BAWAN COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH INDEPENDENT AUDITOR'S REPORT

BAWAN COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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PKF
Ibrahim Ahmed Al-Bassam & Co. Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BAWAN COMPANY (A SAUDI JOINT STOCK COMPANY)

RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bawan Company – a Saudi Joint Stock Company (the "Company") and its subsidiaries (collectively referred to as 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 (IFRSs) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

We have audited the consolidated financial statements of the group, which comprise of the following:

- The consolidated statement of financial position as at 31 December 2023;
- The consolidated statement of profit or loss and other comprehensive income for the year then ended;
- The consolidated statement of changes in equity for the year then ended;
- The consolidated statement of cash flows for the year then ended, and;
- The notes to the consolidated financial statements, comprising material accounting policies and other explanatory information.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) 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 from the Group in accordance with the professional code of conduct and ethics as endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key Audit Matter	How our audit addressed the key audit matter
1- Impairment allowance for trade receivables as per requirements of IFRS 9	
As at December 31, 2023, the gross carrying amount of trade receivables amounted to SR 573.54 million (2022: SR 679.62 million) against which the Group recognized "Expected Credit Loss" ECL allowance amounting to SR 77.61 million (2022: SR 88.99 million) in accordance with the requirements of IFRS 9, "Financial Instruments". IFRS 9 requires ECL model for the calculations of allowance for impairment of financial instruments including trade receivables. Management has applied a simplified expected credit loss ("ECL") model to determine the allowance for impairment of trade receivables.	We have performed the following procedures for assessing the impact on the impairment allowance of financial assets as per requirements of IFRS 9: • Evaluated the appropriateness of the application of expected credit loss model prepared by the Management of the Group for the relevant financial assets by understanding the nature of the financial assets and comparing the application to the requirements of the standard; • Verified the data inputs in assessing the reasonableness of the probability of defaults (PDs) against source documents and information;

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BAWAN COMPANY (A SAUDI JOINT STOCK COMPANY)

RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

KEY AUDIT MATTER (Continued)

Key Audit Matter	How our audit addressed the key audit matter
1- Impairment allowance for trade receivables as per requirements of IFRS 9 (Continued)	
We considered this to be a key audit matter due to the level of significant judgments, estimates and assumptions used by the management in calculations of allowance for impairment of trade receivables. Refer to note 2.17, 4.2(b) and 11 to the consolidated financial statements for further information.	• Tested key assumptions by comparing to the historical data; • Performed our independent assessment of impairment of trade receivables based on simplified approach and engaged our expert to provide further reliance on the assessment performed by us; and • Reviewed the adequacy of the Group's disclosures as presented in the accompanying consolidated financial statements in accordance with the applicable accounting standard.

OTHER INFORMATION

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

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

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

When we read the Annual Report of the Group, 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 CONSILDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA and the Regulations for Companies and the Company's By Laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, i.e. the Board of Directors of the Company are responsible for overseeing the Group financial reporting process.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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 ISAs 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 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 the ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 directing, supervising and performance of the group audit. We remain solely responsible for the 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, related safeguards.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BAWAN COMPANY
(A SAUDI JOINT STOCK COMPANY)
RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (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.

For Al-Bassam & Co.

البسام وشركاؤه
محاسبون قانونيون
رقم الترخيص ٥٢٠/١١/٣٢٣
C.R.1010385804
License 520/11/323
Al-Bassam & Co.
Certified Public Accountants

Ibrahim A. Al Bassam
Certified Public Accountant
License No. 337
Riyadh: Shaban 22, 1445H
Corresponding to: March 3, 2024

BAWAN COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT YEAR ENDED DECEMBER 31, 2023
(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

	Note	December 31, 2023	December 31, 2022
ASSETS			
Non-current assets			
Property, plant and equipment	5	**672,461**	719,943
Right-of-use assets	6.1	**28,376**	24,545
Goodwill	7	**4,397**	4,397
Intangible assets	8	**89**	3,451
Other assets	11.1	**21,152**	2,487
Total non-current assets		**726,475**	754,823
Current assets			
Inventories	9	**782,434**	703,995
Spare parts		**29,451**	31,287
Financial assets at fair value through profit or loss (FVTPL)	10	**633**	14,206
Trade and other receivables	11	**593,429**	664,046
Contract assets	12.1	**-**	76,288
Cash and cash equivalents	13	**31,588**	38,401
Total current assets		**1,437,535**	1,528,223
TOTAL ASSETS		**2,164,010**	2,283,046
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	**600,000**	600,000
Statutory reserve	15	**66,525**	52,921
Retained earnings		**253,403**	210,568
Equity attributable to the owners of the Company		**919,928**	863,489
Non-controlling interests	22	**40,890**	66,143
Total equity		**960,818**	929,632
LIABILITIES			
Non-current liabilities			
Long-term borrowings	16	**107,728**	87,430
Lease liabilities	6.3	**24,003**	23,878
Employee defined benefit liabilities	17	**68,940**	74,593
Total non-current liabilities		**200,671**	185,901
Current liabilities			
Trade and other payables	18	**598,732**	560,918
Short-term borrowings	16	**289,016**	468,200
Current portion of long-term borrowings	16	**22,673**	38,779
Contract liabilities	12.2	**61,750**	65,481
Current portion of lease liabilities	6.3	**3,588**	2,323
Zakat and income tax payable	24.2	**25,023**	30,675
Dividends payable		**1,739**	1,137
Total current liabilities		**1,002,521**	1,167,513
TOTAL LIABILITIES		**1,203,192**	1,353,414
TOTAL EQUITY AND LIABILITIES		**2,164,010**	2,283,046

Muhammad Adnan Rasheed **Financial Reporting Director**	Mohammed Ahmed Suliman Albalawi **Chief Executive Officer**	Fozan Mohammed Ahmed Al Fozan **Authorized Board of Directors Member**

The accompanying notes form an integral part of these consolidated financial statements.

BAWAN COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023
(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

	Note	2023	2022
Continuing operations			
Revenue	19, 25	**3,351,813**	3,364,258
Cost of revenue	19, 26	**(2,966,079)**	(2,960,151)
Gross profit		**385,734**	404,107
Selling and distribution expenses	19, 27	**(99,041)**	(89,528)
General and administrative expenses	28	**(104,917)**	(94,406)
Expected credit loss (ECL) allowance on trade receivables, net	11	**(4,646)**	(12,813)
Gain on disposal of investments in financial assets at FVTPL	10	**10,396**	5,724
Fair value gain / (loss) on investment in financial assets at FVTPL	10	**44**	(2,266)
Other income	29	**11,715**	335
Profit before finance costs, zakat and income tax		**199,285**	211,153
Finance costs	30	**(38,903)**	(29,371)
Profit before zakat and income tax		**160,382**	181,782
Zakat and income tax	24.1	**(12,807)**	(19,864)
Profit from continuing operations		**147,575**	161,918
Total (loss) / income from discontinued operations	23.1	**(2,485)**	16,194
Profit for the year		**145,090**	178,112
Other comprehensive (loss) / income			
Item that will not be reclassified to profit or loss:			
Re-measurement (loss) / gain on employee defined benefit liabilities	17.2	**(1,725)**	16,418
Other comprehensive (loss) / income for the year		**(1,725)**	16,418
Total comprehensive income for the year		**143,365**	194,530
Profit for the year attributable to:			
Ordinary shareholders of the Company		**136,040**	162,850
Non-controlling interests	22	**9,050**	15,262
		145,090	178,112
Total comprehensive income for the year attributable to:			
Ordinary shareholders of the Company		**134,439**	174,976
Non-controlling interests		**8,926**	19,554
		143,365	194,530
Total comprehensive income / (loss) for the year attributable to shareholders of the Company:			
Continuing operations		**134,591**	161,967
Discontinued operations		**(152)**	13,009
		134,439	174,976

BAWAN COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2023
(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

	Note	2023	2022
Earnings per share for profit from continuing operations attributable to the ordinary shareholders of the Company			
Basic and diluted	32	**2.27**	2.57
Earnings per share for profit attributable to the ordinary shareholders of the Company:			
Basic and diluted	32	**2.27**	2.71

Muhammad Adnan Rasheed **Financial Reporting Director**	Mohammed Ahmed Suliman Albalawi **Chief Executive Officer**	Fozan Mohammed Ahmed Al Fozan **Authorized Board of Directors Member**

The accompanying notes form an integral part of these consolidated financial statements.

BAWAN COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT YEAR ENDED DECEMBER 31, 2023
(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

	Share capital	Statutory reserve	Retained earnings	Equity Attributable to the owners of the Company	Non-controlling interests	Total equity
January 1, 2023	600,000	52,921	210,568	863,489	66,143	929,632
Profit for the year	-	-	**136,040**	**136,040**	**9,050**	**145,090**
Other comprehensive loss for the year	-	-	**(1,601)**	**(1,601)**	**(124)**	**(1,725)**
Total comprehensive income for the year	-	-	**134,439**	**134,439**	**8,926**	**143,365**
Transfer to statutory reserve (note 15)	-	**13,604**	**(13,604)**	-	-	-
Derecognition of non-controlling interest on disposal of a subsidiary (note 23)	-	-	-	-	**(31,329)**	**(31,329)**
Transactions with current owners in their capacity as owners:						
Dividends (note 38)	-	-	**(78,000)**	**(78,000)**	**(2,850)**	**(80,850)**
December 31, 2023	**600,000**	**66,525**	**253,403**	**919,928**	**40,890**	**960,818**
January 1, 2022	600,000	36,636	102,877	739,513	50,389	789,902
Profit for the year	-	-	162,850	162,850	15,262	178,112
Other comprehensive income for the year	-	-	12,126	12,126	4,292	16,418
Total comprehensive income for the year	-	-	174,976	174,976	19,554	194,530
Transfer to statutory reserve (note 15)	-	16,285	(16,285)	-	-	-
Transactions with current owners in their capacity as owners:						
Dividends (note 38)	-	-	(51,000)	(51,000)	(3,800)	(54,800)
December 31, 2022	600,000	52,921	210,568	863,489	66,143	929,632

Muhammad Adnan Rasheed	Mohammed Ahmed Suliman Albalawi	Fozan Mohammed Ahmed Al Fozan
Financial Reporting Director	**Chief Executive Officer**	**Authorized Board of Directors Member**

The accompanying notes form an integral part of these consolidated financial statements.

