THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2023

Al Kharashi & Co.
Certified Accountants and Auditors
7425 Sahab Towor-Alttakhassusi Street
Riyadh- KSA.
P.O Box. 8306, Riyadh 11482
Tel : + 966 920028229
Fax : + 966 11 477 4924
www.mazars.sa

INDEPENDENT AUDITOR'S REPORT

To the shareholders of
The Saudi Arabian Amiantit Company
(A Saudi Joint Stock Company)
Dammam, Kingdom of Saudi Arabia

Opinion
We have audited the consolidated financial statements of The Saudi Arabian Amiantit Company (a Saudi Joint Stock Company) ("the Company" or "SAAC") and its subsidiaries (collectively referred to as "the Group") which comprise the consolidated statement of financial position as at December 31,2023, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies and other explanatory information.

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

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing ("ISAs"), as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter listed below, our description on how our audit have addressed this matter is set out below:

Key audit matter	How the matter was addressed in our audit
1) Borrowings – compliance with loans' covenants The Group has loans as at December 31, 2023 amounting to SR 1,146.1 million (2022: SR 1,140.6 million) fully payable within 1 year. These loans are subject to compliance with certain loans covenants, which includes maintenance of certain financial ratios and other conditions. We considered borrowings of the Group as a key audit matter due to the requirements to comply with above mentioned covenants and the significance of the balances reflected in the consolidated statement of financial position. Refer to note 4.1.1 and 30 to the consolidated financial statements for the status of Group's borrowing with regards to compliance with covenants.	• We have performed the following procedures for assessing the Group's compliance with loans covenants: • Obtained loan agreements and understood the key terms and condition of loan including loan covenants; • Checked the accuracy of the maturity of loans as presented in these consolidated financial statements in accordance with loans terms and conditions; • Obtained and agreed borrowing confirmation to the balances appearing in the consolidated statement of financial position; • Assessed the compliance with loan covenants; • Reviewed the adequacy of the related disclosures as presented in the accompanying consolidated financial statements; and • Reviewed correspondence with the lending banks for rescheduling of loans terms and conditions.

mazars

Al Kharashi & Co.
Certified Accountants and Auditors
7425 Sahab Towor-Alttakhassusi Street
Riyadh- KSA.
P.O Box. 8306, Riyadh 11482
Tel : +966 920028229
Fax : +966 11 477 4924
www.mazars.sa

INDEPENDENT AUDITOR'S REPORT (Continued)

To the shareholders of
The Saudi Arabian Amiantit Company
(A Saudi Joint Stock Company)
Dammam, Kingdom of Saudi Arabia

Key Audit Matters (Continued)

Key audit matter	How the matter was addressed in our audit
2) Impairment review of property, plant and equipment As at December 31, 2023, the net book value of property, plant and equipment amounted to SR 539.5 million. During the year 2023, management of the group Identified that there are indications regarding impairment to property, plant and equipment and decided to appoint independent external expert for performing the impairment assessment. The management of the group recognized impairment in financial statements for the year ended 31 December, 2023. Refer to note 4.2.2 details significant accounting estimates and note 25 details disclosures on property, plant and equipment.	We performed the following procedures in respect of the impairment of property, plant and equipment: • We obtained an understanding of the Group's structure and CGUs; • We assessed management's process for the identification of impairment; We reviewed the report of the independent external expert who performed the following: • Assessed the appropriateness of the methodology used by management for the calculation of recoverable amounts; • Assessed the reasonableness of management assumptions; and • Ensured the accuracy of management calculations. • We assessed the adequacy of the Group's disclosures on impairment.

Key audit matter	How the matter was addressed in our audit
3) Revenue recognition The Group has recognized revenue of SR 719 million during the year ended December 31, 2023. The revenue earned is recognized as the following. At a point in time when control over goods is transferred to the customer generally on delivery of goods to the customers, and over a period of time when the related services are performed. Accordingly, this requires management to establish the fact that, in accordance with IFRS 15; Control over goods is transferred at the time of dispatch, and for fixed-price contracts, revenue is recognized based on the 'percentage of completion' method which measures actual costs incurred to the end of the reporting period as a proportion of the total costs to be incurred. The terms that define when control is transferred to the customer as well as high volume and value of transactions give rise to the risk that revenue is not recognized in the correct time and period. Accordingly, due to the significant risk associated with revenue recognition in accordance with terms of IFRS 15 'Revenue from contracts with customers' it was considered as a key audit matter. Refer to the important accounting policies mentioned in note No. 4-1-2 for the policy related to revenue recognition, and note No. 7 for more details related to revenue.	Our audit procedures to assess the recognition of revenue included the following: • Assessed Group's revenue recognition policy and its compliance to the requirements of the IFRS; • Assessed the design and implementation of internal controls related to revenue recognition; • Performed substantive testing of the revenue recorded during the year using sampling techniques; • Performed revenue analysis in order to establish any unusual trends; and • Performed procedures to determine if the revenue was recorded in the correct period.

