RED SEA INTERNATIONAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2023

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

Opinion

We have audited the consolidated financial statements of Red Sea International Company, a Saudi Joint Stock Company (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

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

Material uncertainty related to going concern

We draw attention to Note 2.1 in the consolidated financial statements, which indicates that as of 31 December 2023, the accumulated losses of the Company amounted to SR 206.8 million (31 December 2022: SR 172.5 million) which represent 68.4% (31 December 2022: 57%) of share capital as of the same date. Further, at 31 December 2023, the Group's current liabilities exceeded its current assets by SR 430.3 million (31 December 2022: SR 201.5 million). As stated in Note 2.1, these events or conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Key Audit Matters (continued)

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

Key audit matter	How our audit addressed the key audit matter
RECOGNITION OF EXPECTED CREDIT LOSSES UNDER IFRS 9 At 31 December 2023, the Group has gross outstanding receivables of SR 1,136.3 million (2022: SR 316.9 million) related to trade receivables and contract assets. At 31 December 2023, an allowance for expected credit losses amounting to SR 161.7 million (2022: SR 119.03 million). Assessment of expected credit losses ("ECL") is considered to be a key audit matter for us due to the significant judgement required in determining the allowance for expected credit losses and in the preparation of ECL model. *Refer to the notes 4, 18, 19 and 37 of the consolidated financial statement for the accounting policy and other related information.*	We performed the following procedures to address the key audit matter: - We obtained and tested the expected credit loss (ECL) model prepared by the management. - We evaluated the reasonableness of the significant judgments used by the management to develop loss rates and final ECL allowance using the loss rates. - We also verified the data inputs used in assessing the loss rates. - We evaluated forward-looking information, wherever applicable, that reflects the impact of future events on expected credit losses. - We assessed the adequacy of disclosures presented in the consolidated financial statements.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
IMPAIRMENT OF NON-FINANCIAL ASSETS As at 31 December 2023, the carrying value of the Group's property, plant and equipment, investment properties, intangible assets and right-of-use assets amounted to SR 81.5 million, SR 224.3 million, SR 405.1 million and SR 49 million, respectively. At each reporting date, the Group reviews whether there are any events or changes in circumstances (impairment indicators) which indicate that the carrying amount of non-current assets may not be recoverable. If any impairment indicators are identified, the management perform impairment assessment by calculating the recoverable amounts of the related Cash Generating Units (the "CGUs") comparing them against their carrying amounts. For the goodwill, the impairment assessment is performed on annual basis. For the purpose of the financial statements for the year ended 31 December 2023, the management assessed the losses incurred by certain CGUs and expected market condition as impairment indicators and accordingly, performed impairment assessment. Based on assessment performed, the management concluded that the recoverable amounts of non-current assets of certain of the Company's CGUs were lower than their carrying amounts, and accordingly, recorded an impairment loss of SR 23 million for the year ended 31 December 2023 (2022: no impairment loss).	We performed the following procedures to address the key audit matter: - We reviewed the management's procedures in identifying impairment indicators. - We obtained management's impairment calculations and related key assumptions including revenue forecasts, basis of selection of growth rates and discount rates. - We assessed the appropriateness of the valuation model and tested significant assumptions used in the impairment analysis, such as discount rate and terminal growth rate. - Future cash flows were tested through comparison to current performance against budget and forecasts, considering the historical consistency of budgeting and forecasting and understanding from management in respect of key growth and performance assumptions used. Our internal valuation specialists were involved to assess the reasonableness of the discount rate used and overall impairment computation. - We have also assessed the adequacy of the related disclosures in the accompanying consolidated financial statements. - Assessed the qualifications, independence and expertise of the management's external valuers, involved in the valuation of investment properties.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
IMPAIRMENT OF NON-FINANCIAL ASSETS (continued) This assessment required management to use significant judgment over the assumptions and estimations in determining the recoverable amount. The significant assumptions and estimations used include, among others, annual revenue growth, forecasted gross margins and weighted average cost of capital. Due to aforesaid facts, we determined that this is a key audit matter. *Refer to the notes 4, 13, 14 ,15 and 16 of the consolidated financial statement for the accounting policy and other related information.*	

Other information included in the Group's 2023 Annual Report

Other information consists of the information included in the Group's 2023 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2023 annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Group's 2023 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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, actions taken to eliminate threats or safeguards applied.

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

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.

Report on Other Legal and Regulatory Requirements

The Company's accumulated losses exceeded 50% of its issued capital as at 31 December 2023. As required by article 132 of the companies' law, the Company has taken certain steps as detailed in note 2.1 which is still subject to regulatory approvals.

for Ernst & Young Professional Services

Marwan S. AlAfaliq
Certified Public Accountant
License No. 422

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EY
سجل تجاري ٢٠٥١٠٥٨٧٩٢
CR 2051058792
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Al Khobar: 25 Ramadhan 1445H
4 April 2024

RED SEA INTERNATIONAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2023

	Note	*2023* *SR'000*	*2022* *SR'000*
CONTINUING OPERATIONS			
Revenues	6	**1,378,489**	404,207
Cost of revenues	7	**(1,241,149)**	(460,803)
Impairment loss	13 & 14	**(23,047)**	-
GROSS PROFIT (LOSS)		**114,293**	(56,596)
EXPENSES			
Selling and distribution	8	**(10,513)**	(14,948)
General and administration	9	**(60,742)**	(69,461)
Allowance for expected credit losses, net		**(6,704)**	(45,067)
OPERATING PROFIT (LOSS)		**36,334**	(186,072)
Share in result of investment in an associate	21	**-**	(616)
Impairment of investment in an associate	21	**-**	(7,305)
Other (loss) income, net	10	**(854)**	12,375
Finance costs	11	**(17,087)**	(5,428)
Finance income		**530**	33
PROFIT (LOSS) BEFORE ZAKAT AND INCOME TAX		**18,923**	(187,013)
Income tax	32	**(1,989)**	(1)
Zakat	32	**(1,347)**	(2,500)
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**15,587**	(189,514)
DISCONTINUED OPERATIONS			
Loss after tax for the year from discontinued operations	41	**(13,447)**	(8,255)
PROFIT (LOSS) FOR THE YEAR		**2,140**	(197,769)
PROFIT (LOSS) ATTRIBUTABLE TO:			
Equity holders of the Parent Company		**(35,127)**	(196,132)
Non-controlling interests		**37,267**	(1,637)
		2,140	(197,769)
LOSS PER SHARE:			
Basic and diluted losses per share attributable to the shareholders of the Parent Company	12	**(1.16)**	(6.49)

Chairman of the Board | Chief Financial Officer | Chief Executive Officer

The attached notes 1 to 42 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023

	Note	*2023* ***SR'000***	*2022* *SR'000*
Profit (loss) for the year		**2,140**	(197,769)
Other comprehensive income not to be reclassified to the consolidated statement of profit or loss in subsequent periods:			
Actuarial gain on defined benefit liabilities	28	**29**	4,854
Other comprehensive income for the year		**29**	4,854
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**2,169**	(192,915)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Parent Company		**(34,390)**	(191,278)
Non-controlling interests		**36,559**	(1,637)
		2,169	(192,915)

Chairman of the Board

Chief Financial Officer

Chief Executive Officer

The attached notes 1 to 42 form part of these consolidated financial statements.

RED SEA INTERNATIONAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	*2023 SR'000*	*2022 SR'000*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	**81,503**	68,589
Investment properties	14	**224,283**	262,976
Intangible assets and goodwill	15	**405,145**	2,368
Right-of-use assets	16	**48,964**	43,179
Retention receivables	19	**334,127**	-
Deferred tax assets	32	**1,185**	-
TOTAL NON-CURRENT ASSETS		**1,095,207**	377,112
CURRENT ASSETS			
Inventories	17	**43,936**	73,581
Contract assets	18	**363,012**	54,979
Trade receivables	19	**271,683**	126,805
Advances to suppliers	20	**487,417**	79,940
Prepayments and other receivables	22	**56,538**	33,985
Cash and cash equivalents	23	**157,635**	32,342
TOTAL CURRENT ASSETS		**1,380,221**	401,632
Assets held for sale	41	**6,510**	-
TOTAL ASSETS		**2,481,938**	778,744
EQUITY AND LIABILITIES			
EQUITY			
Share capital	24	**302,344**	302,344
Accumulated losses		**(206,845)**	(172,456)
Foreign currency translation reserve		**(11,779)**	(11,779)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		**83,720**	118,109
NON-CONTROLLING INTERESTS	26	**244,155**	(24,435)
TOTAL EQUITY		**327,875**	93,674
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings	27	**222,675**	-
Employees' defined benefit liabilities	28	**57,496**	21,855
Non-current portion of lease liabilities	16	**28,299**	33,143
Other non-current liabilities	29	**28,555**	26,932
TOTAL NON-CURRENT LIABILITIES		**337,025**	81,930

The attached notes 1 to 42 form part of these consolidated financial statements.

Red Sea International Company (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2023

	Note	***2023*** ***SR'000***	*2022* *SR'000*
CURRENT LIABILITIES			
Deferred consideration	40	**399,799**	-
Trade payables	30	**360,665**	172,695
Accruals and other current liabilities	31	**377,740**	172,676
Short-term interest bearing loans and borrowings	27	**20,000**	117,267
Current portion of interest bearing loans and borrowings	27	**84,750**	5,143
Current portion of lease liabilities	16	**23,930**	13,325
Amount due to a shareholder	33	**81,225**	46,025
Contract liabilities	18	**322,274**	46,254
Zakat and income tax payable	32	**42,687**	29,755
TOTAL CURRENT LIABILITIES		**1,713,070**	603,140
Liabilities directly associated with the assets held for sale	41	**103,968**	-
TOTAL LIABILITIES		**2,154,063**	685,070
TOTAL EQUITY AND LIABILITIES		**2,481,938**	778,744

Chairman of the Board | Chief Financial Officer | Chief Executive Officer

The attached notes 1 to 42 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023

	Attributed to shareholders of the parent Company					
	Share capital	*Accumulated losses*	*Foreign currency translation reserve*	*Total*	*Non-controlling interests*	*Total equity*
	SR '000	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*
As at 1 January 2022	600,000	(278,834)	(11,779)	309,387	(22,798)	286,589
Absorption of accumulated losses against share capital (note 24)	(297,656)	297,656	-	-	-	-
Loss for the year	-	(196,132)	-	(196,132)	(1,637)	(197,769)
Other comprehensive income	-	4,854	-	4,854	-	4,854
Total comprehensive loss	-	(191,278)	-	(191,278)	(1,637)	(192,915)
Balance at 31 December 2022	302,344	(172,456)	(11,779)	118,109	(24,435)	93,674
(Loss) profit for the year	-	(35,127)	-	(35,127)	37,267	2,140
Other comprehensive income	-	738	-	738	(709)	29
Total comprehensive income (loss)	-	(34,389)	-	(34,389)	36,558	2,169
Acquisition of a subsidiary (note 40)	-	-	-	-	232,032	232,032
Balance at 31 December 2023	**302,344**	**(206,845)**	**(11,779)**	**83,720**	**244,155**	**327,875**

Chairman of the Board

Chief Financial Officer

Chief Executive Officer

The attached notes 1 to 42 form part of these consolidated financial statements.