BAWAN COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

	2023	2022
Cash flows from operating activities		
Profit / (loss) before zakat and income tax:		
Continuing operations	**160,382**	181,782
Discontinued operations	**(2,325)**	17,321
Profit before zakat and income tax including discontinued operations	**158,057**	199,103
Adjustments for:		
Depreciation and amortization	**73,324**	77,372
ECL allowance on trade receivables, net	**4,646**	14,813
Net realizable value adjustment for inventories	**2,336**	8,003
Employees' end-of-service benefits cost	**7,909**	10,569
Finance costs	**40,098**	31,521
Fair value (gain) / loss on financial assets at FVTPL	**(44)**	2,266
Gain on disposal of financial assets at FVTPL	**(10,396)**	(5,724)
Gain on disposal of a subsidiary	**(2,909)**	-
Loss on derecognition of right-of-use assets	**149**	-
Provision for warranty	**1,088**	955
Gain on disposal of property, plant and equipment	**(385)**	(971)
Operating cash flows before movements in working capital	**273,873**	337,907
Changes in working capital		
Inventories	**(89,380)**	(50,493)
Spare parts	**(1,346)**	(3,420)
Trade and other receivables	**7,602**	11,281
Contract assets	**19,377**	(35,356)
Trade and other payables	**118,241**	77,914
Contract liabilities	**22,819**	9,272
Cash generated from operations	**351,186**	347,105
Finance costs paid	**(39,435)**	(26,597)
Zakat and income tax paid	**(16,843)**	(13,262)
Employee defined benefit liabilities paid	**(5,974)**	(7,269)
Net cash generated from operating activities	**288,934**	299,977
Cash flows from investing activities		
Purchase of property, plant and equipment	**(102,409)**	(82,151)
Purchase of intangible assets	**(405)**	(392)
Purchase of financial assets at FVTPL	**(24,688)**	(71,541)
Proceeds from disposal of financial assets at FVTPL	**48,701**	60,793
Proceeds from disposal of property, plant and equipment	**713**	1,115
Net cash used in investing activities	**(78,088)**	(92,176)
Cash flows from financing activities		
Proceeds from short-term borrowings	**1,053,292**	1,459,497
Repayment of short-term borrowings	**(1,185,521)**	(1,546,730)
Proceeds from long-term borrowings	**132,000**	115,786
Repayment of long-term borrowings	**(127,581)**	(135,745)
Repayment of lease liabilities	**(4,119)**	(2,710)
Dividends paid	**(78,000)**	(96,003)
Dividends paid to non-controlling interests	**(1,650)**	(3,800)
Net cash used in financing activities	**(211,579)**	(209,705)

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

	2023	2022
Net decrease in cash and cash equivalents	**(733)**	(1,904)
Cash and cash equivalents at the beginning of the year	**38,401**	40,305
Cash and cash equivalent related to discontinued operations	**(6,080)**	-
Cash and cash equivalents at the end of the year	**31,588**	38,401

Supplemental cash flow information (refer note 36.2)

Muhammad Adnan Rasheed **Financial Reporting Director**	Mohammed Ahmed Suliman Albalawi **Chief Executive Officer**	Fozan Mohammed Ahmed Al Fozan **Authorized Board of Directors Member**

The accompanying notes form an integral part of these consolidated financial statements.

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

1. GENERAL INFORMATION

Bawan Company ("Bawan" or "the Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia ("KSA") under Commercial Registration number 1010033032 dated Shawwal 9, 1400H (corresponding to August 20, 1980G). The Company's shares are traded on the Saudi Stock Exchange (Tadawul).

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "Group") as at December 31, 2023.

The Ministry of Commerce and Investment commenced the implementation of the new Companies Law effective from 19 January 2023 (effective date). This Law shall supersede the Companies Law promulgated by Royal Decree No. (M/3), dated 28 Muharram 1437H and the Law of Professional Companies promulgated by Royal Decree No. (M/17), dated 26 Muharram 1441H, and shall repeal any provisions conflicting therewith. Companies existing as at the effective date of the regulations shall make all necessary amendments to their By-laws to comply with the requirements of the provisions of the new companies' regulations within a period of two years of the effective date of the Companies' Law.

The Company is in process of making necessary amendments to the Company's By Laws and expected to complete within stipulated time as required by the new regulations.

The Group is mainly engaged in the manufacturing of metal and steel works, wooden pallets, plywood panels, boards and all work of carpentry and decorations, electrical transformers, packaged and unit substations and production of flexible packaging and insulation products.

The subsidiaries included in these consolidated financial statements are as follows:

Subsidiary	Principal activity	Location	Percentage of ownership (direct or indirect)	
			2023	2022
Bawan Engineering Industries Company ("Bawan Engineering")	Wholesale and retail of electrical products	KSA	100	100
Subsidiaries of Bawan Engineering along with its ownership are as follows:				
- United Transformers Electric Company-Saudi ("Utec-Saudi")	Manufacturing of electrical products	KSA	85.50	85.50
- United Technology of Electric Substations & Switchgears Company ("USSG")	-Same as above-	KSA	85.50	85.50
- Bawan Electric Company Limited ("Bawan Electric") –liquidated*	-Same as above-	KSA	-	100
Bawan Wood Industries Company ("Bawan Wood")	Manufacturing of wood products	KSA	95	95
Subsidiaries of Bawan Wood along with its ownership are as follows:				
- Al-Raya Wood Works Establishment-UAE	-Same as above-	UAE	100	100
- Al-Raya Company for Wood Works-Kuwait	-Same as above-	Kuwait	100	100
- Inma Pallets Company Limited ("Inma Pallets")	-Same as above-	KSA	100	100
- United Lines Logistics Services Company Limited ("ULLS")	Logistic services	KSA	100	100
Bawan Metal Industries Company ("Bawan Metal")	Manufacturing of metal products	KSA	100	100
Arnon Plastic Industries Company ("Arnon")	Manufacturing of plastic packaging and insulation products	KSA	100	100
United Company for Wood and Metal Products ("United Wood and Metal")	Manufacturing of wood / metal products	KSA	95	95

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

1. GENERAL INFORMATION (Continued)

Subsidiary	Principal activity	Location	Percentage of ownership (direct or indirect) 2023	2022
Bina Holding for Industrial Investments (“Bina Holding”) **	Intermediate holding company	KSA	-	56.75
Subsidiaries of Bina Holding along with its ownership are as follows:				
- Bina Ready-Mix Concrete Products Company (“Bina Ready-Mix”)	Manufacturing of concrete products	KSA	-	100
- Al-Ahliah Transport Company Limited	Dormant	KSA	-	100
- Total Building Company	-Same as above-	KSA	-	100
- Bina Advanced Concrete Products Company (“Bina Precast”)	Manufacturing of concrete products	KSA	-	93.20
Subsidiary of Bina precast along with its ownership is as follows:	Intermediate holding company			
- Saudi Bina Consulting Engineering Company (“Bina engineering”)	Engineering and architectural consulting	KSA	-	100

***** On 21 Rabi I, 1443 corresponding to October 27, 2021, the shareholders of Bawan Electric Company (BEC) resolved to voluntarily liquidate BEC and appoint a liquidator to carry out liquidation process. Accordingly, on 21 Rabi I, 1443 corresponding to October 27, 2021, Dr. Abdullah Aljendi Law Firm, having license number 8592, Riyadh, Kingdom of Saudi Arabia, was appointed as liquidator of the BEC. Liquidation process was not completed during the term of contract of the previous liquidator (Dr. Abdullah Aljendi Law Firm). On 03/06/1444AH corresponding to December 27, 2022 partners resolved to extend the liquidation period for a period of one year from its date and appoint Mr. Badr bin Adel Abdullah Al Muhaideb as liquidator of the Company. BEC has been liquidated during 2023.

** During 2023, the group disposed of its shareholding in Bina Holding for Industrial Investments (Bina Holding) (Refer Note 23).

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) that are endorsed in KSA and other standards and pronouncements issued by the Saudi Organization for Chartered Professional Accountants (“SOCPA”).

The consolidated financial statements have been prepared under the historical cost convention except where IFRS requires other measurement basis as disclosed in the applicable accounting policies in note 2 of these consolidated financial statements. Balances reported in the statement of financial position are not comparable with consolidated financial statements as of December 31, 2022 due to disposal of a subsidiary (refer note 23).

2.2 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 ‘Inventories’ or value in use in IAS 36 ‘Impairment of Assets’, where applicable.

Valuation techniques

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries as at the reporting date. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. These interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between:

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Company had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified by applicable IFRS).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 and, when applicable, the cost on initial recognition of an investment in an associate.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.4 Goodwill

Goodwill arising on an acquisition of a business (being the excess of the aggregate of consideration transferred and the amount of any non-controlling interest in acquiree over the fair values of net assets acquired) is carried at cost as established at the date of acquisition of the business less accumulated impairment losses.

If the fair values of net assets acquired exceed the aggregate of consideration transferred and the amount of any non-controlling interest in acquiree, the resulting gain is recognized in profit or loss as a bargain purchase gain.

Goodwill is not amortized but is reviewed for impairment at least annually. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.5 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognized at their fair value with the exception of liabilities related to employee benefit arrangements which are recognized and measured in accordance with IAS 19 Employee Benefits.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IFRS 9 Financial Instruments, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest was disposed of.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.5 Business combinations (Continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

2.6 Foreign currency translation

(i) Functional and presentation currency
The Group's consolidated financial statements are presented in Saudi Riyals (SR), which is also the Company's functional and Group presentation currency, and all values are rounded to the nearest thousands, except where otherwise indicated.

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. On disposal of a foreign operation, any gain or loss that arises is transferred from consolidated statement of financial position to the consolidated statement of profit or loss and other comprehensive income.

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

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

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

(iii) Group companies
On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their statement of profit or loss are translated at the average exchange rates. The exchange differences arising on the translation 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 recognised in profit or loss account in the consolidated statement of profit or loss and other comprehensive income.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognized in the statement of profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to consolidated statement of profit or loss and other comprehensive income.

2.7 Revenue recognition

The Group recognises revenue from the following major sources:

- Sale of various manufactured goods; and
- Construction of various bespoke items for customers

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer. The Group recognizes revenue when it transfers control of a product or provides service to a customer.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.7 Revenue recognition (Continued)

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

A receivable is recognized by the Group when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Sales-related warranties associated with goods cannot be purchased separately and they serve as an assurance that the products sold comply with agreed upon specifications. Accordingly, the Group accounts for warranties in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The Group has not raised a refund liability given the historically low level of returns in the past. It is considered highly probable that a significant reversal in the cumulative revenue recognized will not occur given the consistent low level of returns over previous years.