Al Kharashi & Co.
Certified Accountants and Auditors
7425 Sahab Tower-Alttakhassusi Street
Riyadh- KSA.
P.O Box. 8306, Riyadh 11482
Tel : + 966 920028229
Fax : + 966 11 477 4924
www.mazars.sa

INDEPENDENT AUDITOR'S REPORT (Continued)

To the shareholders of
The Saudi Arabian Amiantit Company
(A Saudi Joint Stock Company)
Dammam, Kingdom of Saudi Arabia

Key Audit Matters (Continued)

Key audit matter	How the matter was addressed in our audit
4) Impairment review of trade receivables (ECL) and contract assets As at December 31, 2023, the Group's gross trade receivable balance was SR 840.5 million (2022: SR 859.3 million) and contract assets balance was SR 325 million (2022: SR 301 million) with an impairment loss provision of SR 309.7 million (2022: SR 308.9 million) million at the year end. The Group assesses at each reporting date whether the trade receivables (carried at amortized cost) are credit-impaired. The Group's management has applied a simplified ECL model to determine the allowance for impairment of trade receivables. The ECL model involves the use of variance assumptions, macro-economic factors and study of historical trends relating to Group trade receivables and contract assets collection experience. We considered these as key audit matters as management applies significant judgements in determining an appropriate impairment loss allowance for trade receivables and contract assets.	Our audit procedures related to impairment loss on trade receivables and contract assets included the following: • Assessed the design and implementation and tested the operative effectiveness of key controls related to Group's processes over establishing and monitoring the impairment; • Tested key assumptions including those used to calculate the likelihood of default, by comparing to historical data and challenge these assumptions. We also considered the incorporation of forward looking macro-economic factors to reflect the impact of future events on expected credit losses. We also tested the arithmetical accuracy of the model; • Assessed the adequacy of the Group's disclosures in terms of applicable accounting standards; and • Obtained a third-party lawyer's letter confirming the probability of default and capability to pay customer wise that were used to calculate impairment loss allowance in respect of trade receivables under litigation.

Material uncertainty related to going concern
We draw attention to note 4.1.1 to the financial statements, which noticed some indicators for the company going concern, as the Company has total accumulated losses of SR 207.4 Million as of 2023 (2022 losses: SR 34.6 Million) which exceeds 50% of the share capital the Company's, and current liabilities exceeded current assets by SR 621.6 Million for the year ended December 31, 2023 (2022: SR 451.9 Million) which indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information
Management is responsible for the other information. The other information comprises the information included in the Group's annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.
Our opinion on the consolidated financial statements does not cover the other information and we 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 when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
When we read the annual report, and we conclude that there is material misstatement therein, we are required to communicate the matter to those charged with governance

Al Kharashi & Co.
Certified Accountants and Auditors
7425 Sahab Towor-Alttakhassusi Street
Riyadh- KSA.
P.O Box. 8306, Riyadh 11482
Tel : + 966 920028229
Fax : + 966 11 477 4924
www.mazars.sa

INDEPENDENT AUDITOR'S REPORT (Continued)

To the shareholders of
The Saudi Arabian Amiantit Company
(A Saudi Joint Stock Company)
Dammam, Kingdom of Saudi Arabia

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

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

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

Those charged with governance (i.e. Board of directors) are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

Al Kharashi & Co.
Certified Accountants and Auditors
7425 Sahab Towor-Alttakhassusi Street
Riyadh- KSA.
P.O Box. 8306, Riyadh 11482
Tel : + 966 920028229
Fax : + 966 11 477 4924
www.mazars.sa

INDEPENDENT AUDITOR'S REPORT (Continued)

To the shareholders of
The Saudi Arabian Amiantit Company
(A Saudi Joint Stock Company)
Dammam, Kingdom of Saudi Arabia

Auditor's responsibilities for the audit of the Consolidated Financial Statements (Continued)

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year 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-Kharashi & Co.

الخراشي وشركاه
محاسبون و مراجعون قانونيون
س.ت: C.R.: 1010327044
Certified Accountants
& Auditors
AL-Kharashi Co.