RED SEA INTERNATIONAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

	Note	*2023* *SR'000*	*2022* *SR'000*
OPERATING ACTIVITIES			
Profit (loss) before zakat and income tax from continuing operations		**18,923**	(187,013)
Loss before zakat and income tax from discontinued operations		**(13,447)**	(7,750)
		5,476	(194,763)
Adjustments to reconcile income (loss) before zakat and income tax to net cash flows:			
Depreciation of property, plant and equipment	13	**13,848**	9,612
Depreciation of investment properties	14	**46,698**	46,899
Amortization of intangible assets	15	**734**	856
Write off of intangible assets	15	**-**	106
Depreciation of right-of-use assets	16	**10,451**	10,047
Provision for employees' defined benefit liabilities	28	**9,386**	3,722
Finance costs	11 & 41	**22,146**	9,455
Allowance for expected credit losses		**6,704**	45,067
Impairment of investment in an associate	21	**-**	7,305
Impairment loss on property, plant and equipment and investment properties	13 & 14	**23,047**	-
Share in results of investment in an associate	21	**-**	616
Loss (gain) on disposal of property, plant and equipment and investment properties		**1,546**	(1,940)
Gain on modification of right-of-use asset and related lease liabilities		**(337)**	(37)
		139,699	(63,055)
Working capital adjustments:			
Inventories		**7,605**	70,745
Contract assets		**(312,462)**	(14,593)
Trade receivables		**(523,040)**	30,695
Advances to suppliers		**(407,477)**	(2,034)
Prepayment and other receivables		**(19,177)**	6,473
Deferred consideration		**394,799**	-
Trade payables		**282,508**	(22,207)
Accruals and other current liabilities		**208,997**	(5,880)
Other non-current liabilities		**1,623**	1,220
Contract liabilities		**276,027**	30,415
Cash from operations		**49,102**	31,779
Finance cost paid		**(21,308)**	(9,455)
Employees' defined benefit liabilities paid	28	**(6,412)**	(8,344)
Zakat and income tax paid	32	**(1,000)**	(3,208)
Net cash flows from operating activities		**20,382**	10,772
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	**(10,176)**	(1,452)
Purchase of investment properties	14	**(13)**	(7,044)
Purchase of intangible assets	15	**(215)**	-
Acquisition of a subsidiary, net of cash acquired		**(124,138)**	-
Proceeds from disposal of property, plant and equipment and investment properties		**6,077**	4,705
Net cash used in investing activities		**(128,465)**	(3,791)

The attached notes 1 to 42 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2023

	Note	2023 SR'000	2022 SR'000
FINANCING ACTIVITIES			
Proceeds from the interest bearing loans and borrowings		**321,500**	28,500
Loan received from a shareholder	33	**35,200**	46,025
Repayment of interest bearing loans and borrowings		**(114,256)**	(46,175)
Payment of principal portion of lease liabilities	16	**(8,647)**	(8,827)
Net cash from financing activities		**233,797**	19,523
INCREASE IN CASH AND CASH EQUIVALENTS		**125,714**	26,504
Cash and cash equivalents at the beginning of the year		**32,342**	5,838
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	23	**158,056**	32,342

SIGNIFICANT NON-CASH TRANSACTION:

	Note	2023 SR'000	2022 SR'000
Remeasurement gain on employees' defined benefit liabilities	28	**(29)**	(4,854)
Recognition of goodwill	15	**403,296**	-
Absorption of accumulated losses against share capital	24	**-**	297,656
Investment properties transferred from (to) inventories	14	**20,657**	(2,506)
Property, plant and equipment transferred to inventories	13	**-**	(453)

Chairman of the Board   Chief Financial Officer   Chief Executive Officer

The attached notes 1 to 42 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

Red Sea International Company (the "Company") ("Parent Company") and its subsidiaries (collectively the "Group") consist of the Company, a Saudi joint stock company, and its Saudi Arabian and foreign subsidiaries and branches. The Company was registered in Jeddah, Kingdom of Saudi Arabia under commercial registration number 4030286984 pursuant to Ministerial Resolution No. 2532 dated 2 Ramadan 1427H (September 25, 2006). During 2021, the Company has changed its registered address to Riyadh, Kingdom of Saudi Arabia and converted a branch commercial registration number 1010566349 into Company's main commercial registration. The registered address of the Company is Riyadh Front, Al-Rimal District, Airport Street, Riyadh, Kingdom of Saudi Arabia. The Company have the following branches in the Kingdom of Saudi Arabia:

Branch	*Commercial registration number*	*Location*
Red Sea International Company	2055003672	Jubail
Red Sea International Company	2055006105	Jubail
Red Sea International Company	4030286984	Jeddah
Red Sea Housing Services Company	4030263716	Jeddah

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

	Country of incorporation	*Effective ownership percentage*	
		2023	*2022*
Subsidiaries			
The Fundamental Installation for Electric Work Company Limited (“First Fix”) (refer note 1.1)	Saudi Arabia	**51%**	-
Red Sea Housing Services (Ghana) Limited ("RSG")	Ghana	**100%**	100%
SARL Red Sea Housing Services Algeria Limited ("RSA")	Algeria	**98%**	98%
Red Sea Housing Services Company Dubai FZE ("RSD")	UAE	**100%**	100%
Red Sea Building Materials and Equipments Trading Company ("RSBM")	Saudi Arabia	**100%**	100%
Premier Paints Company ("PPC") (refer note 41)	Saudi Arabia	**81%**	81%
Red Sea Housing Services (Mozambique), LDA ("RSM")	Mozambique	**100%**	100%
Red Sea Housing Services LLC ("RSO")	Oman	**100%**	100%
Red Sea Modular Rentals LLC ("RSMR")	UAE	**100%**	100%
Red Sea Construction LLC ("RSC")	UAE	**100%**	100%
Associates			
Red Sea Housing Malaysia Sdn. Bhd. ("RSHM")	Malaysia	**49%**	49%
Joint Operations			
Red Sea Hanchi ("RSHC")	Algeria	**49%**	49%

1.1 On 9 June 2023, corresponding to 20 Thul-Qi’dah 1444H, the Company entered into an agreement for purchase of 51% shares First Fix, a Limited Liability Company registered in Jeddah, Kingdom of Saudi Arabia. Completion of the acquisition was subject to related regulatory and corporate approval as well as meeting certain conditions under the agreement signed with partners of the First Fix. The Company obtained the related regulatory approval and met the conditions with respect of the acquisition of First Fix. Accordingly, effective 1 October 2023, the First Fix recognized as a subsidiary of the Company (refer note 40).

1 CORPORATE INFORMATION (continued)

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

The principal activities of the Group are to purchase land and real estate for the purpose of developing them and to build residential and commercial buildings thereon, and to ultimately sell or lease them. Construction, general construction, electrical works, power generation, lighting, telecommunications, electronic, fiber optic, information technology, maintenance and repair of electrical installations, and telephone networks. The Group's activities also includes manufacturing non-concrete residential units, general contracting, maintenance, construction of utilities and civil work, supply of food, provision of food services and trade of food products. In addition, the Group is also involved in manufacturing and sale of paints and providing related services.

The consolidated financial statements of the Group for the year ended 31 December 2023 were authorised for issuance in accordance with the Board of Directors resolution dated 26 March 2024 (16 Ramadhan 1445H).

2 BASIS OF PREPARATION

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

The consolidated financial statements are prepared using historical cost convention on the basis that it will continue to operate as going concern.

These consolidated financial statements are presented in Saudi Riyals (“SR”). All values are rounded to the nearest thousands (“SR ‘000”), except when otherwise indicated.

2.1 Going concern basis of accounting

As of 31 December 2023, the accumulated losses of the Company amounted to SR 206.8 million (31 December 2022: SR 172.5 million) which represent 68.4% (31 December 2022: 57%) of share capital as of the same date. Further, at 31 December 2023, the Group’s current liabilities exceeded its current assets by SR 430.3 million (31 December 2022: SR 201.5 million) and consequently the Group was not in compliance with a covenant relates to current ratio which is an event of default as per two borrowing agreements (31 December 2022: same) with commercial banks (note 27). These events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern.

The ability of the Group to continue its operations depends on restructuring its equity, arrangement of financing facilities, entering into profitable contracts and increasing the volume of its revenue appropriately. The Parent Company’s management has made an assessment of the Group’s ability to continue as a going concern with the consideration of project backlog, bids pipeline and is satisfied that it has the adequate resources to continue its business for the foreseeable future.

On 14 April 2022, the Company’s Board of Directors recommended to the Company’s shareholders to restructure its equity structure of which, amended by the Board of Directors on 19 May 2022 as reducing the Company’s share capital from SR 600 million to SR 302.3 million through cancellation of 29.8 million shares against the Company’s accumulated losses.

During the extraordinary general meeting held on 24 July 2022, the shareholders approved the recommendation to reduce the Company’s capital through absorbing accumulated losses of the Company as proposed by the Board of Directors. The legal formalities relating to this were completed in 2022.

2 BASIS OF PREPARATION (continued)

2.1 Going concern basis of accounting (continued)

Subsequent to the yearend, in regards to the contracts with breach of covenants, the Company received a waiver from a commercial bank with respect of the breach of covenants. The facility agreement with other commercial bank with the financing facility of SR 76 million was renewed in May 2023, irrespective of the breach of the covenant (note 27). Further, Al-Dabbagh Group, which owns 70% of the Company's share, has provided interest free loans to the Group amounting to SR 82.2 million (31 December 2022: SR 46 million) in order to meet its liabilities as they fall due. Even though, such loans are repayable within twelve months of the reporting date, the Company has the option of rolled over the due balance at the maturity as per loan agreements with the shareholder.

Effective 1 October 2023, the Company has completed the acquisition of 51% holding in The Fundamental Installation for Electric Work Company Limited ("First Fix") for total purchase consideration amounted to SR 644.8 million, of which SR 250 million was settled in cash (financed through new facility agreement obtained from a local commercial bank (refer note 27 and 40), the rest is payable either in cash or in-kind by way of newly issued shares of the Company.

On 2 August 2023, corresponding to 15 Muharram 1445H, the Board of Directors of the Company recommended to increase the Company's share capital by way of converting debt that owed to Al-Dabbagh Group along with the in-kind consideration on the acquisition of First Fix, after obtaining the regulatory approval and approval of the Company's extraordinary general assembly. The Board of Directors recommendation further amended on 17 March 2024, corresponding to 7 Ramadhan 1445H, to revise the propose increase with respect of shareholder's loan amounting to SR 81.2 million and in-kind consideration to SR 394.8 million. The Company is in the process of completing the legal formalities and other regulatory requirements.

Based on the Group's financial projections and steps taken above, the Group's management has assessed its ability to continue as a going concern and is satisfied that the Group's operations shall continue for a foreseeable future under the normal course of business. Accordingly, these consolidated financial statements have been prepared on the going concern basis and do not include any adjustments, which may be required, if the Group is not able to continue as a going concern.