Construction of various bespoke items for customers
The Group constructs various bespoke items under contracts with its customers. Such contracts are entered into before construction of the items begins. Under the terms of the contracts, the Group has an enforceable right to payment for work done. The Group is unable to use the items for any other purpose.

Revenue from construction of these items is therefore recognized over time on output method as the Group fulfils the criteria under IFRS 15 “Revenue from contracts with customers”. Management considers that this output method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15 Revenue from Contracts with Customers.

Contract assets comprise the value of work performed in excess of the amount billed as at the period end. Contract liabilities comprise, in addition to advances from customers, the excess amount billed over the value of work performed at the period end.

2.8 Costs and expenses

(i) Costs of revenue
The costs incurred during the year, to produce the inventories that are sold, render the services and perform the contracts which includes direct and indirect cost of production, including direct labor, direct materials, depreciation and overheads are classified as cost of revenue.

(ii) Selling and distribution expenses
Selling and distribution expenses principally consist of costs incurred in the distribution and selling of the Group’s products.

(iii) General and administrative expenses
General and administrative expenses include costs not specifically part of selling and distribution expenses, cost of revenue, finance costs or Zakat and income tax expense. Allocations between general and administrative expenses, selling and distribution expenses and cost of revenue, when required, are made on a consistent basis.

2.9 Employee benefits

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

Short-term employee benefits
A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave, air tickets and sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service. The liability is recorded at the undiscounted amount of the benefits expected to be paid in exchange for that service.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.9 Employee benefits (Continued)

Employee defined benefit liabilities
The end-of-service indemnity provision is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Re-measurements, comprising actuarial gains and losses, are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Re-measurements recognized in other comprehensive income are reflected immediately in retained earnings and will not be 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 profit or loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- interest expense; and
- re-measurements.

The Group presents the first two components of defined benefit costs in profit or loss in relevant line items.

Retirement benefits
Retirement benefits made to funded defined contribution plans in respect of Saudi employees are expensed when incurred.

2.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.11 Zakat and taxes

(i) Zakat and income tax

Companies with only Saudi shareholders
The Group is subject to zakat in accordance with the regulations of the Zakat, Tax and Custom Authority (the “ZATCA”). A provision for zakat for the Company and zakat related to the Group’s wholly owned subsidiaries is estimated at the end of each reporting period and charged to the consolidated statement of profit or loss and other comprehensive income. Differences, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Mixed companies with foreign shareholders
The subsidiaries incorporated in KSA with foreign shareholders are subject to zakat for their Saudi shareholders and income tax for their foreign shareholders in accordance with the regulations of the ZATCA. A provision for zakat and income tax for the mixed companies is charged to the consolidated statement of profit or loss and other comprehensive income. Differences, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Income tax for foreign entities is provided for in accordance with the relevant income tax regulations of the countries of incorporation. Adjustments arising from final foreign income tax assessments are recorded in the period in which such assessments are made.

Zakat and income tax related to the minority shareholders in certain subsidiaries is included in their share of non-controlling interest in the consolidated statement of profit or loss and other comprehensive income.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.11 Zakat and taxes (Continued)

(i) Zakat and income tax (Continued)

The tax expense includes the current tax and deferred tax charge recognized in the consolidated statement of profit or loss and other comprehensive income. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

The tax expense, if any, includes the current tax and deferred tax charge, if any, recognized in the consolidated statement of profit or loss and other comprehensive income.

Current tax payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction (other than in a business combination) that affects neither taxable profit nor accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, joint arrangements and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to the consolidated statement of profit or loss and other comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

(ii) Withholding tax

The Company and its local subsidiaries withhold taxes on certain transactions with non-resident parties in the KSA, as required under Saudi Arabian Income Tax Law.

(iii) Value added tax

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

- when the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognized 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 value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.12 Property, plant and equipment

Property, plant and equipment, except land and capital work-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses. Land and capital work-in-progress are stated at cost less impairment in value.

Historical cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost can be measured reliably.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes accounted for on a prospective basis.

The Group applies the annual depreciation rates in the following ranges to its property, plant and equipment:

	Percentage (%)
Buildings and leasehold improvement	3 – 20
Plant and machinery	5 – 25
Vehicles	20 – 25
Furniture, fixtures and office equipment	20 – 25
Tools	20 - 33.3

Land and capital work-in-progress are not depreciated.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.13 Leases

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

i) Lease liabilities
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.13 Leases (Continued)

i) Lease liabilities (continued)

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

ii) Right-of-use assets

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

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

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

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

The right-of-use assets are presented as a separate line item in the consolidated statement of financial position.

Lease term

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

Short-term and low value leases

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

2.14 Other intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if any. The cost of intangible assets acquired in a business combination is their fair value at the effective date of the business combination. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are not amortized but are assessed annually for impairment and are stated at cost less accumulated impairment losses, if any.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.14 Other intangible assets (Continued)

The Group applies the following annual rates of amortization to its intangible assets:

	Percentage (%)
Software	20
Customer relationships	20 – 29
Trade name	20

An intangible asset is derecognized upon disposal, or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

2.15 Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that non-financial assets may be impaired.

Non-financial assets other than goodwill, if any, are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill, if any, is tested for impairment annually. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units 'CGUs'). Recoverable amount is the higher of an asset's fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management). 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. Such impairment loss is recognized in the consolidated statement of profit or loss and other comprehensive income in the period it has occurred.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill, if any, may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. Such reversal is recognized in the consolidated statement of profit or loss and other comprehensive income. Impairment losses on goodwill, if any, are not reversible.

2.16 Inventories and spare parts

Inventories are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The cost of raw materials and consumable stores is determined on the weighted average basis. The cost of goods in transit is determined based on the invoice value plus other charges incurred in getting this inventory to its location at the reporting date. The cost of work-in-process and finished goods is determined on the weighted average basis which includes, inter alia, an allocation of labor and manufacturing overheads.

Spares parts which are consumable inventory are valued at lower of cost or net realizable value. Cost is determined on the weighted average cost method. An allowance for obsolete and slow-moving items, if any, is estimated at each reporting date. Net realizable value is the estimated selling price less cost to sell.

Spare parts may represent items that might result in fixed capital expenditure but are not distinguishable from consumables spare parts, hence these are classified under spare parts as current assets.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.17 Financial instruments

a) Initial recognition and measurement of financial instruments
The Group initially recognizes financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument.

Where the trade receivables do not have a significant financing component, initial measurement is at their transaction price, which 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.

Except for trade receivables that do not have a significant financing component, initial measurement of the financial instrument is at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss and other comprehensive income.

Business model assessment

The Group assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

b) Financial assets - subsequent classification and measurement
Financial assets are subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. There are two criteria used to determine how financial assets should be classified and measured:

(i) the Group's business model for managing the financial assets; and
(ii) the contractual cash flow characteristics of the financial asset.

Key management personnel have determined that the Group's financial assets are held within a business model whose objective is to hold financial assets in order to collect cash flows.

A financial asset is measured at amortized cost if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Otherwise, a financial asset is measured at fair value through profit or loss (FVTPL).

Investments in equity instruments are measured at fair value, and the Group did not elect to present in other comprehensive income subsequent changes in the fair value of such investment in an equity instrument.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.17 Financial instruments (Continued)

b) Financial assets - subsequent classification and measurement (Continued)
Financial assets are only reclassified between measurement categories, when and only when, the Group's business model for managing them changes, which is expected to be uncommon.

The Group derecognizes a financial asset when the rights to the cash flows from the financial asset have expired or where the Group has transferred substantially all risks and rewards associated with the financial asset and does not retain control of the financial asset.

c) Impairment of financial assets
The Group assesses, on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost.

As required by IFRS 9, the Group applies the simplified approach for trade receivables and contract assets. The Group uses a provision matrix in the calculation of the expected credit losses on trade receivables and contract assets to estimate the lifetime expected credit losses, applying certain provision rates to respective aging buckets.

d) Write-off policy
The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

e) Financial liabilities - subsequent classification and measurement
Financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition.

The Group derecognizes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

f) Cash and cash equivalents
For the purposes of the consolidated statements of financial positions and cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks, all of which are available for use by the Group unless otherwise stated and have maturities of three months or less, which are subject to insignificant risk of change in values.

g) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to offset the recognized amounts and intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.18 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

Borrowings are extinguished from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognized in the consolidated statement of profit or loss and other comprehensive income as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.19 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Warranties
Provisions for the expected cost of warranty obligations under applicable sale of goods legislation are recognized at the date of sale of the relevant products, at the management's best estimate of the expenditure required to settle the Group's obligation.

2.20 Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the probability of an outflow of resources embodying economic benefits is remote. Liabilities which are probable are recorded in the consolidated statement of financial position under trade and other payables. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

2.21 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period. Dividends are recorded in the consolidated financial statements in the year in which they are declared and approved by the shareholders of the Company.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.22 Segmental reporting

A business segment is a group of assets, operations or entities:

i) engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components;
ii) the results of its operations are continuously analyzed by the group controller in order to make decisions related to resource allocation and performance assessment; and
iii) for which financial information is discretely available.

Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The details of Group's segments are presented in note 21 to these consolidated financial statements.

2.23 Non-current assets (or disposal group) held for sale and discontinued operations

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, if any.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of profit or loss and other comprehensive income.

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

3.1 New standards, amendments to standards and interpretations

Amendments
A number of new amendments to standards, enlisted below, are effective this year but they do not have a material effect on the Group's consolidated financial statements, except for where referenced below.

