables include retention receivables of SAR 21.7 million (2019: SAR 24 million) and contract assets (unbilled receivables) of SAR 24 million (2019: SAR 32.8 million).

10.2 Movements in the provision for impairment of trade receivables was as follows:

	2020	2019
Opening balance	**105,680,407**	99,736,705
Provision for the year	**55,467,270**	17,421,253
Acquisition of subsidiary (Note 5)	**-**	9,475,397
Write-offs/reversal during the year	**(14,501,030)**	(20,952,948)
Closing balance	**146,646,647**	105,680,407

10.3 Movement in contract assets and contract liabilities were as follows:

Contract assets (unbilled receivables)	**2020**	**2019**
Opening balance	**32,826,534**	28,322,608
Transfers from contract assets recognised at the beginning of the period to receivables	**(32,204,747)**	(27,104,852)
Increases as a result of changes in the measure of progress	**23,364,926**	31,608,778
	23,986,713	32,826,534

Contract liabilities (deferred revenue / customer advances) - Note 17	**2020**	**2019**
Opening balance	**17,268,984**	21,616,523
Revenue recognised that was included in the contract liability balance at the beginning of the period	**(11,473,537)**	(15,042,632)
Increases due to cash received, excluding amounts recognised as revenue during the period	**34,214,357**	10,695,093
	40,009,804	17,268,984

There is an expectation that majority of the contract liabilities will be recognized as revenues in the next financial year.

11 RELATED PARTY TRANSACTIONS AND BALANCES

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

Relationship	Nature of transactions	2020	2019
Affiliates	Revenue	**6,730,223**	6,900,038
	Purchases	**7,594,096**	5,724,471
	Other income	**200,000**	-

For transaction related to increase in the shareholding in subsidiaries and decrease in related parties' loans, please refer to note 29.

11.2 Key management personnel include directors and key executives at the Group level. Transactions with those are summarized below:

	2020	2019
Short-term employee benefits (salaries and other allowances)	**11,452,267**	9,103,971
Post-employment benefit (end-of-service benefits)	**298,025**	298,358
	11,750,292	9,402,329

11.3 Due from related parties comprises of the following:

	2020	2019
Current assets - unsecured (recoverable in cash):		
Astra Farms Company - Saudi Arabia (Affiliate company)	**1,485,070**	1,929,312
Other	**820,960**	670,639
	2,306,030	2,599,951

11.4 Due to related parties comprises of the following:

	2020	2019
Current liabilities – unsecured (payable in cash):		
Nour Communications Company – Saudi Arabia (Affiliate company)	**755,699**	1,961,086
Tharawat Mining Company – Saudi Arabia (partner in a subsidiary)	**6,163**	7,371,680
Al Maseera International Company – Bahraini off-shore company (shareholder in Tanmiya)	**-**	6,570,320
Other	**8,612**	111,883
	770,474	16,014,969

11.5Due to a related party - loan

	2020	2019
Al Maseera International Company (a shareholder in Tanmiya)	**30,052,273**	86,735,702

The loan is denominated in US Dollars, is interest free and is repayable in installments by 2022. Also see Note 29 (a) which explained the reason for the reduction in the loan.

12 PREPAYMENTS AND OTHER CURRENT ASSETS

	2020	2019
Financial assets		
Restricted bank balances	**3,781,765**	6,021,918
Refundable deposits and insurance claims	**4,296,341**	4,487,968
	8,078,106	10,509,886
Non-financial assets		
Prepaid expenses	**28,170,812**	28,998,003
Advances to suppliers	**52,371,338**	52,217,136
Value-added tax	**10,785,978**	12,040,333
Employees' receivables (note 12.1)	**10,798,750**	14,816,653
Other	**3,123,492**	3,094,112
	105,250,370	111,166,237
	113,328,476	121,676,123

12.1 The employees' receivables are secured against employee defined benefit liabilities.

13 CASH AND CASH EQUIVALENTS

	2020	2019
Bank balances	**53,052,464**	44,295,741
Cash in hand	**1,407,740**	983,780
	54,460,204	45,279,521

14 LOANS AND LEASE LIABILITIES

2020	Current	Non-current	Total
Short-term loans	**674,331,608**	**-**	**674,331,608**
Long-term loans	**1,787,928**	**4,530,228**	**6,318,156**
	676,119,536	**4,530,228**	**680,649,764**
Lease liabilities	**5,569,608**	**38,038,298**	**43,607,906**
	681,689,144	**42,568,526**	**724,257,670**

2019	Current	Non-current	Total
Short-term loans	738,868,027	-	738,868,027
Long-term loans	6,965,076	101,909,743	108,874,819
	745,833,103	101,909,743	847,742,846
Lease liabilities	4,277,307	41,250,423	45,527,730
	750,110,410	143,160,166	893,270,576

14.1 Movement of short-term and long-term loans were as follows:

2020

	Opening balance	Receipts during the year	Repayments during the year	Closing balance
Short-term loans				
Conventional	**129,273,356**	**134,748,490**	**(135,726,109)**	**128,295,737**
Murabaha	**609,594,671**	**2,510,214,960**	**(2,573,773,760)**	**546,035,871**
	738,868,027	**2,644,963,450**	**(2,709,499,869)**	**674,331,608**
Long-term loans				
Conventional	**6,642,046**	**6,318,156**	**(6,642,046)**	**6,318,156**
Murabaha	**102,232,773**	**-**	**(102,232,773)**	**-**
	108,874,819	**6,318,156**	**(108,874,819)**	**6,318,156**
Total	**847,742,846**	**2,651,281,606**	**(2,818,374,688)**	**680,649,764**