2.2 Basis of consolidation

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

2 BASIS OF PREPARATION (continued)

2.2 Basis of consolidation (continued)

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

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

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

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

3.1 Significant judgements

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

Satisfaction of performance obligations

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has assessed that based on the agreements entered with the customers and the provisions of relevant laws and regulations, where contracts are entered into to undertake long term contracts with the customers, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date. In these circumstances, the Group recognize the revenue over the time. Where this is not the case, revenue is recognized at a point in time.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.1 Significant judgements (continued)

Transfer of control in contracts with customer

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

Determination of transaction price

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

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

Financing Component

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

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

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

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

Property lease classification - Group as lessor

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

Consolidation of subsidiaries

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

Going Concern

The Group’s management has made an assessment of its ability to continue as a going concern as disclose in note 2.1 to the consolidated financial statements and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.1 Significant judgements (continued)

Joint Operations

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

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

This assessment often requires significant judgement, and a different conclusion on joint control and also whether the arrangement is a JO or a JV, may materially impact the accounting.
Based on the Group's control assessment, investments held in RSHC is classified as joint operations. Based on management's judgement, the contractual arrangement establishes that the parties to the joint arrangement share their interests in all assets relating to the arrangement.

3.2 Estimations and assumptions

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

Performance obligation satisfied over the time and costs to complete the projects

Revenue on certain long-term construction contracts is recognized on the basis of percentage of completion when management can reliably estimate the outcome of the said contracts. The management prepares estimates for the costs to complete the contracts which are in progress as of the reporting date keeping in view the costs incurred to date, variation in initial estimates and stage of completion of the contracts. These estimates are used in the determination of the percentage of completion of the contracts based on which revenues and profits are recognized on such contracts. Subsequent changes in circumstances could result in actual cost differing from the initial estimates.

The Company estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognised. These estimates include, amongst other items, the manpower costs, material and subcontracting costs, variation orders and the cost of meeting other contractual obligations to the customers. Such estimates are reviewed at regular intervals. Any subsequent changes in the estimated cost to complete may affect the results of the subsequent periods.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.2 Estimations and assumptions (continued)

Impairment of non-financial assets

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

Provision for expected credit losses of trade receivables and contract assets

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

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

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

Defined benefit plans

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and other assumptions. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds. Further details about pension obligations are provided in note 28.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.2 Estimations and assumptions (continued)

Impairment of inventories

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

Provision for decommissioning

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

Useful lives of property, plant and equipment and investment properties

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

Taxes

Deferred tax assets are recognised for unused tax losses and other temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

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

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

The Group has lease contracts that include extension and termination option. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as when the Group do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4 MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in in the last year, except for the adoption of new standards effective as of 1 January 2023 as disclosed in note 5. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

4.1 Business combination and goodwill

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

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

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

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

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

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

4.2 Investments in associate

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

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.2 Investments in associate (continued)

The considerations made in determining significant influence is similar to those necessary to determine control over subsidiaries. The Group's investments in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

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

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

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

4.3 Interest in joint arrangements

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

Joint operations Red Sea Hanchi ("RSHC")

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

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

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

4.4 Non-current assets held for sale and discontinued operations

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

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

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

4.5 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

4.6 Fair value measurement

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

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

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

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

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.6 Fair value measurement (continued)

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

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

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

4.7 Revenue recognition

Revenue from contracts with customers

a) Revenue from contracts with customers for sale of properties

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

Step 1. Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognize revenue when (or as) the Group satisfies a performance obligation.

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

(i) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or

(ii) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(iii) The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.7 Revenue recognition (continued)

Revenue from contracts with customers (continued)

a) Revenue from contracts with customers for sale of properties (continued)

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

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

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

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

b) Revenue from construction and general work contracts

Revenue from contracts with customers and contract costs are recognized as revenue and expenses respectively by reference to the stage of completion of contract activity at the reporting date where the outcome of the contract can be reliably determined. Reliable estimation of the outcome requires reliable estimates of the stage of completion, future costs and collectability of billings.

The Group uses the ‘percentage of completion method’ to determine the appropriate amount to recognise revenue in a given period. The stage of completion is measured using input measures (percentage of completion) at reporting date. Costs incurred until the reporting date in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. Costs that relate to future activity on the transaction or contract are included in amounts due from customer for contract work if it is probable that the costs will be recovered.

Where the outcome of a construction contract cannot be estimated reliably, revenue from contracts with customers is recognized only to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total revenue from contracts with customers, the expected loss is recognized as an expense immediately.

Variations in contract work, claims and incentive payments are included in revenue from contracts with customers to the extent that they might have been agreed with the customer and are capable of being reliably measured.

The Group presents as current asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings. Progress billings not yet paid by customers are presented on the face of statement of financial position.

The Group presents as a current liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

c) Sale of goods - Building materials

The Group’s contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. However, when the instances where the customer simultaneously received and consumes the benefits provided by the Company, the revenue is recognized over the time.

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

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

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.7 Revenue recognition (continued)

Revenue from contracts with customers (continued)

d) Revenue from maintenance and installation services

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

Rental revenue from investment properties

a) Rental income

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

b) Financing Component

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

4.8 Property plant and equipment

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

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

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

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

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

4.9 Investment properties

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

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

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.9 Investment properties (continued)

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

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

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

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

4.10 Intangible assets /amortisation

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

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

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

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

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

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

Computer software	4 to 10 years

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

4.11 Retention receivables

Retention receivable are measured at amortized cost at each year end by discounting them at the deposit rate, which management considers to be the appropriate discount rates for these assets. Management classified retention receivables into current and non-current based on expected completion of the projects.

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.12 Inventories

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

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

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

4.13 Contract assets and contract liabilities

Under IFRS 15, when either party to a contract has performed, an entity shall present the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the billings arrangement. A contract asset is an entity's right to consideration in exchange for services that the entity has transferred to a customer. A contract liability is an entity's obligation to transfer services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer.

The value of work executed in excess of the amounts billed is classified as "contract assets" under current assets. Amounts billed in excess of the value of work executed at the statement of financial position date is classified as "contract liabilities" under current liabilities. When the total estimated costs to complete the contract exceed the contract value at the end of the accounting period, then total anticipated loss on the contract is charged to the statement of income in the same period.

Contract assets are subject to impairment assessment. Refer to accounting policies on impairment of financial assets in Financial instruments – initial recognition and subsequent measurement.

4.14 Trade receivables

A receivable represents the Group’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section Financial instruments - initial recognition and subsequent measurement.

4.15 Cash and cash equivalents

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

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

4.16 Provisions

Onerous contracts

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

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.16 Provisions (continued)

Onerous contracts

If the Company has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Company recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

Assurance type warranties

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

Decommissioning costs

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

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

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

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

4.17 Contingencies

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

4.18 Expenses

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

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.19 Zakat and taxes

Zakat and income tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.19 Zakat and taxes (continued)

Deferred tax (continued)

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

Value added tax

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

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

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

4.20 Segment reporting

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

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

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

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

4.21 Earnings/(loss) per share

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

4.22 Leases

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

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

Group as a lessee

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

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

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.22 Leases (continued)

i) Right-of-use assets

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

Land	2 - 39 years
Equipments	4 years

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

ii) Lease liabilities

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

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

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

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

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as a lessor

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

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.23 Foreign currencies

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

Transaction and balances

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

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

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

Group companies

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

4.24 Borrowing costs

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

4.25 Employee benefit obligations

Short-term employee benefits

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

Defined benefit plans

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

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.25 Employee benefit obligations (continued)

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

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

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

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

4.26 Cash dividend

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

4.27 Financial instruments – initial recognition, subsequent measurement and derecognition

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

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

Subsequent measurement

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

Financial assets at amortised cost

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

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

Financial assets (continued)

Derecognition

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

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

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

Impairment of financial assets

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

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

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

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The financial liabilities are subsequently measured at amortized costs.

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

Financial liabilities (continued)

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

4.28 Impairment of non financial assets

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

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

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

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

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

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

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

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.28 Impairment of non financial assets (continued)

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

4.29 Statutory reserve

The New Companies Law entered into effect on 19 January 2023 corresponding to 26 Jumada Al-Alkhirah 1444H which removed the minimum statutory reserve requirement and the Company has an option to create such reserve.

5 STANDARDS ISSUED BUT NOT EFFECTIVE AND NEW STANDARDS

New and amended standards and interpretations:

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those used in the previous year, except for certain amendments to standards adopted by the Group as of 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The adoption of these standards and interpretations did not have any effect on the Group's financial position, financial performance or disclosures.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

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

The new standard had no impact on the Group’s consolidated financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group’s consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group’s disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group’s consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning
The amendments had no impact on the Group’s consolidated financial statements.

5 STANDARDS ISSUED BUT NOT EFFECTIVE AND NEW STANDARDS (continued)

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD’s BEPS Pillar Two rules and include:

• A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and

• Disclosure requirements for affected entities to help users of the financial statements better understand an entity’s exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Group’s consolidated financial statements.

Standards issued but not yet effective:

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

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group’s consolidated financial statements.

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

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

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

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

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments:
Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Group’s financial statements.

6 REVENUES

	2023	*2022*
	SR'000	*SR'000*
Type of goods or service		
Revenue from the contract with customers:		
Revenue from construction and general work contracts	**869,246**	-
Revenue from sale of buildings	**358,014**	239,632
	1,227,260	239,632
Other revenue:		
Rental revenue from investment properties	**151,229**	164,575
	1,378,489	404,207
Timing of revenue recognition		
Services transferred over time	**1,020,475**	164,575
Goods and services transferred at a point in time	**358,014**	239,632
	1,378,489	404,207
Geographical markets		
Kingdom of Saudi Arabia	**1,323,683**	344,259
Out of the Kingdom of Saudi Arabia	**54,806**	59,948
	1,378,489	404,207
Customer wise revenue recognition		
Third parties	**733,749**	404,207
Related parties	**644,740**	-
	1,378,489	404,207

6.1 Contract balances

Trade receivables (note 19)	**605,810**	126,805
Contract assets (note 18)	**363,012**	54,979
Contract liabilities (note 18)	**322,274**	46,254

Contract assets relate to revenue earned from revenue contracts. As such, the balances of this account vary and depend on the number of ongoing contracts at the end of the year. Contract assets are initially recognised based on the value of work executed or delivered to the customers. Upon acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. In 2023, SR 2.8 million (2022: SR 5.7 million) was recognised as provision for expected credit losses on contract assets. Refer note 18 for the details.