Abdullah S. Al Msned
License No. (456)

Riyadh:
19 February 2024
09 Sha'ban 1445

THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 SR '000	2022 SR '000
Continuing operations:			
Revenue	7	**718,962**	508,817
Cost of revenue	8	**(630,209)**	(453,208)
Gross income		**88,753**	55,609
Selling and marketing expenses	9	**(11,643)**	(10,223)
General and administrative expenses	10	**(84,417)**	(68,601)
Impairment (loss) reversal on financial assets,net	11	**(2,745)**	12,990
Operating loss		**(10,052)**	(10,225)
Other income, net	12	**2,847**	34,518
Share in results of equity accounted investments	24	**44,229**	31,135
Finance cost	13	**(68,268)**	(41,091)
Income (loss) before zakat and foreign income tax		**(31,244)**	14,337
Zakat	14	**(133,958)**	(18,500)
Foreign income tax	14	**(5,230)**	(896)
Loss from continuing operations		**(170,432)**	(5,059)
Discontinued operations:			
Loss after zakat and income tax from discontinued operations	2	**(67)**	(4)
LOSS FOR THE YEAR		**(170,499)**	(5,063)
Attributable to:			
Shareholders of the Company		**(174,656)**	(8,781)
Non-controlling interests		**4,157**	3,718
		(170,499)	(5,063)
Loss per share:			
Loss per share for the year attributed to the shareholders of the Company:			
Basic (SR)	15	**(17.73)**	(0.89)
Diluted (SR)	15	**(17.73)**	(0.89)
Loss per share from continuing operations:			
Loss per share for the year from continuing operations attributed to the shareholders of the Company:			
Basic (SR)		**(17.72)**	(0.89)
Diluted (SR)		**(17.72)**	(0.89)
Weighted average number of shares outstanding:			
Basic ('000 shares)	15	**9,852**	9,852
Diluted ('000 shares)	15	**9,852**	9,852

Dr. Mohammed Saud Al-Bader	Feras Ghassab Al Harbi	Asgar Yusuf Sarguroh
Board Authorised Representative	Chief Executive Officer	Chief Financial Officer

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

	Note	2023 SR '000	2022 SR '000
LOSS FOR THE YEAR		**(170,499)**	(5,063)
Other comprehensive income (loss)			
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent years:			
Exchange differences on translation of foreign operations		**1,887**	(24,062)
Other comprehensive (loss) income-hedging reserve from equity accounted investments	24	**(2,373)**	46,031
		(486)	21,969
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent years:			
Remeasurement income (loss) on employees' termination benefits provision	33	**2,701**	(1,645)
Other comprehensive income (loss)-actuarial from equity accounted investments	24	**(827)**	1,891
		1,874	246
OTHER COMPREHENSIVE INCOME		**1,388**	22,215
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		**(169,111)**	17,152
Attributable to:			
Shareholders of the Company		**(173,292)**	13,442
Non-controlling interests		**4,181**	3,710
		(169,111)	17,152

Dr. Mohammed Saud Al-Bader	Feras Ghassab Al Harbi	Asgar Yusuf Sarguroh
Board Authorised Representative	Chief Executive Officer	Chief Financial Officer

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

THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	Note	December 31, 2023 SR '000	December 31, 2022 SR '000
ASSETS			
Current assets			
Cash and cash equivalents	20	**33,139**	41,741
Trade receivables,net	21	**530,837**	550,490
Contract assets	7	**325,151**	301,073
Prepayments and other receivables	22	**93,791**	73,891
Inventories - net	23	**283,465**	276,389
Total current assets		**1,266,383**	1,243,584
Non-current assets			
Equity accounted investments	24	**483,033**	451,120
Property, plant and equipment,net	25	**539,524**	563,757
Rights-of-use assets,net	26	**4,600**	5,581
Investment properties	27	**10,700**	10,580
Intangible assets,net	28	**5,162**	6,685
Deferred tax assets	29	**488**	756
Total non-current assets		**1,043,507**	1,038,479
TOTAL ASSETS		**2,309,890**	2,282,063
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	30	**1,146,070**	1,140,610
Accounts payable	31	**184,275**	174,628
Accrued expenses and other liabilities	32	**132,438**	87,731
Contract liabilities	7	**103,919**	90,656
Current portion of lease liability	26	**862**	927
Zakat and foreign taxes payable	14	**320,432**	200,899
Total current liabilities		**1,887,996**	1,695,451
Non-current liabilities			
Employees' termination benefits provision	33	**62,785**	64,435
Warranty provisions	34	**1,308**	2,744
Provision for onerous contracts	35	**158,001**	152,515
Non-current portion of lease liability	26	**4,168**	5,731
Other non-current liabilities		**644**	644
Total non-current liabilities		**226,906**	226,069
Total liabilities		**2,114,902**	1,921,520
Equity			
Share capital	37	**99,000**	99,000
Revaluation reserve	25	**376,570**	373,014
Accumulated losses		**(207,399)**	(34,559)
Employee share option plan and reserve	38	**(644)**	(644)
Hedging reserve	24	**46,088**	48,461
Foreign currency translation reserve		**(145,838)**	(147,759)
Equity attributable to the shareholders of the Company		167,777	337,513
Non-controlling interests		**27,211**	23,030
Total equity		**194,988**	360,543
TOTAL LIABILITIES AND EQUITY		**2,309,890**	2,282,063

Dr. Mohammed Saud Al-Bader	Feras Ghassab Al Harbi	Asgar Yusuf Sarguroh
Board Authorised Representative	Chief Executive Officer	Chief Financial Officer