2019

	Opening balance	Receipts during the year	Repayments during the year	Closing balance
Short-term loans				
Conventional	109,228,464	190,252,758	(170,207,866)	129,273,356
Murabaha	970,389,987	1,505,222,194	(1,866,017,510)	609,594,671
	1,079,618,451	1,695,474,952	(2,036,225,376)	738,868,027
Long-term loans				
Conventional	12,309,055	-	(5,667,009)	6,642,046
Murabaha	6,374,215	97,300,000	(1,441,442)	102,232,773
	18,683,270	97,300,000	(7,108,451)	108,874,819
Total	1,098,301,721	1,792,774,952	(2,043,333,827)	847,742,846

14.2 Short-term loans

The Group has bank facilities in the form of Murabaha, short-term tawarruq and other conventional credit facilities to meet the working capital requirements. As at December 31, 2020, facilities amounting to SAR 2.14 billion were undrawn (December 31, 2019: SAR 1.75 billion). The facilities bear special commission at prevailing market rates which are mostly based on Saudi Arabian Interbank Offered Rate (SAIBOR) and denominated in Saudi Riyals. These facilities are secured by corporate guarantees from AIG.

14 LOANS AND LEASE LIABILITIES (continued)

14.3 Long-term loans

During 2019, a subsidiary of the Group obtained a, non-commission bearing, long-term loan from Saudi Industrial Development Fund (SIDF) amounting to SAR 97.3 million, which was payable in full during April 2021. During the year, the Group settled the loan.

The Group also have long-term loan facilities with banks to finance its capital assets. As at December 31, 2020 an amount of SAR 3.87 million was undrawn (December 31, 2019: SAR 10.16 million). These facilities are secured by corporate guarantees from AIG and bear special commission charges at agreed fixed rates. The facilities are denominated in foreign currencies (mainly Algerian Dinar) and repayable within five years through monthly and quarterly equal installments from the date these facilities were availed.

14.4 Borrowing cost

Borrowing costs of SAR 48 million were charged to the consolidated statement of income for the year ended December 31, 2020 (2019: SAR 80.2 million). The reduction in borrowing costs were mainly due to reduction is bank borrowings level by SAR 167 million and also reduction in borrowing rates as explained in note 32.1.2.

15 EMPLOYEE DEFINED BENEFIT LIABILITIES

15.1 Reconciliation of present value of liability

	2020	2019
Opening balance	**125,997,480**	128,619,962
Amount recognised in the consolidated statement of income		
Current service costs	**15,188,521**	15,137,475
Commission expense on liability	**3,571,690**	4,581,856
	18,760,211	19,719,331
Amount recognised in the consolidated statement of comprehensive income		
Actuarial gains attributable to:		
Shareholders of the Parent	**(4,517,378)**	(4,899,919)
Non-controlling interests	**(9,786)**	14,158
	(4,527,164)	(4,885,761)
Benefits paid	**(17,432,058)**	(17,456,052)
Closing balance	**122,798,469**	125,997,480

15.2 The significant actuarial assumptions used in determining employees' end-of-service benefits liability are shown below:

	2020	2019
Discount rate	**1.85%**	2.90%
Future salary increment rate	**1.85%**	2.90%
Retirement age	**60 years**	60 years

15.3 The maturity profile of the obligation

	2020	2019
Less than 1 year	**11,090,939**	11,519,339
1 year to 5 years	**52,576,538**	57,364,543
More than 5 years	**65,593,890**	68,250,871
	129,261,367	137,134,753

15.4 The weighted average duration of the plan was 8 years as at December 31, 2020 and 2019.

15 EMPLOYEE DEFINED BENEFIT LIABILITIES (continued)

15.5 Sensitivity analysis on significant actuarial assumptions of employees' defined benefits liabilities:

	2020	2019
Discount rate + 0.5%	(5,617,758)	(5,764,969)
Discount rate - 0.5%	4,373,423	4,532,286
Long-term salary + 0.5%	2,978,512	4,822,198
Long-term salary - 0.5%	(4,371,069)	(6,080,737)

16 TRADE PAYABLES

	2020	2019
Trade payables	223,708,613	145,893,885

Trade payables are non-interest bearing and are normally settled within 90 days terms.

17 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2020	2019
Sales commission and promotional expenses	99,270,349	86,470,846
Accrued expenses	71,805,398	67,257,736
Employees' benefits	80,085,041	66,486,208
Contract liabilities - expected sales returns	36,484,335	28,413,792
Contract liabilities - Note 10.3	40,009,804	17,268,984
Other	10,659,806	6,470,264
	338,314,733	272,367,830

18 ZAKAT AND INCOME TAX

18.1 Zakat and income tax reversals / (expense) for the year

	Note	2020	2019
Zakat charge for the year		18,290,240	26,254,292
Current income tax charge for the year		12,411,416	3,889,691
		30,701,656	30,143,983
Zakat and current income tax reversal for prior years		-	(42,000,000)
Zakat and current income tax	18.2	30,701,656	(11,856,017)
Deferred tax		7,486,961	(10,401,644)
		38,188,617	(22,257,661)

18.2 Movement of zakat and current income tax was as follows:

	2020	2019
Opening balance	76,913,594	133,022,477
Charges for the year	38,188,617	30,143,983
Reversals related to prior years	-	(42,000,000)
	38,188,617	(11,856,017)
Paid during the year	(40,683,231)	(44,252,866)
Closing balance	74,418,980	76,913,594

18 ZAKAT AND INCOME TAX (continued)

18.3 Status of assessments

The Company and its subsidiaries have filed zakat/income tax returns for the years through December 31, 2019. The consolidated Zakat return for the year ended December 31, 2020 will be filed in due course.