New amendments to standards issued and applied effective in year 2023

Amendments to standards	Description	Effective from accounting period beginning on or after	Summary of amendment
IFRS 9 (Amendments to IFRS 4)	Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	January 1, 2023	The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
IFRS 17	Insurance Contracts and its amendments	January 1, 2023	This is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements.
IAS 8	Amendment to the definition of accounting estimate	January 1, 2023	These amendments regarding the definition of accounting estimates help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023	These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences
IAS 12	International tax reform (pillar two model rules)	January 1, 2023	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

3.2 New standards, amendments and revised IFRS issued but not yet effective

The Group has not applied the following new and revised IFRSs and amendments to IFRS that have been issued but are not yet effective:

Amendments to standards	Description	Effective from accounting period beginning on or after	Summary of amendment
IAS 1	Classification of liabilities as current or non-current	January 1, 2024	The amendment has clarified 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, and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of liability would not impact its classification.
IFRS 16	Leases on sale and leaseback	January 1, 2024	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024	These amendments require to add disclosure requirements to enhance transparency of supplier finance arrangements, and ‘signposts’ within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.
IAS 21	Lack of Exchangeability	January 1, 2025	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group’s financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, which are described in note 2, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgements in applying accounting policies

The following are the critical judgements that have the most significant effect on the amounts recorded in the financial statements.

a) Revenue recognition over time

The Group recognizes revenue from construction contracts over time, i.e. before the goods are delivered to the customer’s premises. Progress is determined based on output method.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

a) Useful lives and residual values of property, plant and equipment and intangible assets

The Group’s management estimates the useful lives of its property, plant and equipment and intangible assets for the purpose of calculating depreciation and amortization respectively. These estimates are determined after considering the expected usage of the asset or physical wear and tear for useful lives. Residual values are based on experience and observable data where available. These are disclosed in note 2 of these consolidated financial statements.

b) Impairment of trade and other receivables

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor’s current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Trade accounts receivable are normally assessed collectively unless there is a need to assess a particular debtor on an individual basis (note 11).

c) Employee defined benefit liabilities

Employee defined benefit liabilities are determined using an actuarial valuation which requires estimates to be made of the various inputs such as discount rates, rate of salary increase, mortality rates and employment turnover. Changes in key assumptions can have a significant impact on the projected benefit liabilities and/or periodic employee defined benefit costs incurred (note 17).

d) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

5. PROPERTY, PLANT AND EQUIPMENT

	Note	Land	Building and leasehold improvement	Plant and machinery	Vehicles	Furniture, fixtures and office equipment	Tools	Capital work - in - progress (CWIP)	Total
Cost									
January 1, 2023		81,152	435,251	807,835	104,973	52,670	17,862	51,413	1,551,156
Additions during the year		**8,974**	**7,163**	**11,984**	**4,824**	**3,748**	**731**	**64,985**	**102,409**
Transfers from CWIP		**-**	**15,259**	**40,409**	**810**	**1,049**	**209**	**(57,736)**	**-**
Disposals		**-**	**(11)**	**(704)**	**(2,645)**	**-**	**(35)**	**-**	**(3,395)**
Derecognised on sale of a subsidiary	23	**-**	**(66,953)**	**(101,704)**	**(57,652)**	**(9,734)**	**(5,167)**	**(1,439)**	**(242,649)**
December 31, 2023		**90,126**	**390,709**	**757,820**	**50,310**	**47,733**	**13,600**	**57,223**	**1,407,521**
Accumulated depreciation and impairment									
January 1, 2023		9,574	231,328	451,181	77,396	47,303	14,431	-	831,213
Charge for the year		**-**	**16,272**	**41,986**	**4,758**	**3,355**	**1,068**	**-**	**67,439**
Disposals		**-**	**(11)**	**(703)**	**(2,335)**	**-**	**(18)**	**-**	**(3,067)**
Derecognised on sale of a subsidiary	23	**-**	**(38,873)**	**(68,318)**	**(42,099)**	**(6,733)**	**(4,502)**	**-**	**(160,525)**
December 31, 2023		**9,574**	**208,716**	**424,146**	**37,720**	**43,925**	**10,979**	**-**	**735,060**
Net book value									
December 31, 2023		**80,552**	**181,993**	**333,674**	**12,590**	**3,808**	**2,621**	**57,223**	**672,461**

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Note	Land	Building and leasehold improvement	Plant and machinery	Vehicles	Furniture, fixtures and office equipment	Tools	Capital work - in - progress (CWIP)	Total
Cost									
January 1, 2022		71,506	407,214	770,463	102,239	49,990	17,322	57,052	1,475,786
Additions during the year		-	3,464	7,479	4,426	2,367	631	63,784	82,151
Transfers from CWIP		9,646	24,573	34,095	-	428	-	(68,742)	-
Transfers to intangible assets	8	-	-	-	-	-	-	(681)	(681)
Disposals		-	-	(4,202)	(1,692)	(115)	(91)	-	(6,100)
December 31, 2022		81,152	435,251	807,835	104,973	52,670	17,862	51,413	1,551,156
Accumulated depreciation and impairment									
January 1, 2022		9,574	213,100	413,248	70,719	45,149	14,156	-	765,946
Charge for the year		-	18,228	42,135	8,240	2,254	366	-	71,223
Disposals		-	-	(4,202)	(1,563)	(100)	(91)	-	(5,956)
December 31, 2022		9,574	231,328	451,181	77,396	47,303	14,431	-	831,213
Net book value									
December 31, 2022		71,578	203,923	356,654	27,577	5,367	3,431	51,413	719,943

Certain items of property, plant and equipment amounting to nil as at December 31, 2023, (2022: SR 44.43 million) are mortgaged to secure the Saudi Industrial Development Fund ("SIDF") loans (note 16.5).

Capital work-in-progress mainly comprises building and leasehold improvement and items of plant and machinery in the course of construction and installation for certain Group subsidiaries.

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation charge on property, plant and equipment for the year has been allocated as follows:

	Note	2023	2022
Cost of revenue	26	**52,486**	48,017
Selling and distribution expenses	27	**2,074**	2,847
General and administrative expenses	28	**5,611**	5,656
Depreciation from discontinued operations	23.2	**7,268**	14,703
		67,439	71,223

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group leases certain of its premises. The lease term on the various leases is between 3 years and 25 years.

6.1 Movement of right-of-use assets is as follows:

	Note	2023	2022
January 1		**24,545**	18,485
Add: Additions during the year		**11,441**	8,865
Less: derecognition of right-of-use assets, net		**(149)**	-
Less: depreciation on right-of-use assets	6.2	**(2,476)**	(2,224)
Less: depreciation from discontinued operations		**(305)**	(581)
Less: derecognition on disposal of a subsidiary	23	**(4,680)**	-
December 31		**28,376**	24,545

6.2 The consolidated statement of profit or loss and other comprehensive income included the following amounts related to leases:

	Note	2023	2022
Depreciation on right-of-use assets	26	**2,476**	2,224
Accretion of finance costs under lease liabilities	30	**868**	741
		3,344	2,965

The Group also has certain leases with lease terms of 12 months or less and leases with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. The Group does not have any leases which contain variable lease payment terms.

6.3 Lease liabilities classified in the consolidated statement of financial position as at December 31 are as below:

	2023	2022
Non-current portion of lease liabilities	**24,003**	23,878
Current portion of lease liabilities	**3,588**	2,323
	27,591	26,201

The future minimum lease payments have been discounted, using an effective interest rate ranging from 2.5% to 4.5% per annum (2022: ranging from 2.5% to 4.5%), to their present values.

The Group's remaining contractual maturity for its lease liabilities have been disclosed in note 34.4.

The Group does not face a significant liquidity risk with regard to its lease liabilities, which are monitored to determine that these are settled in accordance with the relevant lease agreements.

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

7. GOODWILL

The carrying amount of goodwill has been allocated to the following cash generating units:

	2023	2022
Arnon	**4,066**	4,066
Inma Pallets	**331**	331
	4,397	4,397

The Group performed its annual impairment tests as at December 31, 2023. The recoverable amounts of the above cash generating units were determined using a value-in-use calculation which incorporates cash flow projections for a five-year period based on budgets approved by the management. A discount rate of 11.40% per annum (2022: 9.42% per annum) is used to discount the future cash flows to present value.

8. INTANGIBLE ASSETS

	Note	**Software**	**Customer relationships**	**Trade name**	**Total**
Cost					
January 1, 2023		12,691	11,727	6,190	30,608
Additions		**405**	**-**	**-**	**405**
Derecognition on disposal of a subsidiary	23	**(5,796)**	**(5,730)**	**(5,730)**	**(17,256)**
December 31, 2023		**7,300**	**5,997**	**460**	**13,757**
Accumulated amortization					
January 1, 2023		12,027	10,157	4,973	27,157
Amortization		**297**	**1,569**	**1,238**	**3,104**
Derecognition on disposal of subsidiary	23	**(5,113)**	**(5,729)**	**(5,751)**	**(16,593)**
December 31, 2023		**7,211**	**5,997**	**460**	**13,668**
<u>Net book value</u>					
December 31, 2023		**89**	**-**	**-**	**89**
Cost					
January 1, 2022		11,618	11,727	6,190	29,535
Additions		392	-	-	392
Transferred from property, plant and equipment	5	681	-	-	681
December 31, 2022		12,691	11,727	6,190	30,608
Accumulated amortization					
January 1, 2022		11,490	8,588	3,735	23,813
Amortization		537	1,569	1,238	3,344
December 31, 2022		12,027	10,157	4,973	27,157
<u>Net book value</u>					
December 31, 2022		664	1,570	1,217	3,451

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

9. INVENTORIES

	2023	2022
Raw materials	**431,715**	456,754
Finished goods	**247,175**	163,347
Work-in-process	**46,362**	45,055
Goods in transit	**52,974**	34,250
Consumables	**4,208**	4,589
	782,434	703,995

	Note	**2023**	2022
Cost of inventories recognized as expense during the year	26	**2,718,502**	2,732,546
Carrying value of inventories held at net realizable value		**36,260**	141,213
Inventory written down during the year		**2,336**	8,003

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

The movement in financial assets at FVTPL is set out below:

	2023	2022
January 1	**14,206**	-
Additions	**24,688**	71,541
Changes in fair value	**44**	(2,266)
Disposals	**(38,305)**	(55,069)
December 31	**633**	14,206

These financial instruments are mandatorily measured at fair value through profit or loss in accordance with the requirements of IFRS 9.

Fair values of these equity investments are determined based on the quoted market price available on the Saudi Stock Exchange, which is a Level 1 input in terms of IFRS 13 Fair Value Measurement.

Amounts recognized in consolidated statement of profit or loss and other comprehensive income for the year are as follows:

	2023	**2022**
Gain on disposal of financial assets at FVTPL	**10,396**	5,724
Fair value gain / (loss) on financial assets at FVTPL	**44**	(2,266)
	10,440	3,458

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

11. TRADE AND OTHER RECEIVABLES

	Note	2023	2022
Trade receivables			
Third parties		**488,367**	594,177
Related parties	19	**79,959**	73,754
Retention receivables		**5,215**	11,691
		573,541	679,622
Less: ECL allowance		**(77,608)**	(88,998)
		495,933	590,624
Consideration receivable on disposal of subsidiary	11.1, 23	**38,350**	-
Advances to suppliers		**27,788**	35,940
Refundable value added tax, net		**13,896**	6,603
Prepaid expenses and other assets		**8,507**	20,639
Amounts due from employees		**5,839**	7,235
Due from related parties	19	**49**	388
Other receivables		**3,067**	2,617
		593,429	664,046

The Group's average credit period on sales of goods is up to 90 days. No interest is charged on outstanding trade receivables.