7 COST OF REVENUES

	2023	*2022*
	SR'000	*SR'000*
Materials, subontracting and other direct costs	**1,017,436**	292,713
Employee salaries and benefits	**66,948**	59,443
Depreciation and amortisation	**65,743**	64,084
Others	**91,022**	44,563
	1,241,149	460,803

8 SELLING AND DISTRIBUTION EXPENSES

	2023	*2022*
	SR'000	*SR'000*
Employee salaries and benefits	**8,736**	11,697
Depreciation and amortization	**268**	464
Visa and license expenses	**204**	294
Travelling	**164**	481
Marketing fees	**97**	795
Rent	**49**	36
Others	**995**	1,181
	10,513	14,948

9 GENERAL AND ADMINISTRATION EXPENSES

	2023	*2022*
	SR'000	*SR'000*
Employee salaries and benefits	**34,763**	35,578
Professional fees	**13,249**	12,578
Depreciation and amortization	**2,396**	1,712
Travelling	**912**	2,467
Insurance	**830**	896
Utilities	**723**	953
Rent	**-**	3,148
Allowance against consideration receivable for sale of a subsidiary	**-**	9,294
Others	**7,869**	2,835
	60,742	69,461

Auditor's fee for the statutory audit and review of the Group’s consolidated financial statements (including financial statements of certain subsidiaries) for the year ended 31 December 2023 amounted to SR 1.8 million. Auditors’ fees for the provision of other services for the year ended 31 December 2023 amounted to SR 0.1 million.

10 OTHER (LOSS) INCOME, NET

	2023	*2022*
	SR'000	*SR'000*
Net (loss) gains on disposal of property, plant and equipment and investment properties	**(1,546)**	1,940
Scrap sales	**474**	1,850
Net foreign currency exchange losses	**(1,556)**	(1,180)
Others, net	**1,774**	9,765
	(854)	12,375

11 FINANCE COSTS

	2023	*2022*
	SR'000	*SR'000*
Non-conventional borrowings	**10,916**	15
Conventional borrowings	**3,856**	1,470
Interest expense on lease liabilities	**1,173**	2,079
Unwinding of discount for provision for decommissioning (note 29)	**723**	612
Bank charges and other costs	**419**	1,252
	17,087	5,428

12 LOSS PER SHARE

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

	2023	*2022*
	SR'000	*SR'000*
Loss for the year attributable to the shareholders of the parent Company	**(35,127)**	(196,132)
Adjusted weighted average number of outstanding shares during the period (share '000)	**30,234**	30,234
Basic and diluted loss per share attributable to the shareholders of the Parent Company	**(1.16)**	(6.49)

13 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	*Buildings and residential houses (note 13.1)*	*Machinery and equipment*	*Furniture, fixtures and office equipment*	*Vehicles*	*Capital work-in-progress*	*Total*
	SR '000	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*
Cost:							
At 1 January 2022	2,250	164,423	71,457	21,419	26,484	42,331	328,364
Additions	-	-	19	115	-	1,318	1,452
Disposals	(2,250)	(652)	(52)	-	(661)	-	(3,615)
Transfer to inventories	-	(117)	(569)	(51)	-	(251)	(988)
At 31 December 2022	-	163,654	70,855	21,483	25,823	43,398	325,213
Accumulated depreciation and impairment:							
At 1 January 2022	-	103,307	62,346	18,441	22,076	42,331	248,501
Charge for the year	-	5,123	2,087	1,681	721	-	9,612
Disposals	-	(308)	(45)	-	(601)	-	(954)
Transfer to inventories	-	(46)	(446)	(43)	-	-	(535)
At 31 December 2022	-	108,076	63,942	20,079	22,196	42,331	256,624
Net book amounts:							
At 31 December 2022	-	55,578	6,913	1,404	3,627	1,067	68,589

13 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings and residential houses (note 13.1) *SR '000*	*Machinery and equipment* *SR '000*	*Furniture, fixtures and office equipment* *SR '000*	*Vehicles* *SR '000*	*Capital work-in-progress* *SR '000*	***Total*** ***SR '000***
Cost:						
At 1 January 2023	163,654	70,855	21,483	25,823	43,398	325,213
Additions	-	6,210	1,356	2,036	574	10,176
Acquisition of a subsidiary (note 40)	-	23,526	17,172	13,491	-	54,189
Assets held for sale (note 41)	(15,595)	(11,070)	(3,468)	(945)		(31,078)
Disposals	(1,919)	(122)	(17)	-	-	(2,058)
At 31 December 2023	**146,140**	**89,399**	**36,526**	**40,405**	**43,972**	**356,442**
Accumulated depreciation and impairment:						
At 1 January 2023	108,076	63,942	20,079	22,196	42,331	256,624
Charge for the year	6,106	5,159	1,189	1,394	-	13,848
Acquisition of a subsidiary (note 40)	-	7,903	6,098	4,047	-	18,048
Assets held for sale (note 41)	(14,302)	(11,059)	(3,234)	(945)	-	(29,540)
Disposals	(928)	(122)	(13)	-	-	(1,063)
Impairment (note 14.2)	-	14,709	1,699	187	427	17,022
At 31 December 2023	**98,952**	**80,532**	**25,818**	**26,879**	**42,758**	**274,939**
Net book amounts:						
At 31 December 2023	**47,188**	**8,867**	**10,708**	**13,526**	**1,214**	**81,503**

13.1 The Group production facilities are located on plots of land leased under various lease arrangements (note 16).

13.2 The accumulated impairment losses on property, plant and equipment as of 31 December 2023 amounts to SAR 63 million (31 December 2022: SAR 46 million).

13.3 During the year, considering the market conditions of the locations, management expectation on the future economic benefits of the respective assets and ongoing restructuring of the Group entities and the management has updated its business plan for certain business locations. Such assessment has resulted in impairment loss of property, plant and equipment of SR 17 million as mentioned above. The management has not identified any other indicators of impairment relates to other CGUs.

13 PROPERTY, PLANT AND EQUIPMENT (continued)

13.4 Depreciation for the years has been allocated as follows:

	2023 ***SR'000***	*2022* *SR'000*
Cost of revenue	**12,883**	8,187
General and administration expenses	**856**	1,233
Selling and distribution expenses	**109**	192
	13,848	9,612
Assets held for sale	**(3,274)**	(1,124)
	10,574	8,488

14 INVESTMENT PROPERTIES

	Freehold land *SR '000*	*Buildings and residential houses* *SR '000*	*Capital work-in-progress* *SR '000*	*Total* *SR '000*
Cost:				
At 1 January 2022	4,228	909,491	44,612	958,331
Additions	-	65	6,979	7,044
Disposal	-	(5,365)	-	(5,365)
Transfer from capital work-in-progress	-	51,169	(51,169)	-
Transfer to inventories	-	(3,618)	-	(3,618)
Foreign currency translation	-	(4)	-	(4)
At 31 December 2022	4,228	951,738	422	956,388
Additions	-	13	-	13
Disposal	-	(39,221)	-	(39,221)
Transfer from inventories	-	20,657		20,657
Transfer to inventories	-	(22)	-	(22)
Foreign currency translation	-	1	-	1
At 31 December 2023	**4,228**	**933,166**	**422**	**937,816**
Accumulated depreciation and impairment:				
At 1 January 2022	-	652,468	422	652,890
Charge for the year	-	46,899	-	46,899
Disposal	-	(5,261)	-	(5,261)
Transfer to inventories	-	(1,112)	-	(1,112)
Foreign currency translation	-	(4)	-	(4)
At 31 December 2022	-	692,990	422	693,412
Charge for the year	-	46,698	-	46,698
Disposal	-	(32,593)	-	(32,593)
Transfer to inventories	-	(10)	-	(10)
Impairment (note 14.2)	-	6,025	-	6,025
Foreign currency translation	-	1	-	1
At 31 December 2023	**-**	**713,111**	**422**	**713,533**
Net book amounts:				
At 31 December 2023	**4,228**	**220,055**	**-**	**224,283**
At 31 December 2022	4,228	258,748	-	262,976

14 INVESTMENT PROPERTIES (continued)

14.1 Direct operating expenses in respect of investment properties generating rental income for the year amounts to SR 49.01 million (2022: SR 56.4 million).

14.2 During 2020, the Group finalised joint arrangement in Algeria with a third party and transferred investment properties with a carrying value of SR 16 million. The Group re-recognised the investment properties transferred to the joint operations based on percentage of ownership amounting to SAR 7.8 million. During the year, the management reassessed the performance of the joint operations considering the recent economic activities and ongoing group restructuring and accordingly, the investment properties of the joint operations amounting to SR 6 million was fully impaired (2022: investment properties included SR 6.7 million related to joint operation).

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

Location	***Independent valuers***	***Valuer's qualification***	***Fair Value SR '000***
2023			
KSA	Land Sterling Property Consultants	Registered valuers with Saudi Authority for Accredited Valuers (Taqeem Saudi Arabia) and Member of Royal Institute of Chartered Surveyors	**257,587**
Dubai	Land Sterling Property Consultants		**1,462**
Oman	Land Sterling Property Consultants		**1,276**
Algeria	Land Sterling Property Consultants		**20,891**
			281,216
2022			
KSA	Land Sterling Property Consultants	Registered valuers with Saudi Authority for Accredited Valuers (Taqeem Saudi Arabia) and Member of Royal Institute of Chartered Surveyors	284,860
Dubai	Land Sterling Property Consultants		1,220
Oman	Land Sterling Property Consultants		1,295
Algeria	Land Sterling Property Consultants		20,674
			308,049

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

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

	Level 1 SR '000	*Level 2 SR '000*	*Level 3 SR '000*	*Total SR '000*
2023	-	-	**281,216**	**281,216**
2022	-	-	308,049	308,049

For the level 3 fair value measurement, the quantitative information about the significant unobservable inputs used in the fair value measurement include discount rate from 11.5% to 22%, yield of 12.5% to 50%, the occupancy rate of 55% to 75%.

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

15 INTANGIBLE ASSETS AND GOODWILL

	Goodwill SR'000	*Computer software SR'000*	*Total SR'000*
Cost:			
At 1 January 2022	6,416	9,812	16,228
Write off	-	(106)	(106)
At 31 December 2022	6,416	9,706	16,122
Addition	-	215	215
Acquisition of a subsidiary (note 40)	403,296	-	403,296
At 31 December 2023	**409,712**	**9,921**	**419,633**
Accumulated amortisation and impairment:			
At 1 January 2022	6,365	6,533	12,898
Charge for the year	-	856	856
At 31 December 2022	6,365	7,389	13,754
Charge for the year	-	734	734
At 31 December 2023	**6,365**	**8,123**	**14,488**
Net carrying value			
At 31 December 2023	**403,347**	**1,798**	**405,145**
At 31 December 2022	51	2,317	2,368

Carrying amount of the goodwill relates to the acquisition of The Fundamental Mental Installation for Electric Work Company limited during the year (refer note 40) and assigned with the construction segment. The Group performed its annual impairment test in December 2023. The recoverable amount of the construction segment as at 31 December 2023 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a three-year period. The discount rate applied to cash flow projections is 11.1 % and cash flows beyond the three-year period are extrapolated using a 2.2 % growth rate. As a result of the analysis, the management did not identify an impairment for this CGU. The calculation of value in use for construction segment is most sensitive to the assumption of gross margins of the projects, discount rate and growth rates used to extrapolate cash flows beyond the forecast period.