The Group has filed its consolidated Zakat return for 2019 based on consolidated financial statements and obtained final zakat certificates for all the Group local companies from the General Authority of Zakat and Tax ("GAZT"). The following are the final zakat and income tax assessments of the Company and its local subsidiaries that have been agreed with the "GAZT" as of the financial position date:

Entity	2020	2019
AIG	**up to 2018**	up to 2018
TPMC	**up to 2014 and 2018**	up to 2002 and 2018
Polymer	**up to 2014 and 2018**	up to 2012 and 2018
IBSF	**up to 2018**	up to 2018
Astra Chem	**up to 2018**	up to 2018
Astra Mining	**up to 2016**	up to 2016

During 2019, the Group has finalized several year assessments with GAZT and therefore, the related provisions were reversed during the year.

18.4 Other non-current assets include deferred tax asset amounted to SAR 5.8 million (2019: SAR 15 million) which include of SAR 3.6 million (2019: SAR 10 million) related to TPMC Algeria, where the entity suffered losses in prior years and those losses would be deductible from future taxable profits.

19 ISSUED CAPITAL

The share capital of the Company as at December 31, 2020 comprises of 80,000,000 shares (December 31, 2019: 80,000,000 shares) of SAR 10 each. The share capital is held as follows:

	2020	2019
Saudi founding shareholders*	**60.73%**	60.73%
Public	**39.27%**	39.27%
	100.00%	100.00%

*This include Arab Supply and Trading Company, Saudi Arabia which holds 47.14% (2019: 47.14%, where the major shareholders are Mr. Sabih Tahir Darwesh Masri and Mr. Khaled Sabih Tahir Darwesh Masri (ultimate controlling person).

20 STATUTORY RESERVE

In accordance with the Regulations for Companies in Saudi Arabia and the Company's By-laws, the Company has established a statutory reserve by the appropriation of 10% of net profit until the reserve equals at least 30% of the share capital. The statutory reserve in the accompanying consolidated financial statements is the statutory reserve of the Company. This reserve is not available for dividend distribution. The reserve includes SAR 332 million of share premium recorded in prior years.

21 COST OF REVENUES

	Note	2020	2019
Material costs		**762,987,584**	711,399,707
Employees' salaries and benefits		**212,126,763**	229,350,466
Depreciation and amortization		**80,602,361**	67,968,113
Provision for near expiry, obsolete and slow-moving inventory	9	**74,279,961**	44,547,202
Other overheads		**115,258,056**	75,494,903
		1,245,254,725	1,128,760,391

22 SELLING AND DISTRIBUTION EXPENSES

	2020	2019
Employees' salaries and benefits	**204,967,603**	201,407,263
Marketing, advertising and promotions	**85,074,237**	83,647,582
Distribution, travel and freight charges	**28,807,364**	28,143,148
Rent and utilities	**14,460,126**	10,828,902
Depreciation	**7,254,056**	6,198,323
Other	**23,259,667**	19,595,520
	363,823,053	349,820,738

23 GENERAL AND ADMINISTRATIVE EXPENSES

	2020	2019
Employees benefits	**99,552,169**	94,411,679
Professional fees	**17,157,646**	17,997,455
Rent, Insurance and utilities	**7,907,688**	10,754,906
Depreciation and amortization	**6,885,533**	7,066,161
Travel and transportation	**2,702,670**	4,424,692
Repair and maintenance	**2,322,844**	2,180,284
Board of Directors' remuneration	**2,136,996**	2,116,000
Other	**11,231,333**	13,062,686
	149,896,879	152,013,863

24 OTHER EXPENSES, NET

	2020	2019
Reclassification of exchange loss from OCI to statement of income - Note 24.1	**-**	(119,104,534)
Foreign exchange loss	**(21,904,744)**	(7,636,219)
	(21,904,744)	(126,740,753)
Net monetary gain - Note 24.2	**125,553,618**	20,022,941
Impairment loss on property, plant and equipment - Note 24.2	**(134,270,823)**	(20,022,941)
	(8,717,205)	-
Gain on step acquisition of Al-Tanmiya - Note 5	**-**	58,500,000
Income from sale of scraps	**2,901,668**	2,527,356
Loss on disposal of property, plant and equipment	**(1,142,007)**	(4,298,320)
Other	**8,352,241**	(2,345,074)
	(20,510,047)	(72,356,791)

24.1 During 2019, TPCL Sudan settled its intercompany loans. Therefore, the related foreign exchange loss was reclassified from OCI to the consolidated statement of income and was recognised as part of "Other expenses, net" amounting to SAR 119.1 million.