The Group considers that default can occur when a financial asset or debtor is past due by more than the average credit limit of 90 days and in this case, debtors are segregated into various categories keeping in view the nature of debtors, their past track records and any other relevant and applicable information. Accordingly, the Group defines the default for each category of debtor based on delay in payment beyond the allowed average credit limit unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

However, based on the historical collection pattern, the management considers that a customer will fall in default and credit impaired category after one year of past due balance. Accordingly, the management believes that the balances within one year of past due will not result in material amount of credit loss.

The following table shows the lifetime ECL allowance that has been recognized against gross trade receivables representing each segment in accordance with the simplified approach set out in IFRS 9:

	Metal and Wood	Plastic	Electrical	Concrete	Total
December 31, 2023					
Gross trade receivables	**400,615**	**105,687**	**67,239**	**-**	**573,541**
Less: ECL allowance	**(30,538)**	**(11,513)**	**(35,557)**	**-**	**(77,608)**
Net trade receivables	**370,077**	**94,174**	**31,682**	**-**	**495,933**
December 31, 2022					
Gross trade receivables	397,801	83,674	126,394	71,753	679,622
Less: ECL allowance	(30,038)	(10,954)	(30,325)	(17,681)	(88,998)
Net trade receivables	367,763	72,720	96,069	54,072	590,624

The following table shows the movement in lifetime ECL that been recognized for trade receivables in accordance with the simplified approach set out in IFRS 9:

	Note	2023	2022
January 1		**88,998**	92,080
Charge for the year		**4,646**	12,813
Charge for the year for discontinued operations	23	**-**	2,000
ECL allowance		**4,646**	14,813
Written-off		**(355)**	(19,295)
Derecognised on disposal of a subsidiary		**(15,681)**	-
Transfer from other liabilities		**-**	1,400
December 31		**77,608**	88,998

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

11. TRADE AND OTHER RECEIVABLES (Continued)

The change in the loss allowance during the year was mainly due to change in credit risks as the receivable balances progressed through successive stages of delinquency to write off.

The following table shows the ECL by gross trade receivables aging:

	Current	1-180	181-360	361-720	721-1080	>1080	Total
2023							
Gross trade receivables	**429,537**	**54,194**	**8,849**	**8,790**	**7,172**	**64,999**	**573,541**
Less: ECL allowance	**(2,645)**	**(374)**	**(62)**	**(6,103)**	**(7,105)**	**(61,319)**	**(77,608)**
Net trade receivables	**426,892**	**53,820**	**8,787**	**2,687**	**67**	**3,680**	**495,933**
Average loss rates (%)	**0.62**	**0.69**	**0.70**	**69.43**	**99.07**	**94.34**	**13.53**

	Current	01-180	181-360	361-720	721-1080	>1080	Total
2022							
Gross trade receivables	496,385	64,790	9,557	23,402	14,908	70,580	679,622
Less: ECL allowance	(2,184)	(781)	(3,409)	(5,932)	(11,230)	(65,462)	(88,998)
Net trade receivables	494,201	64,009	6,148	17,470	3,678	5,118	590,624
Average loss rates (%)	0.44	1.21	35.67	25.35	75.33	92.75	13.10

Out of total gross trade receivables, receivables amounting to SR 59.53 million (2022: SR 88.72 million) have been assessed individually on a case-by-case basis which mainly comprised customers under litigation amounting to SR 25.34 million (2022: SR 34.76 million), customers under collection agreements amounting to SR 10.09 million (2022: SR 18.90 million) and customers individually assessed under miscellaneous categories amounting to SR 24.10 million (2022: SR 35.06 million). Accordingly, the management based on their judgement and best estimate, recognized an ECL allowance for customers under litigation, customers under collection agreement and customers individually assessed under miscellaneous categories amounting to SR 25.32 million (2022: SR 32.76 million), SR 5.19 million (2022: SR 5.64 million) and SR 21.88 million (2022: SR 19.45 million) respectively. The overall loss rate on balances against customers under litigation, customers under collection agreement and customers individually assessed under miscellaneous categories is 99.91% (2022: 94.24%), 51.45% (2022: 29.84%) and 90.78% (2022: 55.48%) respectively.

11.1 Receivables as of December 31, 2023 include an amount of SR 57.44 million (current receivable of SR 38.35 million and non-current receivable of SR 19.09 million) which represents receivable from disposal of a subsidiary, Bina Industrial Investment Holding Company ("Bina Holding") (refer note 23). Out of total consideration receivable of SR 76.7 million, the Company has collected SR 19.26 million during the year ended December 31, 2023 and the remaining balance was receivable as of December 31, 2023.

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

12. CONTRACT ASSETS AND CONTRACT LIABILITIES

12.1 Contract assets

Contract assets comprise the value of work performed in excess of the amount billed as at the year end arising entirely from construction contracts for sale of various bespoke items to the customers. Any amount previously recognized as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

Movement in contract assets is as follows:

	Note	2023	2022
January 1		**76,288**	40,932
Unbilled revenue recognised during the year		**-**	167,254
Revenue billed during the year		**(19,377)**	(131,898)
Derecognised on disposal of a subsidiary	23	**(56,911)**	-
December 31		**-**	76,288

12.2 Contract liabilities

	2023	2022
Advances from customers	**61,750**	64,083
Billings in excess of revenue recognized	**-**	1,398
	61,750	65,481

The transaction price allocated to unsatisfied performance obligations at December 31, 2023 amounted to SR 61.75 million (December 31, 2022: SR 65.48 million) which comprise mostly of sales of goods.

Management expects that a significant portion of the contract liabilities of SR 61.75 million (December 31, 2022: SR 65.48 million) will be recognized as revenue in the next financial year.

Contract liabilities of SR 37.80 million (December 31, 2022: 39.22 million) raised in prior year were recognized as revenue in the current year. All of this amount related to the sale of goods. There was no revenue recognized in the current reporting year that related to performance obligations which were satisfied in prior year.

13. CASH AND CASH EQUIVALENTS

	2023	2022
Cash at bank	**30,492**	37,600
Cash in hand	**1,096**	801
	31,588	38,401

14. SHARE CAPITAL

The Company had 60 million authorized, issued and fully paid ordinary shares with a nominal value of SR 10 per share as at December 31, 2023 and 2022 amounting to total share capital of SR 600 million as at December 31, 2023 and 2022.

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

15. STATUTORY RESERVE

In accordance with the previously applicable Saudi Arabian Regulations for Companies and the Company By-Laws, the Company had established a statutory reserve by the appropriation of 10% of its annual net profit, until such reserve equals 30% of the share capital. The reserve was not available for dividend distribution. The current regulation for Companies does not require the Company to maintain a separate reserve. During the current year, the Company has continued to allocate 10% of profit as per previous regulation as by-laws of the Company are not updated yet. The company is currently in the process of updating its by-laws.

16. BORROWINGS

16.1 Borrowings consist of the following:

	Current	Non-current	Total
2023			
Short-term borrowings	**289,016**	**-**	**289,016**
Long-term borrowings			
Term loans payable to banks	**11,011**	**71,067**	**82,078**
SIDF loans	**11,662**	**36,661**	**48,323**
	22,673	**107,728**	**130,401**
	311,689	**107,728**	**419,417**

	Current	Non-current	Total
2022			
Short-term borrowings	468,200	-	468,200
Long-term borrowings			
Term loans payable to banks	28,938	87,430	116,368
SIDF loans	9,841	-	9,841
	38,779	87,430	126,209
	506,979	87,430	594,409

The financing facilities agreements obtained by the Group are in accordance with the terms of Islamic financing.

16.2 Movement of borrowings for the current year is as follows:

	Note	Short term borrowings	Long term borrowings	Total
January 1, 2023		468,200	126,209	594,409
Receipts		**1,053,292**	**132,000**	**1,185,292**
Repayments and others		**(1,189,806)**	**(127,886)**	**(1,317,692)**
Derecognition on disposal of a subsidiary	23	**(44,705)**	**-**	**(44,705)**
		286,981	**130,323**	**417,304**
Accrued finance cost		**2,035**	**78**	**2,113**
December 31, 2023		**289,016**	**130,401**	**419,417**
January 1, 2022		552,682	145,816	698,498
Receipts		1,459,497	115,786	1,575,283
Repayments and others		(1,548,264)	(136,026)	(1,684,290)
Debt arrangement costs		-	328	328
		463,915	125,904	589,819
Accrued finance cost		4,285	305	4,590
December 31, 2022		468,200	126,209	594,409

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

16. BORROWINGS (Continued)

16.3 Short-term borrowings

The Group has obtained bank facilities ("the Facilities") in the form of short-term loans, Islamic Murabaha, forward exchange contracts and letters of credit and guarantee. The Facilities carry interest at prevailing market rates and are secured by promissory notes and corporate guarantees of the Group.

16.4 Term loans payable to banks

The Group has obtained bank loans from local banks which are repayable in quarterly / semi-annual installments. The loans carry interest at prevailing market rates and are secured by promissory notes and corporate guarantees of the Group.

16.5 SIDF loans

The Group has obtained various loans from SIDF for the construction and expansion of its concrete (former subsidiary) and plastic segment plants. These loans are guaranteed by promissory notes, corporate guarantees of the Group and mortgages of property, plant and equipment with a carrying value of nil as at December 31, 2023 (2022: SR 44.43 million) (note 5).

Certain borrowings require the maintenance of debt covenants. As at December 31, 2023 and 2022, none of the conditions require to cause the loans to be payable on demand by the loan agreements.

17. EMPLOYEE DEFINED BENEFIT LIABILITIES

17.1 Defined contribution plan

The Group makes contributions for a defined contribution retirement benefit plan to the General Organization for Social Insurance in respect of its Saudi employees. The total amount expensed during the year in respect of this plan was SR 6.57 million (December 31, 2022: SR 8.43 million).

17.2 Defined benefit obligation – employees' end of service termination benefits obligation

The Group operates a termination benefit plan in line with the Labor Law requirement in the Kingdom of Saudi Arabia for each of the respective subsidiary entities. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labor Law of the Kingdom of Saudi Arabia.

Employees' end of service termination benefits obligation are unfunded plans and the benefit payment obligations are met when they are due.

	Note	**2023**	2022
January 1		**74,593**	85,562
Current service cost	31	**7,909**	10,569
Interest cost	30	**3,140**	2,149
Total amount recognised in profit or loss		**11,049**	12,718
Payments		**(5,974)**	(7,269)
Financial assumptions		**311**	(9,636)
Experience adjustments		**1,414**	(6,782)
Loss / (gain) / attributable to the re-measurements of actuarial assumptions		**1,725**	(16,418)
Derecognition on disposal of a subsidiary	23	**(12,453)**	-
December 31		**68,940**	74,593

Actuarial valuations were performed by an independent qualified actuary using the projected unit credit method.