16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

	Land *SR'000*	*Equipment* *SR'000*	*Total* *SR'000*
Cost:			
Amount as of 1 January 2022	77,534	144	77,678
Additions	5,770	-	5,770
Remeasurement	594	-	594
Lease termination	(34)	-	(34)
At 31 December 2022	83,864	144	84,008
Acquisition of a subsidiary (note 40)	-	15,235	15,235
Additions	-	2,985	2,985
Remeasurement	140	337	477
Assets held for sale (note 41)	(691)	-	(691)
Lease termination	(1,770)	-	(1,770)
At 31 December 2023	**81,543**	**18,701**	**100,244**
Accumulated amortisation:			
At 1 January 2022	30,710	72	30,782
Depreciation expense	10,047	-	10,047
At 31 December 2022	40,757	72	40,829
Depreciation expense	10,451	-	10,451
At 31 December 2023	**51,208**	**72**	**51,280**
Net carrying value			
At 31 December 2023	**30,335**	**18,629**	**48,964**
At 31 December 2022	43,107	72	43,179

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

	Lease liabilities	
	2023 ***SR'000***	*2022* *SR'000*
At 1 January	**46,468**	49,002
Acquisition of a subsidiary (note 40)	**13,822**	-
Additions to lease liabilities	**2,985**	5,770
Interest expense	**1,173**	2,122
Remeasurement	**192**	523
Termination	**(1,822)**	-
Liabilities directly associated with the assets held for sale (note 41)	**(769)**	-
Payments	**(9,820)**	(10,949)
At 31 December	**52,229**	46,468
Current portion of lease liabilities	**23,930**	13,325
Non-current portion of lease liabilities	**28,299**	33,143

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

16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

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

	2023	*2022*
	SR'000	*SR'000*
Depreciation expense of right-of-use assets	**10,451**	10,047
Expense relating to short-term leases and low value assets	**7,395**	1,726
Interest expense on lease liabilities	**2,985**	2,122
	20,831	13,895

17 INVENTORIES

	2023	*2022*
	SR'000	*SR'000*
Raw materials	**44,924**	57,157
Work in progress	**3,296**	20,082
Finished goods	**48,679**	49,018
	96,899	126,257
Less: provision for obsolete inventory	**(48,331)**	(52,676)
Assets held for sale (Note 41)	**(4,632)**	-
	43,936	73,581

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

	2023	*2022*
	SR'000	*SR'000*
At the beginning of the year	**52,676**	45,139
(Reversal) provision for the year	**(1,108)**	7,537
Assets held for sale (note 41)	**(3,237)**	-
	48,331	52,676

At the reporting date, the Group re-assessed the realisable value of inventories and as a result, provision of SR 1.1 million was derecognized (2022: additional provision of SR 7.5 million recognized) in the consolidated statement of profit or loss by taking into consideration the age and condition of these inventories.

18 CONTRACT ASSETS AND CONTRACT LIABILITIES

18.1 Contract assets

	2023	*2022*
	SR'000	*SR'000*
Value of work executed in excess of billing	**280,637**	-
Sale of building - work executed but not billed	**53,981**	38,054
Rental revenue - accrued but not billed	**38,487**	22,589
	373,105	60,643
Allowance for expected credit losses	**(10,093)**	(5,664)
	363,012	54,979

18 CONTRACT ASSETS AND CONTRACT LIABILITIES (continued)

18.1 Contract assets (continued)

Movements in allowance for expected credit losses are as follows:

	2023	*2022*
	SR'000	*SR'000*
At the beginning of the year	**5,664**	-
Provision for the year	**2,795**	5,664
Acquisition of a subsidiary (note 40)	**1,634**	-
	10,093	5,664

18.2 Contract liabilities

	2023	*2022*
	SR'000	*SR'000*
Customer advances and deposits	**285,963**	46,254
Billings in excess of value of work executed	**36,311**	-
	322,274	46,254

19 TRADE RECEIVABLES

	2023			*2022*		
	Receivables from contracts with customers	*Rental receivables*	*Total*	*Receivables from contracts with customers*	*Rental receivables*	*Total*
	SR'000			*SR'000*		
Billed	255,229	46,244	**301,473**	155,793	61,078	216,871
Retentions receivable	461,745	-	**461,745**	23,307	-	23,307
Allowance for expected credit losses	(155,026)	-	**(155,026)**	(107,123)	(6,250)	(113,373)
Assets held for sale, net (note 41)	(2,382)	-	**(2,382)**	-	-	-
	559,566	46,244	**605,810**	71,977	54,828	126,805
Less: current portion	(225,439)	(46,244)	**(271,683)**	(71,977)	(54,828)	(126,805)
Non current portion	334,127	-	**334,127**	-	-	-

Trade receivables are non-interest bearing and the Group's credit period is 30-90 days after which trade receivables are considered to be past due. Unimpaired trade receivables are unsecured and are expected, on the basis of past experience, to be fully recoverable. Movements in allowance for expected credit losses are as follows:

	2023	*2022*
	SR'000	*SR'000*
At the beginning of the year	**113,373**	83,008
Acquisition of a subsidiary (note 40)	**34,280**	-
Provided during the year	**7,373**	30,365
	155,026	113,373
Assets held for sale (note 41)	**(2,303)**	-
At the end of the year	**152,723**	113,373

19 TRADE RECEIVABLES (continued)

19.1 In 2016, the Group filed a legal case in Houston, Texas, USA against one of its customers, its subsidiaries and its directors (for the construction of a camp facility based in Angola), demanding repayment of receivable balances due from this customer. The customer had failed to meet its obligations for timely transfer of funds to the Group as per the repayment schedule due to certain restrictions on repatriation of the funds in foreign currency out of Angola. However, following extended discussions and negotiations between the customer and Group, the customer agreed to execute legal documentation acknowledging the debt and giving promissory note of USD 5.4 million (SR 20.2 million) and claim over the assets of the customer's camp in Angola, which would allow the Company the right to take a secondary charge over these assets. Accordingly, the Group and customer withdraw from litigation proceedings in Houston, Texas, USA and submitted enforcement proceeding against the customer in Angola. However, no legal proceedings have been initiated with the view of enforcing the securities granted. In light of the above pending litigation and related uncertain outcome, the management of the Group has recognized an allowance against the entire outstanding balance of SR 86.9 million (2022: same).

19.2 Refer to note 37 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

19.3 As per the Company's contracts with the customers, a certain percentage of billings are retained by the customers, which is collectible once the contract is fully completed, and handover to the customers. Management classified retention receivables into current and non-current based on expected completion of the projects.

20 ADVANCES TO SUPPLIERS

	2023	*2022*
	SR'000	*SR'000*
Advances to suppliers	**352,802**	79,940
Advances to subcontractors	**134,615**	-
	487,417	79,940

21 INVESTMENT IN AN ASSOCIATE

The Group has 49% interest in RSHM which was accounted for using the equity method in consolidated financial statements. During year ended 31 December 2022, after evaluating economic conditions and the forecasted financial results of the associate, the management decided to fully impair the associate and recognized impairment loss of SR 7.3 million.

Summarised statement of financial position for associate

	2023	*2022*
	SR'000	*SR'000*
Current assets	-	5,598
Non current assets	-	12,644
Current liabilities	-	(10,937)
Group's carrying amount of investment	-	7,305
Less: impairment loss	-	(7,305)
Group's net carrying amount of investment	-	-

Summarised statements of comprehensive income for associate

	2023	*2022*
	SR'000	*SR'000*
Revenue	-	65
Cost of revenue	-	(759)
Other income	-	459
Administrative expenses	-	(1,001)
Others	-	(22)
Total comprehensive loss	-	(1,258)
Group's share of loss for the year	-	(616)

22 PREPAYMENTS AND OTHER RECEIVABLES

	2023	*2022*
	SR'000	*SR'000*
Margin deposits	**34,348**	8,364
Prepaid expenses and deposits	**12,157**	4,642
Amounts due from related parties (note 33)	**4,360**	4,434
Advances to employees	**3,451**	915
Advance and valued added tax	**-**	6,513
Others	**2,222**	9,117
	56,538	33,985

Terms and conditions for related party transactions and balances are disclosed under note 33 of these consolidated financial statements.

23 CASH AND CASH EQUIVALENTS

	2023	*2022*
	SR'000	*SR'000*
Bank balances	**154,605**	31,818
Cash in hand	**3,030**	524
	157,635	32,342

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	2023	*2022*
	SR'000	*SR'000*
Bank balances	**154,605**	31,818
Cash in hand	**3,030**	524
Cash at banks and in hand attributable to discontinued operations (note 41)	**421**	-
	158,056	32,342

24 SHARE CAPITAL

The share capital of the Company as at 31 December 2023 amounted to SR 302,344,000 (31 December 2022: SR 302,344,000) consisting of 30,234,400 shares (31 December 2022: 30,234,400 shares) fully paid and issued shares at a value of SR 10 per share.

During the year ended 31 December 2022, the Company has completed the legal formalities with respect of reduction of the Company’s capital through absorbing the accumulates losses of the Company (refer note 2.1).

25 STATUTORY RESERVE

In accordance with the Company‘s by-laws, the Company is required to transfer 10% of the net profit for the year to a statutory reserve until such reserve equals 30% of its share capital. This reserve is not available for distribution to the shareholders of the Company. No such transfer was made during the year due to accumulated losses.

26 MATERIAL PARTLY-OWNED SUBSIDIARIES

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

Proportion of equity interest held by non-controlling interests:

Name	*Principal activities*	*Country of incorporation*	***2023***	*2022*
The Fundamental Installation for Electric Work Company Limited ("First Fix")	Construction and general work contracts	Saudi Arabia	**49%**	-
SARL Red Sea Housing Services Algeria Limited ("RSA")	Rental/sales of non -concrete building	Algeria	**2%**	2%
Premier Paints Company ("PPC")	Manufacturing and trading paints	Saudi Arabia	**19%**	19%

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

Summarised statement of profit or loss and other comprehensive income:

	31 December 2023 SR'000			*31 December 2022 SR'000*	
	First Fix	***RSA***	***PPC***	*RSA*	*PPC*
Revenues	**869,246**	**483**	**4,031**	758	16,657
Profit (loss) for the period	**81,873**	**(14,791)**	**(13,447)**	(3,776)	(8,218)
Total comprehensive income (loss)	**80,429**	**(14,791)**	**(13,447)**	(3,776)	(8,218)
Attributable to non-controlling interests	**39,410**	**(296)**	**(2,555)**	(76)	(1,561)

Summarised statement of financial position:

	31 December 2023 SR'000			*31 December 2022 SR'000*	
	First Fix	***RSA***	***PPC***	*RSA*	*PPC*
Current assets	**1,036,266**	**10,060**	**4,281**	10,294	7,013
Current liabilities	**(827,272)**	**(3,632)**	**(102,313)**	(3,992)	(34,090)
Net current assets/(liabilities)	**208,994**	**6,428**	**(98,032)**	6,302	(27,077)
Non-current assets	**396,098**	**8,590**	**2,229**	9,838	5,498
Non-current liabilities	**(49,410)**	**-**	**(1,655)**	-	(6,778)
Net non-current assets	**346,688**	**8,590**	**574**	9,838	(1,280)