24.2 One of the subsidiaries of the Group, namely TPCL Sudan, operates in Sudan, which continues to be a hyperinflationary economy. Based on the management assessment, the official exchange rate of Sudanese Pounds (SDG) 14.7 equal to SAR 1 (2019: SDG 12.03 equal to SAR 1) was considered as the closing foreign exchange rate and the related foreign operations translated at that rate. However, subsequent to the year end, on February 21, 2021, Central Bank of Sudan announced the exchange rate of SDG 100 equal to SAR 1. Considering the Group has already recorded the impairment, the impact on the Group's financial statements of this fluctuation in foreign currency will not be significant. The related PPE balance will be reduced by SAR 13 million through corresponding increase in foreign currency reserve by the same amount. This relates to the net book value as of December 31 as follows :

Property, plant and equipment	2020	2019
Adjusted cost after hyperinflation	**268,461,286**	67,670,085
Accumulated depreciation and impairment	**(252,761,340)**	(56,878,451)
Net book value	**15,699,946**	10,791,634

24 OTHER EXPENSES, NET (continued)

During 2020, the Group recognized gain on the monetary position arising from hyperinflation in Sudan amounting to SAR 164 million (SAR 134 million related to property, plant, and equipment and SAR 30 million related to inventory). The financial statements of TPCL Sudan have been restated for the changes in the general purchasing power of the functional currency and, as a result, are stated in terms of the measuring unit current (i.e. consumer price index) at the end of the reporting period. Based on the management judgement, estimates and assessment of available information, the consumer price index used by TPCL Sudan at December 31, 2020 was 11,657 (2019: consumer price index of 2,339).

During 2020, the property, plant and equipment of TPCL Sudan was impaired by SAR 134 million. The recoverable amount of property, plant and equipment is determined based on value-in-use calculations. These calculations use cash flow projections which are based on financial forecasts covering a five year period as well as the factors used in computing terminal value. Terminal value was calculated using earnings multiple for the final year of the forecast period. The key assumptions used for value-in-use calculations were revenue growth rate (average), pre-tax and pre-zakat discount rate and terminal growth rate. The change in key assumptions will not adversely affect the Group's financial statements considering the related assets net book value was immaterial specially after taking the effect of subsequent devaluation of Sudanese Pounds.

25 EARNINGS PER SHARE

Basic and diluted, earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit / loss for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting interest on convertible shares) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares, if any.

The following table reflects the income and weighted average number of ordinary shares used in the computations:

	2020	**2019**
Income attributable to shareholders of the Parent	**115,444,034**	29,696,043
Weighted average number of ordinary shares	**80,000,000**	80,000,000
Basic and diluted, loss per share	**1.44**	0.37

26 SEGMENT REPORTING

26.1 A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

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

Pharmaceuticals
Pharmaceuticals segment, which develops, manufactures, markets and distributes branded generic pharmaceuticals and under-licensed products globally.

Specialty chemical
Specialty chemical segment, which produces Masterbatch, dust-free additives and custom-made thermoplastic compounds plus liquid and paste colorants for polymer manufacturing, polymer converting and plastics processing industries in addition with manufacturing, importing and distributing a range of agrochemicals, fertilizers, public health and veterinary pesticides, seeds and other agricultural inputs.

Power and steel
Power and steel segment, which produces steel billets, pre-engineered steel buildings and steel structures and rebar for the construction industry.

Other
Other segment is the residual segment and comprises of Astra Industrial Group Holding Company and Astra Mining. Astra Mining Operating plant for processing of industrial minerals.

No operating segments have been aggregated to form the above reportable operating segments.

26 SEGMENT REPORTING (continued)

26.2 The Group's Executive Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

The Group's consolidated financial information by business segments, were as follows:

	Pharmaceuticals	Specialty chemical	Power and steel industries	Other	Total
December 31, 2020					
Revenue from sale of goods	1,023,310,189	652,321,968	97,624,315	31,632,741	1,804,889,213
Revenue from rendering of services	40,399,004	149,226,659	53,361,228	-	242,986,891
Total revenue	1,063,709,193	801,548,627	150,985,543	31,632,741	2,047,876,104
Inter segment revenue	-	-	-	-	-
Revenue from third parties	1,063,709,193	801,548,627	150,985,543	31,632,741	2,047,876,104
Gross profit (loss)	558,525,598	263,995,555	(25,073,410)	5,173,636	802,621,379
Depreciation and amortization	(42,943,922)	(19,707,195)	(20,054,658)	(6,976,357)	(89,682,132)
Research expenses	(18,306,470)	(2,688,056)	-	-	(20,994,526)
Finance cost	(14,713,669)	(22,313,468)	(6,880,104)	(3,963,777)	(47,871,018)
Income (loss) before zakat and tax	117,030,199	97,040,306	(47,222,226)	(22,789,693)	144,058,586
Property, plant and equipment other than ROU assets	429,483,389	159,703,884	440,751,583	115,737,424	1,145,676,280
Right of use assets	21,994,515	15,731,265	3,946,272	1,581,032	43,253,084
Trade receivables	432,530,738	332,058,538	136,653,440	2,664,047	903,906,763
Provision for impairment of trade receivables	(44,659,994)	(72,463,863)	(29,522,790)	-	(146,646,647)
Trade receivables – net	387,870,744	259,594,675	107,130,650	2,664,047	757,260,116
Total assets	1,208,653,669	785,633,759	771,658,487	135,236,991	2,901,182,906
Total liabilities	640,143,518	372,233,906	343,560,240	158,383,548	1,514,321,212