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

17. EMPLOYEE DEFINED BENEFIT LIABILITIES (Continued)

17.2 Defined benefit obligation – employees' end of service termination benefits obligation (continued)

Movements in the employee defined benefit obligations arising from current service cost and interest cost are recognized in profit or loss. However, re-measurement gains or losses arising from changes in actuarial assumptions are recognized as other comprehensive income / (loss). The principal assumptions used for the purpose of the actuarial valuations were approximately as follows:

	2023	2022
Discount rate	**4.60%**	4.70%
Average rate of salary increase	**2.06%**	2.25%
Rate of employee turnover	**Moderate**	Moderate
Mortality rates (WHO)	**SA19-75%**	SA19-75%

The weighted average duration of the defined benefit obligation of the Group is 6.24 years (2022: 6.06 years).

The actuary decreased the discount rate in 2023 to reflect the changes in applicable market yields.

17.3 Sensitivity analysis
The sensitivity analysis presented below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability.

	2023	2022
Increase in discount rate by 0.5%	**(1,959)**	(2,148)
Decrease in discount rate by 0.5%	**2,075**	2,278
Increase in rate of salary increase by 0.5%	**1,647**	1,817
Decrease in rate of salary increase by 0.5%	**(1,569)**	(1,731)

18. TRADE AND OTHER PAYABLES

	Note	**2023**	2022
Trade payables			
Third parties		**533,356**	461,043
Related parties	19	**3,910**	11,550
		537,266	472,593
Employee related accruals		**31,141**	38,283
Due to related parties	19	**-**	328
Accrued commission		**1,674**	2,114
Board and committee members compensation	19	**2,160**	2,169
Value added tax payable, net		**8,063**	15,794
Warranty provisions	18.1	**3,703**	3,038
Other payables and accruals		**14,725**	26,599
		598,732	560,918

Trade and other payables are unsecured and are usually paid within 30 to 90 days from recognition.

18.1 The movement in the warranty provision is as follows:

	2023	2022
January 1	**3,038**	2,270
Raised during the year	**1,088**	955
Utilized during the year	**(423)**	(187)
December 31	**3,703**	3,038

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

19. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties mainly represent shareholders, affiliates, subsidiary companies, key personnel and entities controlled or significantly influenced by such parties. During the year, the Group mainly had transactions with the following related parties:

Name	Relationship
Al Fozan Group of Companies	Shareholder / Affiliate
Al Muhaidib Group of Companies	Shareholder / Affiliate
WTC Investment Pty. Limited (Australia)	Affiliate

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its other related parties are disclosed below:

Nature of transactions	Note	2023	2022
Revenue		**266,648**	310,664
Purchases		**12,094**	37,824
Royalties	27	**1,485**	1,479
Short-term lease charges		**435**	405
Management fee and commission paid		**149**	281

The following balances were outstanding with related parties at the reporting date:

	Note	2023	2022
Trade receivables	11	**79,959**	73,754
Non-trade receivables	11	**49**	388
Trade payables	18	**3,910**	11,550
Non-trade payables	18	**-**	328
Board and committee members compensation payable	18	**2,160**	2,169

The amounts outstanding with related parties are unsecured and will be settled in cash. No guarantees have been given to the related parties and ECL allowance has been provided for in the current year in respect of amounts due from related parties.

During the year, short-term and long-term employment benefits to the Company's key management personnel amounted to SR 6.09 million (December 31, 2022: SR 5.59 million). Key management personnel include directors and key executives at the Group level.

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

20. CAPITAL COMMITMENTS AND CONTINGENCIES

The Group had capital commitments of SR 8.10 million (December 31, 2022: SR 16.44 million).

The Group had the following contingencies as at December 31:

	2023	2022
Letters of credit	**69,521**	157,802
Letters of guarantees	**561,412**	473,368

21. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"), i.e. the Board of Directors.

Information reported to the CODM for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The directors of the Company have chosen to organise the Group around differences in internal reporting structure. The Group's operating segments are as follows:

- Metal and Wood — The segment is engaged in the production of wooden pallets, plywood panels and boards, medium and high density coated in decoration paper, platforms, wooden bowls and boxes, premade hangars and steel buildings and forming and bending rebars, general contracting (repair, demolition, rebuilding, construction) of residential, commercial and public buildings, educational recreational and health facilities, maintenance, operation and installation of equipment, devices and electrical and electronic systems, aluminum works, iron and wood doors and their installation, electrical extension works, carpentry, painting, drawing on iron and wood, roads, bridges and street works and all acts of carpentry and decorations.
- Plastic — The principal activities of the segment are the production of plates and polystyrene foam, packaging and insulation slices from polyethylene foam, soft colored polyvinyl chloride sheets, rigid colored and non-colored Polyvinyl Chloride sheets, soft and hard Polyvinyl Chloride sheets padded by polystyrene and parts for vacuum fans, transparent containers of PET polyethylene, polyethylene bottles, PET preforms and their covers.
- Electrical — The principal activities of the segment are wholesale and retail of electric transformers, voltage stabilizers, battery chargers, welding caustics, electric substations, electric station equipment and voltage transformers, trading and distribution, import and export, testing and inspection services, goods and commodities clearance and double-weight services in addition to acquiring shares in other companies.
- Concrete - Discontinued operations (note 23) — The principal activities of the segment are production of ready-mix, concrete products, investing in companies in addition to commercial services of export and marketing for third parties, repair and maintenance of laboratory tools and equipment, machines, industrial, electrical and non-electrical equipment and desalination and sewage plants, electrical and mechanical works.
- Other — Other segment is a residual segment and comprises of Bawan Company representing only the holding company (i.e. head office) and associated activities carried out at the head office level.

The Group's consolidated balances by business segments were as follows:

	Metal and Wood	**Electrical**	**Plastic**	**Other**	**Total**
December 31, 2023					
Total revenue	**2,367,349**	**637,755**	**346,709**	**-**	**3,351,813**
Depreciation and amortization	**20,943**	**11,124**	**27,757**	**5,838**	**65,662**
Finance costs	**5,433**	**14,674**	**17,608**	**1,188**	**38,903**
Profit / (loss) for the year	**75,012**	**58,047**	**21,532**	**(4,107)**	**150,484**
Total assets	**1,004,802**	**460,967**	**611,068**	**87,173**	**2,164,010**
Total liabilities	**512,406**	**289,129**	**384,646**	**17,011**	**1,203,192**
For the year ended December 31, 2023					
Segment revenues	**2,367,349**	**637,755**	**346,709**	**-**	**3,351,813**
Intersegment revenues	**-**	**-**	**-**	**-**	**-**
External revenues	**2,367,349**	**637,755**	**346,709**	**-**	**3,351,813**

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

21. SEGMENT INFORMATION (Continued)

	Metal and Wood	Electrical	Plastic	Other	Total
December 31, 2023					
Segment assets	**1,004,802**	**464,121**	**611,068**	**116,791**	**2,196,782**
Consolidation adjustments	**-**	**(3,154)**	**-**	**(29,618)**	**(32,772)**
Total assets	**1,004,802**	**460,967**	**611,068**	**87,173**	**2,164,010**
Segment liabilities	**537,329**	**289,129**	**389,269**	**20,165**	**1,235,892**
Consolidation adjustments	**(24,923)**	**-**	**(4,623)**	**(3,154)**	**(32,700)**
Total liabilities	**512,406**	**289,129**	**384,646**	**17,011**	**1,203,192**

	Metal and Wood	Electrical	Plastic	Concrete	Other	Total
December 31, 2022						
Total revenue	2,389,482	608,642	366,134	-	-	3,364,258
Depreciation and amortization	21,195	9,510	25,410	-	5,930	62,045
Finance costs	8,094	10,273	9,622	-	1,382	29,371
Profit / (loss) for the year	135,035	27,432	20,434	-	(20,983)	161,918
Total assets	934,539	480,057	568,840	260,626	38,984	2,283,046
Total liabilities	447,399	359,223	348,177	153,439	45,176	1,353,414
For the year ended December 31, 2022						
Segment revenues	2,389,482	608,694	367,091	-	-	3,365,267
Intersegment revenues	-	(52)	(957)	-	-	(1,009)
External revenues	2,389,482	608,642	366,134	-	-	3,364,258
December 31, 2022						
Segment assets	934,539	480,615	569,158	260,626	66,642	2,311,580
Consolidation adjustments	-	(558)	(318)	-	(27,658)	(28,534)
Total assets	934,539	480,057	568,840	260,626	38,984	2,283,046
Segment liabilities	450,748	363,016	348,641	172,026	45,176	1,379,607
Consolidation adjustments	(3,349)	(3,793)	(464)	(18,587)	-	(26,193)
Total liabilities	447,399	359,223	348,177	153,439	45,176	1,353,414

The majority of the Group's operating assets and principal markets of activity are located in the Kingdom of Saudi Arabia.

Segment revenues reported above represent revenue generated from both external customers and related parties. There were no significant inter-segment revenues during the year ended December 31, 2023 and 2022. One customer contributed 10% or more of the Group’s revenue during the year ended December 31, 2023 and 2022.

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

22. NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests as at December 31:

Subsidiary	**Percentage of Non-controlling interest**		**Accumulated non-controlling interests**		**Profit / (loss) attributable to non-controlling interests**	
	2023	2022	**2023**	2022	**2023**	2022
UTEC and USSG	**14.50**	14.50	**24,286**	16,297	**8,084**	3,115
Bina Holding and its subsidiaries	**-**	43.25	**-**	33,560	**(2,231)**	7,968
Others			**16,604**	16,286	**3,197**	4,179
			40,890	66,143	**9,050**	15,262

The subsidiaries individually detailed above are incorporated and operate in Saudi Arabia. Others include subsidiaries wherein non-controlling interests are within the range of 5% and which are not significant to the consolidated financial statements as a whole.

Summarized consolidated financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized consolidated financial information below represents amounts before intragroup eliminations.