27 INTEREST BEARING LOANS AND BORROWINGS

	2023	*2022*
	SR'000	*SR'000*
Bai Al Ajel Islamic facility (27.1)	**250,000**	-
Medium term loans (27.2)	**59,750**	83,862
Short term loans (27.3)	**20,000**	38,548
	329,750	122,410
Less: unamortised transaction cost	**(2,325)**	-
Total borrowings	**327,425**	122,410

The interest-bearing loans and borrowings are presented in the consolidated statement of financial position as follows:

	2023	*2022*
	SR'000	*SR'000*
Long term borrowings	**222,675**	-
Current portion of long-term borrowings	**84,750**	5,143
Short term borrowings	**20,000**	117,267
	327,425	122,410

The movement of the interest-bearing loans and borrowings as follows:

	2023	*2022*
	SR'000	*SR'000*
At 1 January	**122,410**	140,085
Islamic facility obtained	**250,000**	-
Net movement of short-term loans	**(16,145)**	(17,675)
Repayment of medium-term loans	**(26,437)**	-
Borrowings directly associated with the assets held for sale (note 41)	**(2,403)**	-
At 31 December	**327,425**	122,410

27.1 During the year, the Company entered into a facility agreement of SR 330 million with a local commercial bank of which SR 300 million for the acquisition of a new subsidiary ("First Fix", refer note 40) and SR 30 million for other treasury products. As of 31 December 2023, the Company has withdrawn SR 250 million of the facility. The loan is repayable in seven variable installments with the last installment due in 2030. The loan bear finance costs based on prevailing market rates which is based on Saudi inter-bank offered rates (SAIBOR) plus fixed margin of 2.5% and due in semi-annual basis. The borrowing is secured by pledge of the Company's shares in First Fix, promissory note issued by the Company, assignment of contract proceed and pledge of shares of a sister company by a related party.

The maturity profile of the Bai Al Ajel Islamic facility is as follows:

	2023
	SR'000
2024	**25,000**
2025	**29,167**
2026	**33,332**
2027	**37,500**
2028	**41,667**
2029	**41,667**
2030	**41,667**
	250,000

27 INTEREST BEARING LOANS AND BORROWINGS (continued)

27.2 The Group obtained various short-term facilities from a local commercial bank in the past. In May 2023, the short-term facilities were rescheduled to a medium-term loan of SR 76 million by the bank, which is repayable in 16 equal quarterly installments of SR 4.75 million each with the last instalment due in March 2027. The facility is secured by assignment of contract proceeds and order note signed by the Group. The facility agreement contains covenants requiring maintenance of certain financial ratios and other matters by the Group. However, the Group is not in compliance with the covenant relates to the facility which is an event of default as per the borrowing agreements as of 31 December 2023 (2022: same). Accordingly, the entire outstanding loan balance amounting to SR 57.9 million has been classified under current liabilities in the consolidated financial statements.

27.3 Short-term borrowings represent bank loans obtained from a commercial bank and bear financial charges at prevailing market rates which are based on Saudi inter-bank offer rates. These borrowings are denominated in Saudi Riyal. Total unused credit facilities available to the Group at 31 December 2023 were approximately SR 7.6 million (2022: SR 43.4 million) principally representing short-term loans and re-financing of invoices and letters of credit. The short-term borrowings are secured by promissory notes and assignment of contract proceeds. The facility agreements contain covenants requiring maintenance of certain financial ratios and other matters by the Group. However, the Group is not in compliance with the covenant relates to the facility which is an event of default as per the borrowing agreements as of 31 December 2023 (2022: same). In March 2024, the Group received waiver from the commercial bank with respect of the requirement of financial ratios (2022: the Group obtained the waiver during the year).

Following are the major categories of the borrowings of the Parent Company and its subsidiaries at the reporting date:

	Red Sea International Company	***Premier Paints Company***	***Total***
		SR ' 000	
Conventional borrowings	59,750	2,403	62,153
Tawarruq	265,272	-	265,272
At 31 December 2023	**325,022**	**2,403**	**327,425**
Conventional borrowings	-	6,588	6,588
Tawarruq	115,822	-	115,822
At 31 December 2022	115,822	6,588	122,410

Premier Paints Company's ("PPC") short-term loan agreement is subject to covenants, whereby the PPC is required to meet certain key financial ratios. PPC did not maintain the required tangible net worth ratio as defined in the facility agreement. However, the loan is secured by the corporate guarantees issued by the Parent Company and minority Partner of PPC and has not been recalled by the banks. The outstanding balance of PPC short-term loan also presented as a current liability as at the reporting date under liabilities directly associated with the assets held for sale.

28 EMPLOYEES' DEFINED BENEFIT LIABILITIES

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its defined benefit obligations at 31 December 2023 in respect of employees' end-of-service benefits payable under relevant local regulations and contractual arrangements. The main actuarial assumptions used to calculate the defined unfunded benefit obligation are as follows:

	2023	*2022*
Discount rate	**4.75% - 5.13%**	4.99%
Expected rate of salary increase	**3% - 4%**	4.0%
Retirement period	**60 years**	60 years

28 EMPLOYEES' DEFINED BENEFIT LIABILITIES (continued)

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

	2023	*2022*
	SR'000	*SR'000*
Current service cost	**8,152**	3,081
Interest cost on benefit obligation	**1,234**	641
Net benefit expense	**9,386**	3,722

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

	2023	*2022*
	SR'000	*SR'000*
At the beginning of the year	**21,855**	31,331
Acquisition of a subsidiary (note 40)	**34,351**	-
Net benefit expense	**9,386**	3,722
Benefits paid	**(6,412)**	(8,344)
Remeasurement gain on employees' defined benefit liabilities	**(29)**	(4,854)
Liabilities directly associated with the assets held for sale (note 41)	**(1,655)**	-
	57,496	21,855

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

	2023	*2022*
	SR'000	*SR'000*
Actuarial losses arising from changes in financial assumptions	**(80)**	(16,773)
Experience adjustments	**51**	11,919
	(29)	(4,854)

28.4 Breakup of the employee benefit obligations by geographic segment:

	Saudi Arabia SR'000	***UAE SR'000***	***Ghana SR'000***	***Other SR'000***	***Total SR'000***
2023	**52,142**	**5,069**	**181**	**104**	**57,496**
2022	15,383	6,052	308	112	21,855

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

	Increase/ (decrease)	***2023 SR '000***	*2022 SR '000*
Discount rate	**1.00%**	**(1,884)**	(1,107)
	(1.00%)	**9,751**	1,259
Expected rate of salary increase	**1.00%**	**9,937**	1,173
	(1.00%)	**(2,110)**	(1,046)

The sensitivity analysis above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefits obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

28 EMPLOYEES' DEFINED BENEFIT LIABILITIES (continued)

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

	2023	*2022*
	SR '000	*SR '000*
Within the next 12 months (next annual reporting period)	**8,344**	2,108
Between 2 and 5 years	**14,351**	7,240
Between 6 and 10 years	**16,040**	5,146
Over 10 years	**54,510**	7,739
Total expected payments	**93,245**	22,233

The average duration of the defined benefit plan obligation at the end of the reporting period is 2.93 to 12.02 years (31 December 2022: 5.17 years).

During the year, the Group have contributed SR 15.6 million (2022: SR 4.5 million) into the general organisation of social insurance ("GOSI") for its Saudi national staff.

29 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities represents the provision for decommissioning costs related to liabilities for restoration work or land restoration required for dismantling of investment properties used to generate rental revenue. The expected dates for usage of the provision are spread in years 2024 through 2026. Movement in the provision for decommissioning costs was as follows:

	2023	*2022*
	SR'000	*SR'000*
At the beginning of the year	**27,249**	26,029
Additions during the year	**900**	1,000
Unwinding of discount charge for the year (note 11)	**723**	612
Amount utilised during the year	-	(392)
At the end of the year	**28,872**	27,249
Less: current portion (note 31)	**(317)**	(317)
	28,555	26,932

30 TRADE PAYABLES

	2023	*2022*
	SR'000	*SR'000*
Trade accounts payables	**353,522**	165,701
Due to related parties (note 33)	**7,143**	6,994
	360,665	172,695

30.1 Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-60 day terms
- For terms and conditions with related parties, refer to note 33.

31 ACCRUALS AND OTHER LIABILITIES

	2023	*2022*
	SR'000	*SR'000*
Accrual for project operation and catering costs	**196,044**	111,636
Employee salaries and benefits	**90,876**	19,054
Retention payable	**34,559**	-
Advance and valued added tax	**20,001**	-
Accrued professional and consultancy charges	**11,934**	12,818
Accrued interest	**7,168**	1,790
Deposits from customers	**1,008**	9,028
Provision for assurance type warranties	**929**	685
Unearned rental revenue	**718**	801
Provision for decommissioning costs (note 29)	**317**	317
Accrued indirect taxes	**141**	2,672
Other accrued expenses	**14,045**	13,875
	377,740	172,676

32 ZAKAT AND INCOME TAX

The major components of zakat and income tax expense for the year ended 31 December 2023 and 2022 are:

Consolidated statement of profit or loss

	2023	*2022*
	SR'000	*SR'000*
Zakat	**1,347**	2,500
Income tax expense	**1,989**	1
	3,336	2,501

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

	Zakat	***Current tax***	***Total***	*Zakat*	*Current tax*	*Total*
	31 December 2023 SR '000			*31 December 2022 SR '000*		
At the beginning of the year	**26,341**	**3,414**	**29,755**	26,543	3,414	29,957
Provision for the year	**1,347**	**1,989**	**3,336**	2,965	41	3,006
Acquisition of a subsidiary (note 40)	**9,667**	**1,768**	**11,435**	-	-	-
Liabilities directly associated with the assets held for sale (note 41)	**(839)**	**-**	**(839)**	-	-	-
Payments during the year	**(959)**	**(41)**	**(1,000)**	(3,167)	(41)	(3,208)
At 31 December	**35,557**	**7,130**	**42,687**	26,341	3,414	29,755

32.2 ***Zakat***

(i) Zakat charge for the year consist of :

	2023	*2022*
	SR'000	*SR'000*
Provision for the year	**6,871**	2,965
Adjustment relating to prior years	**(5,524)**	-
Charge for the year	**1,347**	2,965

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

32 ZAKAT AND INCOME TAX (continued)

32.2 ***Zakat (continued)***

(i) Zakat charge for the year consist of :

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

(ii) ***Status of assessments***

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

a) The Parent Company and its wholly owned subsidiary

The zakat assessments of the Company and its wholly owned Saudi subsidiary as a whole have been agreed with the Zakat, Tax and Customs Authority ("the ZATCA") up to 2010. The zakat declarations until years 2022 have been filed with the ZATCA.

During 2020, the Zakat, Tax and Customs Authority ("the ZATCA") had issued an assessment for the years 2014 through 2017 amounting to SR 67.1 million for the Company and its wholly owned subsidiaries. The Company filed an appeal against the ZATCA assessment for the said period. During 2022, the ZATCA issued a revised assessment for the years 2014 through 2017 amounting to SR 39.2 million for the Company and its wholly owned subsidiaries. The Company has escalated the appeal against the ZATCA assessments for the above-mentioned period with the General Secretariat of Tax Committees ("GSTC") and the case is still under review by the committees.