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

THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

		Attributable to the shareholders of the Company								
	Note	*Share capital* SR '000	*Revaluation reserve* SR '000	*Accumulated losses* SR '000	*Employee share ownership plan and reserve* SR '000	*Hedging reserve* SR '000	*Foreign currency translation reserve* SR '000	*Total* SR '000	*Non-controlling interests* SR '000	*Total equity* SR '000
For the year ended December 31, 2023:										
As at January 1, 2023		99,000	373,014	(34,559)	(644)	48,461	(147,759)	337,513	23,030	360,543
Loss for the year		-	-	**(174,656)**	-	-	-	**(174,656)**	**4,157**	**(170,499)**
Hedging reserve movement	24	-	-	-	-	**(2,373)**	-	**(2,373)**	-	**(2,373)**
Other comprehensive income (loss)		-	-	**1,816**	-	-	**1,921**	**3,737**	**24**	**3,761**
Total comprehensive income (loss)		-	-	**(172,840)**	-	**(2,373)**	**1,921**	**(173,292)**	**4,181**	**(169,111)**
Revaluation reserve movement		-	**3,556**	-	-	-	-	**3,556**	-	**3,556**
AS AT DECEMBER 31, 2023		**99,000**	**376,570**	**(207,399)**	**(644)**	**46,088**	**(145,838)**	**167,777**	**27,211**	**194,988**
For the year ended December 31, 2022:										
As at January 1, 2022		320,000	375,780	(247,024)	(2,083)	2,430	(123,705)	325,398	19,320	344,718
Loss for the year		-	-	(8,781)	-	-	-	(8,781)	3,718	(5,063)
Hedging reserve movement	24	-	-	-	-	46,031	-	46,031	-	46,031
Other comprehensive income		-	-	246	-	-	(24,054)	(23,808)	(8)	(23,816)
Total comprehensive income (loss)		-	-	(8,535)	-	46,031	(24,054)	13,442	3,710	17,152
Capital reduction	37	(221,000)	-	221,000	-	-	-	-	-	-
Revaluation reserve movement			(2,766)	-	-	-	-	(2,766)	-	(2,766)
Employee share ownership plan movement	38		-	-	1,439	-	-	1,439	-	1,439
AS AT DECEMBER 31, 2022		99,000	373,014	(34,559)	(644)	48,461	(147,759)	337,513	23,030	360,543

Dr. Mohammed Saud Al-Bader
Board Authorised Representative

Feras Ghassab Al Harbi
Chief Executive Officer

Asgar Yusuf Sarguroh
Chief Financial Officer

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

THE SAUDI ARABIAN AMIANTIT COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	***2023***	*2022*
		SR '000	*SR '000*
OPERATING ACTIVITIES			
Loss for the year		**(170,499)**	(5,063)
Adjustments for non-cash items:			
Depreciation, amortization and impairment	17	**32,266**	(10,866)
Share in results of equity accounted investments	24	**(44,229)**	(31,135)
Zakat and foreign income tax charges	14	**139,188**	19,396
Employees' termination benefits provision incurred	33	**5,750**	3,974
Impairment loss on financial assets	11	**2,745**	(12,990)
Allowance for obsolete and slow-moving inventories	8,23	**-**	(260)
Warranty (reversal) provision	34	**(1,436)**	(454)
Finance costs incurred	13	**68,268**	41,091
Gain on disposal of equity accounted investments	12,24	**(1,350)**	-
Gain from sale of land	12,25	**-**	(138)
Gain on sale of investment property	12,27	**-**	(13,894)
Gain on revaluation of investment property	12,27	**(120)**	(3,290)
Goodwill write off	12,28	**1,600**	-
Property, plant, & equipment write-off	12,25	**411**	-
		32,594	(13,629)
Changes in working capital:			
Trade receivables and contract assets	7,21	**(1,635)**	37,121
Prepayments and other receivables	22	**(19,158)**	21,221
Inventories	23	**(6,581)**	(34,654)
Accounts payable	31	**8,629**	(58,401)
Accrued expenses, other liabilities and contract liabilities	7,32	**55,779**	22,634
		69,628	(25,708)
Zakat and foreign income tax paid	14	**(19,655)**	(13,884)
Employees' termination benefits provision paid	33	**(7,742)**	(2,176)
Net cash (used) generated from operating activities		**42,231**	(41,768)
INVESTING ACTIVITIES			
Cash proceeds from sale of land	25	**-**	5,775
Cash proceeds from sale of investment property	27	**-**	15,225
Sale proceeds from disposal of equity accounted investments	24	**1,350**	-
Dividends received from equity accounted investments	24	**12,763**	16,181
Purchase of property, plant and equipment	25	**(3,664)**	(2,913)
Addition of rights-of-use assets	26	**-**	(778)
Net change in other non-current assets		**(258)**	66
Net cash generated from investing activities		**10,191**	33,556
FINANCING ACTIVITIES			
Net change in borrowings	30	**5,282**	14,977
Net change in employee share ownership plan and reserve	38	**-**	1,439
Finance costs paid	13	**(68,268)**	(41,091)
Lease liability paid	26	**(1,628)**	409
Net change in other non-current liabilities		**3,043**	(232)
Net cash used in financing activities		**(61,571)**	(24,498)
Net change in cash and cash equivalents		**(9,149)**	(32,710)
Cash and cash equivalents at the beginning of the year		**41,741**	75,136
Foreign currency translation effect on cash and cash equivalents		**547**	(685)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**33,139**	41,741
Non-cash transactions:			
Remeasurement loss on defined benefit plan	33	**2,701**	(1,645)
Share in OCI-actuarial of equity accounted investments	24	**(827)**	1,891
Share in OCI-hedging reserve of equity accounted investments	24	**(2,373)**	46,031
Share capital reduction	37	**-**	(221,000)
Asset revaluation	25	**3,556**	(2,766)