	Pharmaceuticals	Specialty chemical	Power and steel industries	Other	Total
December 31, 2019					
Revenue from sale of goods	892,776,164	538,012,204	204,947,528	32,847,378	1,668,583,274
Revenue from rendering of services	30,195,396	155,094,967	30,308,005	-	215,598,368
Total revenue	922,971,560	693,107,171	235,255,533	32,847,378	1,884,181,642
Inter segment revenue	-	-	(17,069,939)	-	(17,069,939)
Revenue from third parties	922,971,560	693,107,171	218,185,594	32,847,378	1,867,111,703
Gross profit	504,027,337	218,996,206	9,869,595	5,458,174	738,351,312
Depreciation and amortization	(43,681,309)	(23,042,471)	(8,871,741)	(6,816,827)	(82,412,348)
Research expenses	(20,732,920)	(2,190,437)	-	-	(22,923,357)
Share of net loss in a joint venture	-	-	(31,204,088)	-	(31,204,088)
Finance cost	(24,717,881)	(41,420,679)	(10,555,763)	(3,470,252)	(80,164,575)
Income (loss) before zakat and tax	(16,197,823)	57,480,727	3,563,459	(32,399,716)	12,446,647
Property, plant and equipment other than ROU assets	431,011,584	174,472,727	456,153,817	117,466,914	1,179,105,042
Right of use assets	23,532,606	16,718,306	4,274,147	1,739,135	46,264,194
Trade receivables	448,624,079	279,713,560	139,112,568	4,856,992	872,307,199
Provision for impairment of trade receivables	(27,993,313)	(46,952,416)	(30,734,678)	-	(105,680,407)
Trade receivables – net	420,630,766	232,761,144	108,377,890	4,856,992	766,626,792
Total assets	1,173,222,406	740,400,992	774,308,224	132,710,551	2,820,642,173
Total liabilities	678,525,886	390,749,620	396,532,627	151,385,903	1,617,194,036

26 SEGMENT REPORTING (continued)

26.3 The Group's operations are conducted principally in Saudi Arabia, in addition to Iraq, Africa and other areas. Selected financial information as at and for the year ended December 31 by geographic area were as follows:

	Kingdom of Saudi Arabia	Republic of Iraq	Africa	Turkey	Sudan	Other areas	Total
2020							
Revenues	**1,183,076,649**	**43,490,055**	**140,752,074**	**223,813,818**	**214,786,493***	**241,957,015**	**2,047,876,104**
Non-current assets	**717,117,966**	**363,411,100**	**71,640,439**	**16,760,454**	**15,699,946**	**45,668,841**	**1,230,298,746**
2019							
Revenue	1,244,534,545	61,072,747	190,987,741	145,571,201	71,852,041	153,093,428	1,867,111,703
Non-current assets	724,095,861	374,373,881	95,124,496	19,269,410	10,791,634	50,157,203	1,273,812,485

* The main effect of hyperinflation (which includes both indexing up and using of closing official exchange rate) on Sudan's revenue amounted to SAR 120 million.

26.4 The Group's majority of the revenue was recognised at point in time. For limited number of contracts in IBSF, one of the subsidiary operating in power and steel industries, service revenue amounting to SAR 53.36 million for the year ended December 31, 2020 (2019: SAR 30.31 million) was recognized over the period of time based on work certified. In general, the agreed performance period for such contracts were up to one year. IBSF provides assurance type warranty, where the company provide assurance that the product will function as expected. There was no history of warranty claims and there were no expectations that such claims will arise therefore, no provision was recognised (also see Note 2.6 of these consolidated financial statements).

26.5 In the pharmaceutical and specialty chemical segments, there are few contracts where the Group provides toll manufacturing services to the customers i.e the Group receives the goods from Principal and after processing either returns the goods to the Principal or sell to the customers as per the Principal instructions. For such services, the Group acts as an agent and accordingly recognised the net amount as service revenue.

27 CONTINGENCIES

As at December 31, 2020, the Group had contingent liabilities arising in the normal course of business. The Group's bankers have issued letters of credit amounting to SAR 115.9 million (December 31, 2019: SAR 91.67 million) and letters of guarantee amounting to SAR 212.7 million (December 31, 2019: SAR 115.64 million).

28 COMMITMENTS

The Group in the normal course of business has entered into arrangements with suppliers for the purchase of machines and equipment and other services. The capital commitments at December 31, 2020 amounted to SAR 29.9 million (December 31, 2019: SAR 34.1 million).

29 NON-CONTROLLING INTERESTS

Accumulated non-controlling interests as of the financial position date were as follows:

Entity	Notes	2020	2019
Tanmiya	(a), (b)	**59,706,485**	263,206
Astra Mining	(c)	**1,306,108**	(12,099,017)
Other	(d)	**2,538**	2,539
		61,015,131	(11,833,272)

(a) During the year, the shareholders' loan in Tanmiya's books amounting to SAR 305 million was utilized, in the same proportion of shareholding, to absorb the losses and to increase the share capital amounting to SAR 277 million and SAR 28 million, respectively. This transaction resulted to an increase in the non-controlling interest and decrease in "due to a related party - loan".

29 NON-CONTROLLING INTERESTS (continued)

(b) Tanmiya functional and presentation currency is US Dollar. Financial information extracted from Tanmiya draft financial statements (converted to Saudi Riyals) was as follows:

	2020	2019
Statement of financial position		
Cash and cash equivalents	**2,976,071**	715,943
Total current assets	**135,590,321**	131,830,404
Total non-current assets	**363,411,100**	374,604,904
Current liabilities	**18,145,221**	184,362,827
Non-current liabilities	**448,755,569**	570,653,481
Total liabilities	**466,900,790**	755,016,308
Equity	**32,100,633**	(248,580,999)
Statement of income		
Revenue	**68,299**	619,386
Depreciation	**(11,381,785)**	(20,544,277)
Loss from operations	**(24,595,161)**	(176,865,310)
Finance costs	**(384,536)**	(108,200,034)
Other comprehensive income	**-**	-
Total comprehensive loss*	**(24,149,367)**	(276,706,004)
Statement of cash flows		
Net cash (used in) / generated from operating activities	**(11,115,749)**	2,897,730
Net cash used in investing activities	**(187,983)**	(2,027,813)
Net cash generated from / (used in) financing activities	**13,563,857**	(624,206)

*During the year, the total comprehensive loss amounting to SAR 8.5 million was allocated to NCI.