Summarized statement of financial position

	UTEC and USSG		**Bina Holding and its subsidiaries**	
	2023	2022	**2023**	2022
Non-current assets	**66,492**	53,622	**-**	92,402
Current assets	**395,086**	426,217	**-**	170,353
Non-current liabilities	**20,329**	19,466	**-**	17,028
Current liabilities	**269,361**	343,401	**-**	157,387

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

22. NON-CONTROLLING INTERESTS (Continued)

Summarized statement of profit or loss and other comprehensive income

	UTEC and USSG		Bina Holding and its Subsidiaries	
	2023	2022	**2023**	2022
Revenue	**637,754**	608,694	**95,189**	267,622
Expenses, net	**(582,118)**	(582,455)	**(100,583)**	(251,428)
Profit / (loss) for the year	**55,636**	26,239	**(5,394)**	16,194
Profit / (loss) attributable to:				
Owners of the company	**47,552**	23,124	**(3,042)**	15,684
Non-controlling interests	**8,084**	3,115	**(2,352)**	510
Profit / (loss) for the year	**55,636**	26,239	**(5,394)**	16,194
Other comprehensive (loss) / income attributable to				
Owners of the company	**(559)**	2,874	**-**	4,336
Non-controlling interests	**(95)**	487	**-**	3,676
Other comprehensive (loss) / income for the year	**(654)**	3,361	**-**	8,012

Summarized statement of cash flows

	UTEC and USSG		Bina holding and its Subsidiaries	
	2023	2022	**2023**	2022
Cash generated from / (used in) operating activities	**100,333**	5,563	**(6,295)**	2,739
Cash (used in) / generated from investing activities	**(23,994)**	(11,340)	**(2,133)**	(5,598)
Cash generated from / (used in) financing activities	**(75,031)**	12,757	**8,237**	1,396
Net increase / (decrease) in cash and cash equivalents for the year	**1,308**	6,980	**(191)**	(1,463)

23. DISPOSAL OF A SUBSIDIARY

On July 25, 2023, Bawan Company announced that it has signed a binding memorandum of understanding (MOU) to sell its entire equity stake in Bina Holding, one of its subsidiaries, for a total value of SR 76.7 million. The parties agreed that the shares shall be sold based on the balances of Bina Holding's reviewed financial statements on June 30, 2023, and that the approved effective date for the sale transaction shall be July 1, 2023. On September 25, 2023, Bawan Company signed a binding agreement for sale of Bina Holding. The agreement stipulates that the full amount shall be paid in twenty four equal monthly installments starting from August 1, 2023. The unpaid amounts of the sale price will be subject to financial interest according to the prevailing commercial rates. The deal has resulted in a capital gain of SR 2.91 million, in addition to the financial interest income calculated during the payment period. The Company has obtained promissory note and a mortgage on the shares sold. Legal formalities related to the sale were completed as of December 31, 2023.

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

23. DISPOSAL OF A SUBSIDIARY (Continued)

23.1 Financial performance as at the date of disposal i.e for the six months period ended June 30, 2023 and year ended December 31, 2022 are as follows:

	June 30, 2023 (Unaudited)	December 31, 2022
Revenue	**95,189**	267,622
Cost of revenue	**(88,459)**	(224,411)
Gross profit	**6,730**	43,211
Selling and distribution expenses	**(2,181)**	(3,672)
General and administrative expenses	**(9,659)**	(19,203)
Expected credit loss (ECL) allowance on trade receivables, net	**-**	(2,000)
Other income	**1,071**	1,135
(Loss) / profit before finance costs and zakat	**(4,039)**	19,471
Finance costs	**(1,195)**	(2,150)
(Loss) / profit before zakat	**(5,234)**	17,321
Zakat	**(160)**	(1,127)
Net (loss) / income from discontinued operations	**(5,394)**	16,194
Gain on sale of a subsidiary (refer note 23.3)	**2,909**	-
Total (loss) / income from discontinued operations	**(2,485)**	16,194
Other comprehensive (loss) / income		
Item that will not be reclassified to profit or loss:		
Re-measurement (loss) / gain on employee defined benefit liabilities	**-**	8,012
Other comprehensive income for the year	-	8,012
Total comprehensive (loss) / income for the year	**(2,485)**	24,206

23.2 Depreciation for the year on property, plant and equipment for discontinued operations has been allocated as follows;

	June 30, 2023	December 31, 2022
Cost of revenue	**6,743**	13,716
Selling and distribution expenses	**187**	64
General and administrative expenses	**338**	923
	7,268	14,703

23.3 Sale of a subsidiary

	June 30, 2023 (Unaudited)
Consideration receivable	**76,700**
Less: receivable from Bina Holding	**(21,695)**
Net consideration receivable	**55,005**
Less: Bawan Company share of net assets disposed (refer note 23.5)	**(52,096)**
Gain on sale of a subsidiary	**2,909**

23.4 Cash flows for the period ended June 30, 2023 are as follows:

	June 30, 2023 (Unaudited)	**December 31, 2022**
Net cash (used in) / generated from in operating activities	**(6,295)**	2,739
Net cash used in investing activities	**(2,133)**	(5,598)
Net cash generated from financing activities	**8,237**	1,396
Net decrease in cash and cash equivalents	**(191)**	(1,463)

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

23. DISPOSAL OF A SUBSIDIARY (Continued)

23.5 Carrying amounts of assets and liabilities as on June 30, 2023 were as follows:

	Note	Amount
Assets		
Property, plant and equipment	5	**82,124**
Right-of-use assets	6	**4,680**
Intangible assets	8	**663**
Trade and other receivables		**113,863**
Inventories		**8,605**
Spare parts		**3,182**
Contract assets	12	**56,911**
Cash and cash equivalents		**6,080**
Total assets		**276,108**
Liabilities		
Lease liabilities		**5,932**
Employee defined benefit liabilities	17	**12,453**
Short-term borrowings	16.2	**44,705**
Contract liabilities		**26,550**
Trade and other payables		**81,515**
Zakat payable	24.3	**1,776**
Dividend payable		**598**
Total liabilities		**173,529**
Net assets of subsidiary disposed		**102,579**
Less: receivable from Bina Holding		**(21,695)**
Less: non-controlling interest		**(28,788)**
Bawan Company share of net assets disposed		**52,096**

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

24. ZAKAT AND INCOME TAX

24.1 Zakat and income tax expense for the year

	Note	2023	2022
Zakat	24.3	**11,678**	18,308
Income tax	24.4	**1,129**	1,556
		12,807	19,864

Income tax is applicable on local subsidiaries wherein the shareholders are foreigners (i.e. non-Saudi nationals).

24.2 Zakat and income tax payable as at December 31, is as follows:

	Note	2023	2022
Zakat payable	24.3	**23,561**	29,234
Income tax payable	24.4	**1,462**	1,441
		25,023	30,675

24.3 Movement in zakat payable is as follows:

	Note	2023	2022
January 1		**29,234**	22,946
Current year		**11,678**	18,308
Provision related to discontinued operations		**160**	1,127
Provision for the year		**11,838**	19,435
Payments		**(15,735)**	(13,147)
Derecognised on disposal of a subsidiary	23.5	**(1,776)**	-
December 31		**23,561**	29,234

24.4 Movement in income tax payable is as follows:

	2023	2022
January 1	**1,441**	-
Provision for the year	**1,129**	1,556
Payments	**(1,108)**	(115)
December 31	**1,462**	1,441

24.5 Status of assessments

The Company and its 100% effectively owned Saudi Arabian subsidiaries submit zakat returns on a combined basis. Other Group subsidiaries submit their zakat and income tax returns independently. Zakat returns for the Company have been filed and paid for all years through to 2022 and zakat certificates have been received.

During 2021, the Company received revised assessments for the years from 2015 to 2018 claiming an additional zakat liability of SR 1.52 million and the Company objected and escalated it's objection against these assessments to The Tax Committees for Resolution of Tax Violations and Disputes. During 2022, the company escalation was accepted and the Committee ruled in favor of the Company, however, ZATCA filed an appeal against the resolution to The Appeal Committee for Tax Violations and Disputes. During 2023, ZATCA appeal was accepted by the Committee. Following this decision, the Company has filed a petition with the Appeal Committee for Zakat and Tax Violations and Disputes, requesting a reconsideration of the ruling. The case is currently under review by the Appeal Committee.

During 2023, the Company received and agreed with final settlement letter for the years 2019 and 2020 claiming SR 3.3 million out of SR 10.7 million, the company settled SR 3.3 million and the assessment was closed accordingly.

The status of the final zakat and income tax assessments of the other Group's subsidiaries is disclosed in their respective financial statements.

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

25. REVENUE

	2023	2022
Revenue	**3,351,813**	3,364,258
Timing of revenue recognition (continuing operations):		
- At a point in time	**3,351,813**	3,364,258
	3,351,813	3,364,258

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

Refer to note 21 for disclosure of the revenue earned for each reportable segment.

26. COST OF REVENUE

	Note	2023	2022
Material cost	9	**2,718,502**	2,732,546
Employees' salaries and related costs	31	**118,782**	105,397
Depreciation of property, plant and equipment	5	**52,486**	48,017
Depreciation of right-of-use assets	6	**2,476**	2,224
Manufacturing expenses		**24,693**	13,498
Utility expenses		**18,527**	16,388
Repairs and maintenance		**13,654**	10,449
Transportation		**3,240**	2,521
Rent		**4,107**	2,530
Others		**9,612**	26,581
		2,966,079	2,960,151

27. SELLING AND DISTRIBUTION EXPENSES

	Note	2023	2022
Employees' salaries and related costs	31	**38,864**	34,606
Transportation and shipping		**35,650**	31,065
Delivery and insurance		**3,889**	2,255
Sales commission		**3,276**	4,831
Repairs and maintenance		**3,185**	3,438
Advertising		**2,795**	2,309
Depreciation of property, plant and equipment	5	**2,074**	2,847
Royalties	19	**1,485**	1,479
Other		**7,823**	6,698
		99,041	89,528

28. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2023	2022
Employees' salaries and related costs	31	**73,874**	67,114
Depreciation of property, plant and equipment	5	**5,611**	5,656
Amortization of intangible assets	8	**3,015**	3,301
Insurance		**2,968**	2,674
Board and committee members' compensation		**2,160**	2,160
Communication and utilities		**1,907**	1,507
Travel		**1,809**	1,055
Repairs and maintenance		**1,645**	1,681
Short-term lease charges		**1,128**	1,091
Other		**10,800**	8,167
		104,917	94,406

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

29. OTHER INCOME

	2023	2022
Interest income on consideration receivable	**2,106**	-
Other income / expenses, net	**9,609**	335
	11,715	335

30. FINANCE COSTS

	Note	**2023**	2022
Short-term borrowings		**24,085**	17,700
Long-term borrowings		**5,325**	3,177
Employees' defined benefits liabilities	17.2	**2,861**	1,692
Accretion of finance cost under lease liabilities	6.2	**868**	741
Other		**5,764**	6,061
		38,903	29,371

Finance costs amounting to SR 2.4 million (2022: SR 1.5 million) were capitalized during the year ended December 31, 2023. 'Other' mainly represents charges relating to issuing letters of credit and guarantee.