Dr. Mohammed Saud Al-Bader	Feras Ghassab Al Harbi	Asgar Yusuf Sarguroh
Board Authorised Representative	Chief Executive Officer	Chief Financial Officer

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

1. CORPORATE INFORMATION

The Saudi Arabian Amiantit Company ("the Company" or "SAAC") and its subsidiaries (collectively referred to as "the Group") consist of the Company and its various Saudi Arabian and foreign subsidiaries. The Group is principally engaged in manufacturing and selling various types of pipes and related products, licensing of related technologies, and water management services including related consultancy, engineering and operations.

The Company is a joint stock company registered in the Kingdom of Saudi Arabia under Commercial Registration number 2050002103 issued in Dammam on 17 Rabi' I 1388 H (13 June 1968 G). The registered address of the Company is P.O. Box 589, First Industrial Area, Dammam 31421, Kingdom of Saudi Arabia. The Company's shares are publicly traded on the Saudi Stock Exchange ("Tadawul").

Following is the list of significant operating subsidiaries of the Group:

			Effective ownership percentage as at	
Subsidiary	***Principal activity***	***Country of incorporation***	***December 31, 2023***	*December 31, 2022*
			%	*%*
Amiantit Fiberglass Industries Limited ("AFIL")	A	Saudi Arabia	**100**	100
Saudi Arabian Ductile Iron Pipes Company Limited ("SADIP")	A	Saudi Arabia	**100**	100
International Infrastructure Management and Operations Company Limited ("AMIWATER")	B	Saudi Arabia	**100**	100
Infrastructure Engineering Contracting Company ("ISECC")	C	Saudi Arabia	**100**	100
Amiantit Rubber Industries Limited ("ARIL")	A	Saudi Arabia	**100**	100
Factory of Bondstrand Limited ("BSL")	A	Saudi Arabia	**60**	60
Saudi Amicon Company Limited	A	Saudi Arabia	**100**	99.93
PWT Saudi Arabia Limited ("PWT KSA")	C	Saudi Arabia	**100**	100
Discontinued operation (note 2.2)				
Ameron Saudi Arabia Limited ("ASAL")	A	Saudi Arabia	**100**	100
Joint venture incorporated in the Kingdom of Saudi Arabia				
International Water Distribution Company ("Tawzea")	B,C,D	Saudi Arabia	**50**	50
Subsidiary incorporated outside Kingdom of Saudi Arabia				
PWT Wasser - und Abwassertechnik GmbH ("PWT")	C	Germany	**100**	100
Amitech Astana LLC	A	Kazakhstan	**51**	51
Joint venture incorporated outside Kingdom of Saudi Arabia				
Amiblu Holding GmbH ("Amiblu")	A	Austria	**50**	50

A- Pipe manufacturing
B- Water management
C- Contracting
D-Electrical and mechanical installations

The countries of incorporation for these subsidiaries and joint ventures are also their principal places of business.

2. CHANGES IN THE REPORTING ENTITY

2.1 Flowtite Engineering GmbH Liquidation

During the year ended December 31, 2023, Flowtite Engineering GmbH, a 100% owned subsidiary of the Company in Germany was formally liquidated. The management had realized an amount of SR 0.15 million as gain on liquidation of subsidiary on the consolidated statement of profit or loss (note 12). The gain were recorded net of realized foreign currency translation reserve on liquidation of SR 0.42 million. Details is as follows:

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Carrying amount of investment in Flowtite Engineering GmbH	**(272)**	-
Realized foreign currency translation reserve on liquidation	**424**	-
Gain recorded in the statement of profit or loss (note 12)	**152**	-

2.2 Discontinued Operation

On February 20, 2019 (corresponding to 15 Jumada II 1440H), management resolved to discontinue Ameron Saudi Arabia Limited ("ASAL") operation and transfer its assets, liabilities and operations to SAAC at book value, from the date of obtaining approval from the regulatory authority. The legal formalities in this regard are in progress.