(c) During the year, Astra Mining share capital was increased from SAR 5 million to SAR 45.9 million through conversion of shareholders' loans to equity. Accordingly, the Group's shareholding in Astra Mining has increased from 60% to 77.3% and the loan balance due to the shareholder in a subsidiary has decreased.

As at December 31, 2020, the total assets of Astra Mining amounted to SAR 127.3 million (2019: SAR128.5 million), total liabilities amounted to SAR 121.5 million (2019: SAR 158.8 million) and accumulated losses were SAR 40.1 million (2019: SAR 35.2 million). Astra Mining revenue and loss for the year was SAR 31.6 million (2019: SAR 32.8 million) and SAR 4.9 million (2019: SAR 7.6 million), respectively.

(d) During 2020, Astra Energy declared a dividend of SAR nil (2019: SAR 33.47 million). The related share of non-controlling interest amounting to SAR nil (2019: SAR 8 million) was included as part of 'Due to related parties'.

30 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital. For capital management purposes, capital was considered as equal to the total equity of the Group.

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2020 and 2019. At the statement of financial position date, gearing ratio analysis by the management was as follows:

	2020	**2019**
Equity	**1,386,861,694**	1,203,448,137
Liabilities	**1,514,321,212**	1,617,194,036
Total capital structure	**2,901,182,906**	2,820,642,173
Gearing ratio	**52.20%**	57.33%

31 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

Valuation techniques
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 into 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 within Level 1 that are observable for the asset or liability, 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 inputs)

Based on the contractual cash flows criteria and business model, the Group's all financial assets, excluding cash and bank balances, and financial liabilities are classified at amortized cost. The breakdown of financial assets and liabilities as at the financial position date was as follows:

	2020	2019
Financial assets - current		
Cash and cash equivalents	**54,460,204**	45,279,521
Trade receivables	**757,260,116**	766,626,792
Due from related parties	**2,306,030**	2,599,951
Other current assets	**8,078,106**	10,509,886
Financial liabilities		
Non- current liabilities		
Loans and lease liabilities	**42,568,526**	143,160,166
Due to a related party – loan	**30,052,273**	86,735,702
Current liabilities		
Trade payables	**223,708,613**	145,893,885
Accrued expenses and other current liabilities	**338,314,733**	272,367,830
Due to related parties	**770,474**	16,014,969
Loans and lease liabilities	**681,689,144**	750,110,410

Management assessed that the fair values of current financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Therefore, the related fair value hierarchy disclosure was not applicable. The non-current financial liabilities carried at amortized cost and the related carrying amounts approximate to fair value which falls under level 3. There have been no changes compared to prior year.

32 FINANCIAL RISK MANAGEMENT

The Group's activities are subject to financial risks such as market risk, credit risk and liquidity risk.

32.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk relevant to the Group are:

- foreign currency exchange risk, and
- commission (interest) rate risk

Financial instruments affected by market risk includes financial assets and liabilities.

32 FINANCIAL RISK MANAGEMENT (continued)

32.1.1 Foreign currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's functional and reporting currency is the Saudi Riyal. The Group's transactions are principally in Saudi Riyals and US Dollars, which are currently pegged. Management monitor the fluctuations in currency exchange rates and believes that the currency risk is not significant.

The net of financial assets and liabilities in multiple foreign currencies other than USD were less than SAR 50 million which considered as insignificant. Therefore, the related sensitivities for each currency was not disclosed.

Foreign currency translation reserve as of financial position date was as follows:

Country of operations	Notes	2020	2019
Sudan	24	**35,151,824**	28,318,559
Egypt	(a)	**28,342,303**	28,300,953
Other		**1,691,105**	5,267,586
		65,185,232	61,887,098

(a) As at December 31, 2020, the Group's net liabilities before intercompany elimination in Egypt were of SAR 5.4 million (2019: SAR 7.3 million), therefore the remaining exposure of Group's foreign operation in Egypt was considered to be not significant.

32.1.2 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations at floating interest rates and as of the financial position date the related exposure was not significant. The Group manages its exposure to interest rate risk by maintaining a balanced portfolio of long-term and short-term loans and continuously monitoring movements in interest rates.

The details of Group's borrowing in different currencies are as follows:

Borrowing currency	Notes	2020	2019
Saudi Riyals and United States Dollar	(a)	**528,359,637**	689,812,738
Turkish Lira	(b)	**85,958,199**	100,174,449
Others		**66,331,929**	57,755,659
		680,649,765	847,742,846

(a) The major borrowings of Group are short term which roll over on monthly or quarterly basis and priced based on SAIBOR plus with an agreed fixed rate. The monthly average of three months SAIBOR during the year was 0.83% (2019: 2.6%). As at December 31, 2020, the SAIBOR was 0.82% (2019: 2.2%). The increase or decrease in by 0.1% will have less than SAR 1 million effect on the profitability of the Group.

(b) During the year, the interest expenses related to Turkey based subsidiaries was SAR 14.47 million (2019: SAR 25.7 million). As at December 31, 2020, the Turkish LIBOR (Lira Interbank Offered Rate) was 17.95% (2019: 11.02%). The increase or decrease in Turkish LIBOR by 100 basis points, will have effect of SAR 1 million on the profitability of the Group.