Further, during 2021, the ZATCA issued an assessment for the years 2019 and 2020 amounting to SR 11.6 million for the Company and its wholly owned subsidiaries. The management of the company submitted an appeal against this assessment with ZATCA. During 2022, the ZATCA issued a revised assessment for the year 2019 and 2020 amounting to SR 8 million for the Company and its wholly owned subsidiaries. The Company has escalated the appeal against the ZATCA assessments for the above-mentioned period with the General Secretariat of Tax Committees ("GSTC") and the case is still under review by the committees.

However, the Parent Company maintains sufficient provision in the books to account for any liability arising upon the ultimate resolution of these issued assessments.

The Zakat assessments of the Company and its wholly owned Saudi subsidiary for the years 2011 to 2013 and for the years 2018 and 2021 to 2022 have not yet been raised by the ZATCA.

b) Partially owned subsidiaries

Premier Paints Company

During 2018, Premier Paints Company received Zakat, tax and WHT assessments for the years 1999 to 2014 amounting to SR 2.6 million, which was subsequently reduced to SR 2.59 million and the Company filled an appeal with GSTC on the revised assessment. During 2021, ZATCA issued amnesty scheme whereby, the ZATCA waived the delay penalties and fines and the Company settled WHT liability of SR 0.95 million and agreed to be settled SR 1.22 million of zakat liability on installments basis.

Further, during 2021, PPC received an assessment for the years 2017 and 2018 with additional zakat liability of SR 0.8 million. The management of PPC has recognized the provision against the assessment raised.

32.3 ***Income Tax***

(i) The income tax for the year consist of:

	2023 SR '000	*2022 SR '000*
Provision for the year	**1,989**	1
Deferred tax credit	**-**	40
Charge for the year	**1,989**	41

Income tax provision is provided for in accordance with fiscal authorities in which the Group’s subsidiaries operate outside the Kingdom of Saudi Arabia.

32 ZAKAT AND INCOME TAX (continued)

b) Partially owned subsidiaries (continued)

Premier Paints Company

(ii) ***Status of assessments***

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

The Fundamental Installation for Electric Work Company Limited (“First Fix”)

The assessments for the years 2015 to 2018 of First Fix agreed with the ZATCA. For 2019, the ZATCA issued the zakat assessment with the additional liability of SR 0.6 million. The First Fix, files an objection against the assessment of which rejected by ZATCA. The Company escalated the said objection to committee for Resolution of Zakat, Tax, and Customs Violations and Disputes (CRTVD). CRTVD’s decision reduced the zakat liability to SR 0.1 million of which settled by the Company. The First Fix has filed the zakat and tax returns for the years from 2020 to 2022 and no assessment raised by the ZATCA yet.

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

Income tax assessments have been agreed with the Ghana Revenue Authority ("the GRA") up to the year ended 31 December 2010. RSG received tax assessment for years from 2011 to 2016 amounting to SR 4.7 million. RSG filed an appeal against this amount and settled SR 1.5 million in 2018, however the assessment yet to be finalised. RSG is currently under a tax audit for the 2017-2020 years of assessment and as of 31st December 2022 the assessments have not been finalized.

32.4 ***Deferred Tax***

Deferred tax Asset

Deferred tax asset comprises of deductible temporary differences in respect of the following:

	2023
	SR'000
Provisions	**1,178**
Accelerated tax depreciation	**7**
	1,185

Further, in respect of a foreign subsidiary, the Group has not recognized net deferred tax asset of SR 10.84 million (2022: SR 10.84 million) due to uncertainty over recoverability of such deterred tax asset in the near future.

33 RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

33 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

Nature of transaction	***2023*** ***SR'000***	*2022* *SR'000*
Interest free funds received from a shareholder	**35,200**	46,025
Payment for land rentals	**883**	883
Expenses paid on behalf of board of directors	**420**	-
Expenses paid on behalf of associates	**6**	1,335
Expenses paid by the ultimate parent company on behalf of the Group	**150**	-

33.2 The breakdown of the amounts due from and due to related parties are as follows:

Amount due from related parties presented under prepayments and other receivables (note 22)

	2023 ***SR'000***	*2022* *SR'000*
The Innovative Facility Management & Services	**2,480**	-
Others	**1,880**	-
Red Sea Housing Malaysia SDN BHD	**-**	4,434
	4,360	4,434

Amount due to a shareholder

	2023 ***SR'000***	*2022* *SR'000*
Dabbagh Group Holding Company Limited	**81,225**	46,025

Dabbagh Group Holding Company has provided interest free short term loans to the Group for working capital requirement. The loans are repayable within twelve months of the reporting date and the Group has the option of rolled over the due balance at the maturity as per loan agreements with the shareholder. During the year, the Board of Directors of the Company has recommended to increase the Company's share capital by way of converting debt that owed to Al-Dabbagh Group along with the in-kind consideration on the acquisition of First Fix, after obtaining the regulatory approval and approval of the Company's extraordinary general assembly (refer note 2.1). The Company is in the process of completing the legal formalities and other regulatory requirements in this respect.

Amount due to related parties presented under trade payables (note 30)

	31 December 2023 ***SR'000***	*31 December 2022* *SR'000*
Sherwin-Williams Protective and Marine Coatings	**6,055**	5,945
Dabbagh Group Holding Company Limited	**1,028**	1,004
National Scientific Company	**60**	45
	7,143	6,994

33 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	2023	*2022*	***2023***	*2022*
	SR'000	*SR'000*	***SR'000***	*SR'000*
	Members of Board of Directors		*Key Management*	
Short-term employee benefits	**-**	-	**8,952**	8,970
End-of service employee benefits	**-**	-	**421**	376
Board of directors' remuneration	**2,074**	4,980	**-**	-
	2,074	4,980	**9,373**	9,346

34 CONTINGENCIES AND COMMITMENTS

As at 31 December 2023, the Group had capital commitments of SR 36 million (2022: SR 44.1 million). Also at December 31 the Group had the following outstanding contingencies:

	2023	*2022*
	SR'000	*SR'000*
Letters of guarantee	**450,607**	35,744
Letters of credit	**30,557**	2,609

35 OPERATING LEASES

The Group leased out various residential houses under operating lease agreements. Rental income from such leases for the year ended 31 December 2023 amounted to SR 151.2 million (2022: SR 164.6 million).

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

	2023	*2022*
	SR'000	*SR'000*
Within one year	**154,565**	167,731
After one year but not more than five	**78,758**	386,508
	233,323	554,239

36 SEGMENTAL INFORMATION

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

- Construction, general construction, electrical works, telecommunications and other related contracts (“General construction).
- Manufacturing and sale of non-concrete residential and commercial buildings ("Non-concrete residential and commercial buildings");
- Rentals from investment properties; and
- Manufacturing and sale of paints and related services ("Paints and related services")

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

Business segments

	31 December 2023				*31 December 2022*		
	General construction	*Non-concrete residential and commercial buildings*	*Rentals from investment properties*	*Total segments*	*Non-concrete residential and commercial buildings*	*Rentals from investment properties*	*Total segments*
		SR '000			*SR '000*		
Revenue:							
Total segment revenue	**898,325**	**641,695**	**151,229**	**1,691,249**	328,401	164,575	492,976
Inter-segment revenue elimination	**(29,079)**	**(283,681)**	**-**	**(312,760)**	(88,769)	-	(88,769)
Revenue from external customers	**869,246**	**358,014**	**151,229**	**1,378,489**	239,632	164,575	404,207
Timing of revenue recognition:							
Over time	**869,246**	**221,878**	**151,229**	**1,242,353**	138,200	164,575	302,775
At point in time	**-**	**136,136**	**-**	**136,136**	101,432	-	116,794
	869,246	**358,014**	**151,229**	**1,378,489**	239,632	164,575	419,569
(Loss)/profits before finance cost, finance income, depreciation & amortization and zakat and income tax	**94,015**	**(67,976)**	**105,484**	**131,523**	(223,457)	109,252	(114,205)
Impairment loss	**-**	**(14,871)**	**(12,770)**	**(27,641)**	-	-	-
Finance cost	**(4,234)**	**(11,588)**	**(1,263)**	**(17,085)**	(2,810)	(2,618)	(5,428)
Finance income	**-**	**530**	**-**	**530**	33	-	33
Depreciation & amortisation	**(2,562)**	**(14,215)**	**(51,627)**	**(68,404)**	(10,468)	(56,946)	(67,414)
(Loss)/profit before zakat and income tax	**87,219**	**(108,120)**	**39,824**	**18,923**	(236,702)	49,688	(187,014)
Income tax	**(1,989)**	**-**	**-**	**(1,989)**	-	-	-
Zakat	**(3,660)**	**1,544**	**769**	**(1,347)**	(1,618)	(882)	(2,500)
Segment (loss)/profit from operations	**81,570**	**(106,576)**	**40,593**	**15,587**	(238,320)	48,806	(189,514)

36 SEGMENTAL INFORMATION (continued)

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

	At 31 December 2023				*At 31 December 2022*			
	General construction	*Non-concrete residential and commercial buildings*	*Rentals from investment properties*	*Total segments*	*Non-concrete residential and commercial buildings*	*Rentals from investment properties*	*Paints and related services*	*Total segments*
	SR '000				*SR '000*			
Total assets	**1,432,364**	**710,956**	**332,108**	**2,475,428**	373,819	391,722	13,203	778,744
Total liabilities	**878,670**	**995,115**	**176,310**	**2,050,095**	420,559	226,031	38,480	685,070

During the period ended 31 December 2023, approximately 92% of the total revenues from general construction segment were derived from 5 customers. During the year ended 31 December 2023, approximately 86% of the total revenues from non-concrete residential and commercial buildings segment were derived from 5 customers (2022: approximately 67% from 5 customers). During the year, approximately 92% of the total revenues from rental segment were derived from 5 customers (2022: approximately 72% from 5 customers).

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

	31 December 2023			
	Saudi Arabia	*UAE*	*Others*	*Total*
	SR '000			
Total segment revenue	**1,353,257**	**337,336**	**1,151**	**1,691,744**
Inter-segment revenue elimination	**(29,574)**	**(283,681)**	**-**	**(313,255)**
Revenue from external customers	**1,323,683**	**53,655**	**1,151**	**1,378,489**
Segment (loss) profit from operations	**14,159**	**37,664**	**(36,236)**	**15,587**

	31 December 2022			
	Saudi Arabia	*UAE*	*Others*	*Total*
	SR '000			
Total segment revenue	345,554	138,395	10,322	494,271
Inter-segment revenue elimination	(1,295)	(88,769)	-	(90,064)
Revenue from external customers	344,259	49,626	10,322	404,207
Segment loss from operations	(123,298)	(23,018)	(43,198)	(189,514)

36 SEGMENTAL INFORMATION (continued)

	31 December 2023			
	Saudi Arabia	*UAE*	*Others*	*Total*
	SR '000			
Non-current assets				
Property, plant and equipment	**54,078**	**27,249**	**176**	**81,503**
Investment properties	**223,008**	**302**	**973**	**224,283**
Intangible assets and goodwill	**404,718**	**426**	**2**	**405,146**
Right-of-use assets	**34,011**	**11,860**	**3,093**	**48,964**
Retention receivables	**334,075**	**-**	**-**	**334,075**
Deferred tax assets	**1,185**	**-**	**-**	**1,185**
Total assets and liabilities				
Total assets	**2,382,006**	**84,126**	**15,806**	**2,481,938**
Total liabilities	**2,007,750**	**134,974**	**11,339**	**2,154,063**

	31 December 2022			
	Saudi Arabia	*UAE*	*Others*	*Total*
	SR '000			
Non-current assets				
Property, plant and equipment	19,139	28,977	20,473	68,589
Investment properties	254,596	588	7,792	262,976
Intangible assets	1,867	497	4	2,368
Total assets and liabilities				
Total assets	601,836	121,772	55,136	778,744
Total liabilities	556,850	112,951	15,269	685,070

37 FINANCIAL RISK MANAGEMENT

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

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

37.1 ***Market risk***

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: commission rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings.