31. EMPLOYEE SALARIES AND STAFF RELATED BENEFITS

	Note	**2023**	2022
Salaries and staff related benefits charged to:			
Cost of revenue	26	**118,782**	105,397
Selling and distribution expenses	27	**38,864**	34,606
General and administrative expenses	28	**73,874**	67,114
		231,520	207,117

These salaries and staff related benefits include the current service cost related to end of service benefits obligations amounting to SR 7.91 million (2022: SR 10.57 million). (Note 17.2)

32. EARNINGS PER SHARE

The Company presents basic and diluted earnings per shares (EPS) for its ordinary shares. Basic EPS is calculated by dividing profit for the year attributable to the ordinary equity holders of the Company separately from each of the continuing and discontinued operations by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares outstanding during the year for the effects of all dilutive potential ordinary shares. Since the Company has no such dilutive potential ordinary shares, the calculation and presentation of basic and diluted EPS of the Company will be the same.

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

	2023	2022
Profit / (loss) for the year attributable to the shareholders of the Company used in calculating basic and diluted earnings per share:		
From continuing operations	**136,192**	154,177
From discontinued operations	**(152)**	8,673
	136,040	162,850
Weighted average number of ordinary shares outstanding during the year	**60,000**	60,000
Basic and diluted earnings per share		
- From continuing operations attributable to the shareholders of the Company	**2.27**	2.57
- From discontinued operations attributable to the shareholders of the Company	**(0.00)**	0.14
Total basic and diluted earnings per share attributable to the shareholders of the Company	**2.27**	2.71

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table combines information about classes of financial instruments based on their nature and characteristics and the carrying amounts of financial instruments:

	2023	2022
Financial assets		
i) Fair value through profit or loss		
Investment in financial assets	**633**	14,206
ii) Amortized cost		
Cash and cash equivalents	**31,588**	38,401
Trade and other receivables	**537,399**	593,629
Contract assets	**-**	76,288
	568,987	708,318
	569,620	722,524
Financial liabilities at amortized cost		
Amortized cost		
Trade and other payables	**586,966**	542,086
Short-term borrowings	**289,016**	468,200
Long-term borrowings	**130,401**	126,209
Lease liabilities	**27,591**	26,201
	1,033,974	1,162,696

The financial assets measured at FVTPL at the end of the reporting period are classified as level 1 in the fair value hierarchy. There were no transfers between the levels of fair value hierarchies during the year.

The carrying values of the financial instruments classified under current assets and current liabilities in the consolidated statement of financial position approximate their fair values due to their short term nature. For the borrowings, the fair values are not materially different from their carrying amounts since interest payable on these borrowings is either close to current market rate or borrowings are of short term nature.

34. FINANCIAL RISK

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

34.1 Market risk

Market risk is the risk from changes in market prices, such as foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. There has been no change during the year to the Group's exposure to market risks or the manner in which these risks are managed and measured.

(i) Foreign currency risk

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

34. FINANCIAL RISK (Continued)

34.1 Market risk (Continued)

(ii) Interest rate risk

Interest rate risk is the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows. The Group is exposed to interest rate risk on its interest bearing assets and liabilities mainly bank overdraft, bank facilities and other borrowings. Management limits the Group's interest rate risk by monitoring changes in interest rates and believes that the cash flow and fair value interest rate risk to the Group is not significant.

The Group's receivables and payables carried at amortized cost are not subject to interest rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates. Hence, the Group is not exposed to fair value interest rate risk.

Interest rate sensitivity analysis
The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period. A 50-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher / lower and all other variables were held constant, the Group's profit for the year would have decreased or increased by SR 2.80 million (2022: SR 3.60 million).

34.2 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Potential concentrations of credit risk consist principally of trade receivables, amounts due from a related party and fair value investments. Details of how credit risk relating to trade receivables is managed are disclosed in note 11. The amounts due from a related party are monitored and provision is made, where necessary, for any irrecoverable amounts. Short-term cash investments are only placed with banks with a high credit rating. The Group does not hold any collateral to cover the credit risk associated with its financial assets.

Trade receivables
The Group measures the loss allowance for trade receivables at an amount equal to the lifetime expected credit loss ("ECL"). The collective basis ECL on trade receivables are estimated using a provision matrix by reference to historical loss rates and adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date based on the management best estimate. Accordingly, the ECL is primarily based on the historical past due information and related loss rates and no significant assumptions were incorporated in the ECL model used to calculate the collective provision. Further, based on the management assessment, the forward-looking information i.e. economic factor also does not significantly impact the ECL loss and therefore the related sensitivities are not disclosed.

The Group performs credit-vetting procedures before granting credit to new customers. These procedures are reviewed and updated on an ongoing basis. There are no customers who comprise more than 10% of the total trade receivables balance in the current and prior years.

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

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

34. FINANCIAL RISK (Continued)

34.2 Credit risk (Continued)

Trade receivables (Continued)
The Group does not hold collaterals as security. However, the Group has obtained promissory notes, post-dates cheques and letter of credits as security from certain parties to cover the credit risk.

The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several industries and the ECL assessment is performed at subsidiary level.

Refer to note 11 for the expected credit loss analysis as of December 31, 2023 and 2022.

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

The credit risk on bank balances is low considering the Group has outstanding loans balances and credit facilities with various banks, in Saudi Arabia, with good credit ratings (in the range of A+ to BBB+) as aligned from external credit rating companies such as Moody's and Fitch, so concentration risk is also low.

34.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value.

For maturity profile of the Group's financial liabilities, refer to note 34.4.

The Group's current liabilities approximate to its current assets. The management believes that this is not expected to significantly impact the Group's ability to meet its obligation as the Group manages its liquidity risk by ensuring that bank borrowing facilities from multiple banks are available throughout the year (note 16).

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

34.4 Maturity profile of financial liabilities (undiscounted basis)

	Interest Rate (%)	**Within 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
2023					
Lease liabilities	**2.5 to 4.5**	**5,025**	**18,151**	**12,742**	**35,918**
Long-term borrowings	**7.10**	**26,760**	**122,796**	**-**	**149,556**
Short-term borrowings	**6.92**	**307,682**	**-**	**-**	**307,682**
Trade and other payables	**Interest free**	**586,966**	**-**	**-**	**586,966**
		926,433	**140,947**	**12,742**	**1,080,122**
2022					
Lease liabilities	2.5 to 4.5	3,259	12,697	17,738	33,694
Long-term borrowings	6.67	45,475	98,076	-	143,551
Short-term borrowings	6.31	492,470	-	-	492,470
Trade and other payables	Interest free	542,086	-	-	542,086
		1,083,290	110,773	17,738	1,211,801

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

35. CAPITAL MANAGEMENT

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

Group's gearing ratio as of December 31, 2023, measured as total borrowings less cash and cash equivalents over total capital employed, was 29% (December 31, 2022: 37%). No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2023 and 2022.

36. SUPPLEMENTARY INFORMATION

36.1 Fire incident at one of the plastic segment factories

On February 11, 2020, one of the plastic segment factories caught fire which resulted in damage to assets having a net book value of SR 17.69 million which included net book value of property, plant and equipment and inventories amounting to SR 16.5 million and SR 1.19 million respectively. During the year 2021, management agreed a final claim settlement with the insurance company at a total amount of SR 33 million bifurcated against loss of assets and business interruption amounting to SR 23 million and 10 million respectively. This resulted in a net gain of SR 15.31 million which was booked in cost of revenue for business interruption and the remaining in other income amounting to SR 10 million and SR 5.31 million respectively in the same year. Partial payments were received in 2021 with final payment received in 2022.

36.2 Supplemental cash flow information

	2023	2022
Supplemental schedule of non-cash information		
Net assets derecognized on disposal of a subsidiary	**102,579**	-
Right-of-use asset and lease liabilities recognized	**11,441**	8,865
Loss on derecognition of right of use assets	**149**	-
'Property, plant and equipment' transferred to 'intangible assets'	**-**	681
Transfer from other liabilities to trade and other receivables	**-**	1,400
Debt arrangement cost	**-**	328

36.3 Change in liabilities arising from financing activities for the year ended December 31, 2023 can be broken down as follows:

	As at January 1, 2023	**Movement during the year**	**Cash outflows**	**Other transactions / non cash transactions**	**As at December 31, 2023**
Borrowings	**594,409**	**1,185,292**	**(1,313,102)**	**(47,182)**	**419,417**
Lease liabilities	**26,201**	**11,441**	**(4,119)**	**(5,932)**	**27,591**
Dividends to shareholders	**539**	**78,000**	**(78,000)**	**-**	**539**
Dividends to non-controlling interests	**598**	**2,850**	**(1,650)**	**(598)**	**1,200**
	621,747	**1,277,583**	**(1,396,871)**	**(53,712)**	**448,747**

(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

36. SUPPLEMENTARY INFORMATION (Continued)

36.3 Change in liabilities arising from financing activities for the year ended December 31, 2022 can be broken down as follows:

	As at January 1, 2022	Movement during the year	Cash outflows	Other transactions / non cash transactions	As at December 31, 2022
Borrowings	698,498	1,575,283	(1,682,475)	3,103	594,409
Lease liabilities	20,046	8,865	(2,710)	-	26,201
Dividends to shareholders	45,542	51,000	(96,003)	-	539
Dividends to non-controlling interests	598	3,800	(3,800)	-	598
	764,684	1,638,948	(1,784,988)	3,103	621,747

37. SUBSEQUENT EVENTS

On February 12, 2024, the Company announced that its subsidiary, Bawan Engineering would purchase additional shares in both United Transformers Electric Company and United Technology of Electric Substations & Switchgears Company for a total value of SR 20 million.

On March 3, 2024, the Board of Directors of the Company approved the distribution of dividends of SR 0.85 per share amounting to SR 51 million to the shareholders of the Company.

There were no other significant subsequent events, adjusting or non-adjusting, since December 31, 2023 that would have a material impact on the financial position or financial performance of the Group as reflected in these consolidated financial statements.

38. DIVIDENDS

On March 5, 2023, the Company announced and paid final dividends for the year ended December 31, 2022 of SR 39 million. On August 3, 2023, the Company announced and paid interim dividends of SR 39 million.

On August 8, 2022, the Company announced and paid interim dividends of SR 51 million to the shareholders of the Company.

39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Company’s Board of Directors on February 29, 2024.