The Group's receivables carried at amortised cost are not subject to interest rate risk, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

32.2 Credit risk (Also see note 2.5, 3.3, and 10)

Credit risk is the risk that one party 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 banks by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables and ensuring close follow-ups.

32 FINANCIAL RISK MANAGEMENT (continued)

32.2.1 Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and controls relating to customer credit risk management. In general, the Group's credit terms range between 30 days to 180 days. Outstanding customer receivables are regularly monitored. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due or it becomes probable a customer will enter into a bankruptcy or will not be able to pay the Group's due amounts.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively.

The expected credit loss is calculated based on a loss rate methodology. Loss rates are calculated using a 'roll rate' method (provision matrix approach) based on the probability of a receivable progressing through successive stages of delinquency to write-off. Loss rates are based on the default probability calculated on average flow rates of past 12 quarters. The loss rates are adjusted based on factor considering the future economic outlook. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, and type of customer i.e government or private. This assessment is performed at each subsidiary level and consistent with last year. In segment reporting disclosure, trade receivables and related provision were specified which mainly represent the common risk characteristics.

32.2.1.1 Amounts written off still subject to enforcement activity

As of December 31, 2020 and 2019, the receivables written-off still subject to enforcement activity amounted to SAR 163 million.

32.2.1.2 Changes in assumptions including incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group has used gross domestic product (GDP) growth rate and inflation as their key macroeconomic factors giving equal weightages to each. The macro-economic factors have been updated based on the latest available information (such as for Saudi-based entities the latest information as issued by Ministry of Finance budget statement for fiscal year 2021 where the average GDP and inflation for the next three years expected to be 3.37% and 2.30% respectively). Further, the Group has incorporated additional risk factor to address the risk arise from COVID-19 and that resulted in additional provision SAR 10 million during the year 2020.

The average credit losses of trade receivables of wide range of customers with shared risk characteristics at the Group level is a reasonable estimate of the probability weighted amount.

Further, the Group has also considered different scenarios with the different weightage and concluded that the current level of provision is sufficient to cover the related credit risk in compliance with the requirements of IFRS 9.

32.2.1.3 Sensitivity analysis

The increase or decrease of 10% change in macro-economic factors will result to a SAR 3 million increase or SAR 3 million decrease in the ECL provision.

The increase or decrease of 10% change in loss rates assuming macro-economic factor remains the same will result SAR 9 million increase or SAR 9 million decrease in the ECL provision.

In pharmaceutical segment, the customers were grouped as government and private, and the related details were as follows:

	2020	2019
Gross receivables:		
Government customers	**123,934,474**	133,696,867
Non-government customers	**308,596,264**	314,927,212
	432,530,738	448,624,079
Provision	**(44,659,994)**	(27,993,313)
Net receivables	**387,870,744**	420,630,766

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in consolidated statement of financial position.

32 FINANCIAL RISK MANAGEMENT (continued)

The Group evaluates the concentration of risk with respect to trade receivables as low, considering the companies' operations relates to diversified segments (also see note 26). As of December 31, 2020, from geographical concentrations perspective, the Group's major concentration of net receivables was in Saudi Arabia and Turkey, because the balances in any other country was not more than 3%, as reflected below:

	Gross receivables	Provision	Net receivables
Saudi Arabia	704,351,387	(100,815,734)	603,535,653
Turkey	86,473,517	(7,128,766)	79,344,751
Other countries	113,081,859	(38,702,147)	74,379,712
	903,906,763	(146,646,647)	757,260,116

Expected credit loss analysis as of December 31 was as follows:

2020

Buckets	Gross receivables	Provision	Net receivables	Average loss rates range
Current (not yet past due)	529,877,387	(2,520,948)	527,356,439	0.07% to 1%
1 to 180 days	169,915,863	(18,744,286)	151,171,577	0.46% to 29%
181 to 360 days	53,987,339	(11,247,854)	42,739,485	9% to 24%
	223,903,202	(29,992,140)	193,911,062	
361 to 540 days	34,887,118	(9,875,650)	25,011,468	16% to 50%
541 to 720 days	16,422,955	(10,017,272)	6,405,683	47% to 71%
	51,310,073	(19,892,922)	31,417,151	
721 to 900 days	12,723,974	(10,715,516)	2,008,458	75% to 100%
901 to 1080 days	17,615,425	(15,048,419)	2,567,006	75% to 100%
	30,339,399	(25,763,935)	4,575,464	
More than 1080 days	68,476,702	(68,476,702)	-	100%
Past due	374,029,376	(144,125,699)	229,903,677	
	903,906,763	(146,646,647)	757,260,116	

2019

Buckets	Gross receivables	Provision	Net receivables	Average loss rates range
Current (not yet past due)	494,301,230	(2,451,818)	491,849,412	0.07% to 3%
1 to 180 days	142,487,831	(5,011,617)	137,476,214	0.46% to 5%
181 to 360 days	60,343,584	(3,078,390)	57,265,194	2% to 12%
	202,831,415	(8,090,007)	194,741,408	
361 to 540 days	45,813,449	(11,221,713)	34,591,736	10% to 39%
541 to 720 days	34,626,597	(9,505,254)	25,121,343	16% to 37%
	80,440,046	(20,726,967)	59,713,079	
721 to 900 days	25,492,870	(13,136,920)	12,355,950	30% to 69%
901 to 1080 days	26,465,805	(18,498,862)	7,966,943	45% to 100%
	51,958,675	(31,635,782)	20,322,893	
More than 1080 days	42,775,833	(42,775,833)	-	100%
Past due	378,005,969	(103,228,589)	274,777,380	
	872,307,199	(105,680,407)	766,626,792	

32 FINANCIAL RISK MANAGEMENT (continued)

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The credit risk on bank balances is low considering the Group has outstanding loans balances and credit facilities with the various banks, in Saudi Arabia, with good credit ratings (in the range of A+ to BBB+) as aligned from external credit rating companies such as Moody's and Fitch, so concentration risk is also low. As at December 31, 2020, bank balances of SAR 14 million (2019: SAR 13.6 million), were held with banks having ratings A-. As at December 31, 2020, the bank balances of SAR 6 million (2019: SAR 8 million) were held in Algeria and Sudan.