On December 31, 2023, the operation of the subsidiary was presented as discontinued operation. The business of the discontinued operation represented part of the Group's Saudi Arabian operating segment (geographical segment) until December 31, 2023.

2.2.1 The result of the subsidiary for the year is presented below:

	Ameron Saudi Arabia Limited	
	2023	*2022*
	SR '000	*SR '000*
Expenses	**(67)**	(4)
Loss before zakat	**(67)**	(4)
Zakat	**-**	-
Loss for the year from discontinued operation	**(67)**	(4)
Loss per share from discontinued operation:		
Basic (SR)	**(0.01)**	-
Diluted (SR)	**(0.01)**	-

2.2.2 The major classes of assets and liabilities of the subsidiary as at December 31, were as follows:

	Ameron Saudi Arabia Limited	
	2023	*2022*
Assets:	***SR '000***	*SR '000*
Trade receivables (Ameron Saudi Arabia Limited includes receivable from SAAC SR 22.8 million/(2022: SR 23.8 million))	**22,759**	23,823
	22,759	23,823
Liabilities:		
Accrued expenses and other liabilities	**66**	1,062
Zakat and income tax payable	**8,349**	8,349
	8,415	9,411
Carrying amount of net assets directly related to the discontinued operation	**14,344**	14,412

2.2.3 The net cash flows resulted from the operations of the subsidiary for the year ended December 31, are as follows:

	Ameron Saudi Arabia Limited	
	2023	*2022*
Cash flows:	***SR '000***	*SR '000*
Operating	**-**	-
Net cash outflow	**-**	-

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

These consolidated financial statements of the Group for the year ended December 31, 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted in the Kingdom of Saudi Arabia and other standards and pronouncements adopted by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

These consolidated financial statements have been prepared on a historical cost basis, except for employees' termination benefits provision which are recognized at the present value of future obligations using the Projected Unit Credit Method ("PUCM"), land under property,plant, and equipment which are initially recognized at cost and the fair value model is used for measurement after recognition (post-measurement) and investment property which are initially recognized at cost and the fair value model is used for measurement after recognition (post-measurement). These consolidated financial statements are presented in Saudi Riyals which is also the functional currency of the Company and all values are rounded to the nearest thousand (SR '000), except when otherwise indicated.

3.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (collectively referred to as the Group) as of December 31, 2023. Control over the invested business is achieved when it has the right to obtain different returns as a result of its participation in the investee company, and it has the ability to influence these returns by exercising its influence over the investee company. In particular, the Group controls the investee if, and only if, the Group has:

- Leverage over the investee company (for example: it has the right that gives it the power to control the activities of the investee company).
- Exposure to risks and the right to obtain variable returns as a result of its participation in the investee company.
- The ability to use its influence over the investee company to affect its returns.

In general, there is an assumption that the majority of voting rights will lead to control. To support this assumption and when the Group has a lower level than the majority of voting rights or similar rights in the investee company, the Group takes into account all relevant facts and circumstances when assessing whether the Group has control over the investee company, and these facts and circumstances include the following:

- Contractual agreements with voting rights holders of the investee company.
- Rights resulting from other contractual agreements.
- The Group's right to vote and potential voting rights.
- Any additional facts or circumstances that indicate that the Group has or does not have the current ability to control activities related to decision-making, including voting on cases in previous shareholder meetings.

The Group performs a reassessment to ascertain whether or not it exercises control over the investee company, when facts and circumstances indicate that there is a change in one or more elements of control. Consolidation of a subsidiary begins when the Group has control of the subsidiary and ceases when the Group relinquishes exercising such control.

The assets, liabilities, income and expenses of the subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date control is transferred to the Group and until the Group relinquishes exercising such control.

Income and each component of comprehensive income which relates to the equity holders of the parent company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When it is necessary, the financial statements of subsidiaries are amended so that their accounting policies are prepared in line with the Group's accounting policies.

All intercompany balances in the Group such as assets, liabilities, equity, income, expenses and cash flows resulting from operations between the Group companies are completely eliminated upon consolidation of the financial statements.

Any change in ownership interests in the subsidiary, without loss of control, is treated as an equity transaction. In the event that the Group loses control over the subsidiary, it will cease to recognize the related assets and liabilities, non-controlling equity and other elements of equity, and the resulting gains or losses are recognized in the consolidated statement of profit or loss. The investment

3.2 BASIS OF CONSOLIDATION (CONTINUED)

In the event that the Group loses control over the subsidiaries:

i. The assets (including goodwill) and liabilities associated with the subsidiary are excluded.
ii. Exclusion of the present value of any rights not controlled.
iii. Exclusion of cumulative balance differences recorded in equity.
iv. Recognition of the fair value of the assets received.
v. Recognition of the fair value of any remaining investments.
vi. Recognition of any surplus or deficit in profits or losses.