37.1 (a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates. The Group manages its interest rate risk by continuously monitoring movements in the interest rates.

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

	Increase (Decrease) in basis points	*Effect on profit (loss) before tax*
		SR '000
2023	**-100**	**(221)**
	+100	**221**
2022	-100	(105)
	+100	105

37.1 (b) Price risk

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

37.1 (c) Foreign currency risk

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

37 FINANCIAL RISK MANAGEMENT (continued)

37.1 Market risk (continued)

37.1 (c) Foreign currency risk (continued)

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group also has investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. Such exposures are mainly related to exchange rate movements between SR against those respective currencies and recorded as a separate component of shareholders' equity in the accompanying consolidated financial statements. At the reporting date, there is no material operations in these locations and accordingly, no impact in the currency reserve during the year.

37.2 **Credit Risk**

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

	2023	*2022*
	SR'000	*SR'000*
Bank balances	**154,605**	31,818
Trade and retention receivables	**605,810**	126,805
Contract assets	**363,012**	54,979
Other receivables	**44,381**	22,830
	1,167,808	236,432

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

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

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored and shipments to major customers are generally covered by letters of credit or other forms of credit insurance obtained from reputable banks and other financial institutions. At 31 December 2023, the Group had 5 customers (2022: 4) that owed it more than SR 403.7 million in total and accounted for approximately 59% (2022: 56%) of all the receivables and contract assets outstanding.

37 FINANCIAL RISK MANAGEMENT (continued)

37.2 **Credit Risk (continued)**

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

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

	Trade receivables					
	Current	***30 - 90 days***	***91 - 180 days***	***181 - 360 days***	***> 360 days***	***Total***
	SR'000	***SR'000***	***SR'000***	***SR'000***	***SR'000***	***SR'000***
31 December 2023	**40,816**	**72,759**	**36,545**	**82,182**	**196,789**	**429,091**
31 December 2022	63,936	9,520	12,583	15,795	138,344	240,178

Based on a provision matrix, the Group's expected credit losses at 31 December 2022 against its trade receivables exposed to credit risk amounted to SR 149.3 million (2022: SR 119 million). In 2023, the Group recognised an amount of SR 3.9 million (2022: SR 36 million) as allowance for expected credit losses in its consolidated statement of profits or loss with relates to trade receivables and contract assets.

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

37.3 **Liquidity risk**

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

37.3 (a) **Excessive risk concentration**

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

37 FINANCIAL RISK MANAGEMENT (continued)

37.3 **Liquidity risk (continued)**

37.3 (a) **Excessive risk concentration (continued)**

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels.

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

Year ended 31 December 2023

	Less than 1 year	***1 to 5 years***	***> 5 years***	***Total***
		SR '000		
Trade and other payables	360,665	-	-	**360,665**
Interest bearing loans and borrowings	126,197	203,048	94,165	**423,410**
Lease liabilities	23,839	24,918	6,331	**55,088**
	510,701	**227,966**	**100,496**	**839,163**

Year ended 31 December 2022

	Less than 1 year	*1 to 5 years*	*> 5 years*	*Total*
		SR'000		
Trade and other payables	172,695	-	-	172,695
Interest bearing loans and borrowings	122,397	2,495	-	124,892
Lease liabilities	15,051	28,886	11,903	55,840
	310,143	31,381	11,903	353,427

37.4 **Changes in liabilities arising from financing activities**

	Non-current portion of Interest bearing loans and borrowings	*Current portion of interest bearing loans and borrowings*	*Short-term loans*	*Total*
		SR'000		
At 1 January 2022	-	21,429	118,656	140,085
Cash flows	-	(16,286)	(1,389)	(17,675)
31 December 2022	-	5,143	117,267	122,410
Cash flows	222,675	79,607	(97,267)	205,015
31 December 2023	**222,675**	**84,750**	**20,000**	**327,425**

38 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants.

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

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

b) "Leverage ratio", determined as "total borrowings (current and non-current) divided by equity (as shown in the accompanying consolidated statement of financial position, including non-controlling interests)"

39 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the estimated losses of these receivables.
- The fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2023 was assessed to be insignificant.

40 BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

Acquisition of Fundamental Installation for Electric Work Company Limited ("First Fix")

On 1 October 2023, the Group acquired 51% of the voting shares of First Fix, a limited liability company based in Kingdom of Saudi Arabia (refer note 1) and the subsidiary's main activities are construction, general construction, electrical works, power generation, lighting, telecommunications, electronic, fiber optic, information technology, maintenance and repair of electrical installations, telephone networks, storage and cooling warehouses. The Company's principal place of business is Jeddah.

The Group acquired First Fix because it significantly enlarges the range of products in the construction segment that

The Group has elected to measure the non-controlling interests in the acquiree at fair value.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of First Fix as at the date of acquisition were:

	Fair value recognised on acquisition
	SR '000
Assets	
Property and equipment	**36,141**
Right-of-use asset	**15,235**
Retention receivables	**285,093**
Deferred tax assets	**1,185**
Contract assets	**161,774**
Prepayments and other receivables	**505,974**
Trade receivables	**140,904**
Due from related parties	**4,132**
Cash and cash equivalents	**120,862**
	1,271,300
Liabilities	
Employee benefit obligations	**(34,351)**
Lease liabilities, non-current	**(5,806)**
Trade payables	**(262,875)**
Accruals and other liabilities	**(398,716)**
Contract liabilities	**(76,566)**
Lease liabilities, current	**(8,016)**
Provision for zakat	**(9,667)**
Income tax payable	**(1,768)**
	(797,765)
Total identifiable net assets at fair value	**473,535**
Non-controlling interest measured at fair value	**(232,032)**
Goodwill arising on acquisition (note 15)	**403,296**
Purchase consideration transferred	**644,799**

The acquisition date fair value of the trade receivables amounts to SR 140.9 million. The gross amount of trade receivables is SR 171.1 million and it is expected that the full contractual amounts can be collected.

40 BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS (continued)

Assets acquired and liabilities assumed (continued)

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms.

The deferred tax assets mainly comprises the tax effect of the accelerated depreciation for tax purposes of property and equipment and provisions not allowed for tax purpose.

The goodwill of SR 403 million comprises the value of expected synergies arising from the acquisition, the project backlog and bid pipeline, which is not separately recognised. Goodwill is allocated entirely to the construction segment. The goodwill recognised is expected to be deductible for income tax purposes.

The fair value of the non-controlling interest has been assessed by the management and based on the exercise performed. Based on the assessment performed by the management, the fair value of First Fix's identifiable net assets is estimated to be equal to the carrying value at the date of acquisition.

From the date of acquisition, First Fix contributed SR 898 million of revenue and SR 87 million to profit before zakat and tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been SR 2,918 million and profit before zakat and tax from continuing operations for the Group would have been SR 174 million.

Net cash flow on acquisition

The Company has financed the cash consideration paid amounted to SR 250 million on the acquisition though financing facility obtained from a local commercial bank (note 27). As per the share purchase agreement signed with the shareholders of "First Fix", the rest amounting to SR 394.8 million is payable either in cash or in-kind by way of newly issued shares of the Group. The Board of Directors of the Group has recommended to increase the Company's share capital by way of converting deferred consideration after obtaining the regulatory approval and the approval from the Company's extraordinary general assembly.

	SR '000
Purchase consideration	
Cash paid	**245,000**
Deferred consideration	**399,799**
Total consideration	**644,799**
Analysis of cash flows on acquisition:	
Transaction costs of the acquisition (included in cash flows from operating activities)	**1,154**
Net cash acquired with the subsidiary (included in cash flows from investing activities)	**120,862**
	122,016

41 DISCONTINUED OPERATIONS

During the year, the Board of Directors of the Company formally discussed the plan to exit the paints and related service business segment of the Group (Premier Paints Company ("PPC")). Accordingly, the management has evaluated the letter of intents received from the buyers and a potential buyer in this respect has been identified and the negotiations at the reporting date are at advance stage. PPC is available for immediate sale and can be sold to the buyer in its current condition and the actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification. Accordingly, PPC was classified as a disposal group held for sale and as a discontinued operation. With PPC being classified as discontinued operations, the paints and related services segment is no longer presented in the segment note. The results of PPC for the year ended 31 December are presented below:

41 DISCONTINUED OPERATIONS (continued)

	2023	*2022*
	SR '000	*SR '000*
Revenues	**4,031**	15,362
Cost of revenues	**(8,000)**	(14,635)
Selling and distribution expenses	**(1,491)**	(1,791)
General and administration	**(2,940)**	(2,702)
Operating loss	**(8,400)**	(3,766)
Finance costs	**(5,059)**	(4,027)
Other income, net	**12**	43
Income tax	**-**	(40)
Zakat	**-**	(465)
Total comprehensive profit (loss) from discontinued operation	**(13,447)**	(8,255)

The assets and liabilities of PPC classified as held for sale as at 31 December are, as follows:

	2023
	SR '000
Assets	
Property, plant and equipment	**1,538**
Right-of-use assets	**691**
Inventories	**1,395**
Trade receivables	**2,382**
Prepayments and other receivables	**83**
Cash and cash equivalents	**421**
Assets held for sale	**6,510**
Liabilities	
Employees' defined benefit liabilities	**(1,655)**
Trade payables	**(94,538)**
Accruals and other current liabilities	**(3,764)**
Short-term interest bearing loans and borrowings	**(2,403)**
Lease liabilities	**(769)**
Amount due to a shareholder	**-**
Zakat and income tax payable	**(839)**
Liabilities directly associated with assets held for sale	**(103,968)**
Net liabilities directly associated with disposal group	**(97,458)**

Interest-bearing loan comprises a fixed rate bank loan of SR 2.4 million having that is repayable in full within next 12 months.

42 SUBSEQUENT EVENTS

In the opinion of the Group's management, apart for the amendment made to the board of directors resolution on the propose increase of capital as disclose in note 2.1, there have been no further subsequent events since the year ended 31 December 2023 that would have a material impact on the consolidated financial position of the Group as reflected in these consolidated financial statements.