32.3 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 calculation of net debt and current ratio was as follows:

	2020	2019
Cash and cash equivalents	**54,460,204**	45,279,521
Short-term loans	**(674,331,608)**	(738,868,027)
Long-term loans	**(6,318,156)**	(108,874,819)
Lease liabilities	**(43,607,906)**	(45,527,730)
Due to a related party – loan	**(30,052,273)**	(86,735,702)
Net debt	**(699,849,739)**	(934,726,757)
Current ratio	**1.27**	1.23
Unused credit facilities (in SAR billions)	**2.14**	1.76

The Group's net debt position, current ratio, and gearing ratio (see Note 30) were improved as compared to last year. Further, the Group manages its liquidity risk by ensuring that bank borrowing facilities from multiple banks are available thorough out the year (see Note 14). Therefore, the management believes that there is no risk of Group not meeting its obligations.

32.4 Maturity profile of the Group's financial liabilities (undiscounted basis)

	Less than 3 months	3 to 12 Months	1 to 5 Years	Total
2020				
Lease liabilities	**-**	**17,594,902**	**35,013,004**	**52,607,906**
Short-term loans	**674,331,608**	**-**	**-**	**674,331,608**
Long-term loans	**-**	**1,787,928**	**4,530,228**	**6,318,156**
Due to a related party - loan	**-**	**-**	**30,052,273**	**30,052,273**
Trade payables	**223,708,613**	**-**	**-**	**223,708,613**
Accrued expenses and other liabilities	**338,314,733**	**-**	**-**	**338,314,733**
Due to related parties	**770,474**	**-**	**-**	**770,474**
	1,237,125,428	**19,382,830**	**69,595,505**	**1,326,103,763**

	Less than 3 months	3 to 12 Months	1 to 5 Years	Total
2019				
Lease liabilities	-	22,604,174	32,923,556	55,527,730
Short-term loans	738,868,027	-	-	738,868,027
Long-term loans	-	6,965,076	101,909,743	108,874,819
Due to a related party - loan	-	-	86,735,702	86,735,702
Trade payables	145,893,885	-	-	145,893,885
Accrued expenses and other liabilities	272,367,830	-	-	272,367,830
Due to related parties	16,014,969	-	-	16,014,969
	1,173,144,711	29,569,250	221,569,001	1,424,282,962

33 DIVIDENDS

There were no dividends declared or approved by the Company during 2019 and 2020. However, subsequent to the year end, the Board of Directors recommended dividends of SR 0.75 per share amounting to SR 60 million which will be subject to approval by the shareholders in the upcoming general assembly.

34 SUPPLEMENT SCHEDULE OF SIGNIFICANT NON-CASH INFORMATION

	Note	2020	2019
Right-of-use assets	7	**3,253,761**	46,264,194
Lease liabilities	14	**3,253,761**	45,527,730
Increase of shareholding in a subsidiary	29	**8,419,000**	-
Additions to property, plant and equipment against trade receivables		-	7,087,269
Reduction in due to a related party - loan	11.5, 29	**67,895,558**	-

35 IMPACT OF COVID-19

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 causing disruptions to businesses and economic activity across the globe. In response to the spread of the Covid-19 in GCC and other territories where Group operates and its resulting disruptions to the social and economic activities in those markets, AIG's management has proactively assessed its impacts on its operations and has taken a series of preventive measures, including the creation of on-going crisis management teams and processes, to ensure the health and safety of its employees, customers, consumers and wider community as well as to ensure the continuity of supply of its products throughout its markets. Notwithstanding these challenges, AIG's major business operations currently remain largely unaffected as the pharmaceutical and other industries in which the Group operates in general are exempted from various bans and constraints imposed by various regulatory authorities including exemption from curfew hours and cargo shipping and flight operations restrictions. The Power and Steel segment performance was effected because to low demand and production stoppage as a result of COVID-19, however the segment performance was compensated by growth in other segments. Based on these factors, Covid-19 pandemic has had no material effects on AIG's Group reported financial results for the year ended December 31, 2020. However, the Group purchased additional raw and packaging material to address any disruption in supply chain and therefore the related inventory and payable balances as of December 31, 2020 have increase by more than SAR 100 million from last year.

AIG has considered potential impacts of the current economic uncertainties and volatility in determination of the reported amounts of the Group's financial and non-financial assets and these are considered to represent management's best assessment based on observable information on the period end date. However, markets remain volatile.

It is currently expected that disruptions to a broad range of economic activities will slow economic growth in many countries, particularly in the coming few months and later the situation will improve. However, if COVID-19 outbreak will be prolonged then it could have effect on the future business performance and impairment assessments of the Group's non-current assets and expected credit losses. AIG's management continues to monitor the situation closely.

36 BOARD OF DIRECTORS' APPROVAL

These consolidated financial statements were approved by the Group's Board of Directors on March 11, 2021.