Reclassification of the parent company's share in subsidiaries previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as it becomes a requirement if the Group directly disposes of assets and liabilities.

Associates

Associates are companies over which the Group exercises significant influence and not joint control or control. In general, this occurs when the Group owns a share of 20% to 50% of the voting rights in the associate. The investment in associates is accounted for according to the equity method after initial recognition of cost of investment.

Equity Method

Based on the equity method, investments are recognized primarily at cost and subsequently adjusted to reflect the Group's share of profits or losses after the acquisition as profits and losses resulting from the investment in the investee company. The Group's contribution to comprehensive income after the acquisition is also recognized in the statement of comprehensive income. If after reducing the contribution to the investee company to zero, liabilities are recognized only if there is an obligation to support the investee's operating operations or any payments made on behalf of the investee company. Distributions received or receivables from associates and joint ventures are booked to reduce the net value of the investments.

The goodwill related to an associate or joint venture is included in the carrying amount of the investment and is not independently tested for impairment.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in the comprehensive income of the investee companies is shown as part of the Group's comprehensive income. In addition, in the event that any change is recognized directly within the equity of the associate or the joint venture, the Group shall recognize its share in any changes, when applicable, in the consolidated statement of changes in owners' equity as unrealized profits and losses resulting from the transactions between the Group and the associate and joint venture to the extent of the Group's interest in the associate or joint venture. The financial statements of subsidiaries and joint ventures are prepared for the same financial year as the Group.

When necessary, the accounting policies of subsidiaries and joint ventures are presented to be consistent with the Group's policies. After applying the equity method, the Group checks whether it is necessary to prove any impairment loss in the value of its investment in its associate or joint venture. On the date of preparing each financial statement, the Group ensures that there is objective evidence of a decrease in the value of the investment in any associate or joint venture. When such evidence exists, the Group calculates the amount of the decrease as the difference between the recoverable amount of the associate or joint venture and its carrying value, and the loss is recognized as "share in the loss of an associate and a joint venture" in the statement of consolidated profit or loss.

Upon loss of significant influence over the associate or joint control of a joint venture, the Group measures and recognizes the investment to be held at fair value. The difference between the carrying value of the associate or joint venture upon loss of significant influence or joint control and the fair value of the investment retained (and any proceeds of disposal) will be recognized in the statement of consolidated profit or loss.

Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position and separately from shareholders' equity. Losses applicable to the minority in excess of the minority interest are allocated against the interest of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. A change in the Group's interest in a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

3.2 BASIS OF CONSOLIDATION (CONTINUED)

Business combinations and goodwill

Accounting for business combinations is done using the acquisition method. The cost of an acquisition is measured by the total consideration value transferred, which is measured at the fair value at the acquisition date and the amount of non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree at fair value or at the proportionate share of the identifiable net assets of the acquiree. Acquisition costs incurred are expensed and included in administrative expenses. In the event that the combination is achieved in stages, the retained part of the acquired company is calculated at fair value, the difference is recorded in the profit and loss account.

When the Group acquires a business, the financial assets and liabilities that have been undertaken are estimated for the appropriate classification and allocation according to the contractual terms, economic conditions and conditions prevailing at the date of the acquisition. This includes the separation of derivatives included in other financial instruments in the main contracts by the acquiring company.

Any future contingent liability by the buyer will be added to the fair value at the date of acquisition. All contingent liabilities (except for those classified as equity) are measured at fair value and changes in fair value are accounted for in profit and loss. Contingent liabilities classified as equity are not reassessed or settled, and any subsequent payments are accounted for on an equity basis.

Originally, goodwill is measured at cost (being the difference between the total consideration transferred and the amount of non-controlling interests recognized and any interests held, less the net identifiable assets acquired and liabilities assumed). In the event that the fair value of the net assets acquired exceeds the total consideration transferred, the Group reassesses to ensure that it has correctly identified all the assets acquired and all liabilities that have been transferred, and reviews the procedures used to measure the amounts to be recognized on the date of acquisition. If this reassessment still results in an increase in the fair value of net assets acquired over the total consideration transferred, then the profits are recognized in the statement of consolidated profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of testing for impairment, goodwill acquired in the combination from the date of the acquisition is allocated on the basis of the Group's cash-generating unit that is expected to benefit from the business combination regardless of other assets or liabilities. The acquiring company of these units considers, the "cash generating unit" is the smallest Group of assets that generate cash inflows from continuous use and are largely independent of the cash flows from other assets or Groups. The cash-generating unit is consistently identified from period to period for the same assets or types of assets, unless a change is justified.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Below are the significant accounting policies applied by the Group in preparing its consolidated financial statements:

3.3.1 REVENUE

The Group is in the business of manufacturing and selling various types of pipes and related products, licensing of related technologies, and water management services including related consultancy, engineering and operations. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group recognizes revenue according to IFRS 15, using the following five-steps model:

Step 1: Identify the contract with the customer	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met
Step 2: Identify the performance obligations	A performance obligation is a contract with a customer to transfer a good or service to the customer
Step 3: Determine the transaction price	The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties
Step 4: Allocate the transaction price	For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation
Step 5: Revenue recognition	The Group recognizes revenue (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Revenue recognition from project services contracts

The Group recognizes revenue for its project services, which encompass a suite of tasks such as design, engineering, procurement, construction, testing, commissioning, upgrading, and rehabilitation of assets. The Group applies the input method to measure progress towards the completion of the performance obligation.

Under the input method, the Group assesses the progress towards the completion of a contract by considering the efforts or inputs expended to date, such as resources consumed, labor hours worked, or costs incurred, relative to the total expected inputs to the satisfaction of the performance obligation. This method provides a faithful depiction of the Group's performance by capturing the transfer of control of goods or services to the customer.

For project services contracts that are complex and consist of interrelated tasks necessary to create a combined output, the input method is operationalized through tracking the units produced. The Group recognizes revenue in proportion to the work completed, which is determined by assessing the units of output produced against the total units promised under the contract. During the initial stages of a contract, if the outcome cannot be reliably estimated, revenue is recognized to the extent of the costs incurred that are deemed recoverable, with these costs being expensed in the period they are incurred.

Revenue recognition for Operations and Maintenance (O&M)

For its O&M services, which include operating, repairing, restoring, and maintaining essential infrastructure, revenue is recognized using the input method by applying direct measures of the value provided to the customer through the services rendered to date, in comparison to the total services promised under the contract. This typically involves assessing the efforts or resources employed against the agreed Contract Bill of Quantity (BoQ).

The Group primarily engages in fixed price and unit price contracts for O&M services, and revenue is recognized based on the actual service provided, which is measured against the overall extent of services delineated in the contract. In its capacity as the principal in these transactions, the Group retains control over the services before they are transferred to the customer, ensuring that the revenue is recognized in a manner consistent with the transfer of control.

Variable considerations

The Group estimates the variable consideration such as the returns, allowances, trade discounts and volume rebates as the most likely amount based on available market information. The Group includes in the transaction price some or all of the amount of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Rights of return

The Group does not provide customers with the right to return products within a specified period. Returns are recorded upon review and acceptance by the management for any defect or deviation from the specific order of the customer.

Warranty obligations

The Group typically provides warranties for general repair of defects that are customary with business practices provided to customers. These assurance type warranties do not represent a separate performance obligation and are accounted for under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Refer to accounting policy note "Warranty provisions".

Significant Payment Terms

Payment terms vary by the type of customer and the products or services offered. Significant payment terms include payment due dates and letter of credits. The Group assess whether a contract has a significant financing component if the timing of payments agreed upon by the parties to the contract provides the customer or the company with a significant benefit of financing the transfer of goods or services.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Rendering of services

Revenue from providing services is recognised over a period of time as the related services are performed. For fixed-price contracts, revenue is recognised based on the 'percentage of completion' method which measures actual costs incurred to the end of the reporting period as a proportion of the total costs to be incurred. Estimates of revenues, costs or extent of progress towards completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Allocation of the Transaction Price to Performance Obligations

The Group enters into contracts with customers that often include multiple performance obligations. In accordance with IFRS 15, the transaction price is allocated to each performance obligation based on the relative standalone selling prices of the goods or services promised.

Methods
The standalone selling prices are determined using the following methods:
•For goods or services with observable standalone sales, the Company uses the prices charged in separate transactions.
The inputs used to determine the standalone selling prices include:
•Market conditions and historical data,
•Entity-specific factors such as costs and profit margins,
•Customer demographics and geographical location, and
•Pricing practices and discounting strategies.
Assumptions
The allocation of the transaction price is based on assumptions that:
•The Group's pricing practices and history provide a reasonable basis for estimating the standalone selling prices,
•The costs and margins are consistent with the nature of the industry and internal budgets and forecasts, and
•Any discounts or variable considerations are allocated proportionally to all performance obligations unless evidence suggests that the discount is attributable to a specific performance obligation.

Remaining performance obligations

The Group has elected to apply the practical expedient in accordance with IFRS 15.122, which permits the Group not to disclose information about remaining performance obligations that have an original expected duration of one year or less.
This practical expedient has been applied to sale of goods and services . As a result, the Group has not provided the transaction price allocated to the remaining performance obligations for these contracts in the reporting period.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Cost to obtain a contract

The Group incurs incremental costs to obtain contracts with customers, primarily consisting of sales agent fees. These costs are recognized as an asset if they are expected to be recovered through the revenue generated by the contracts. The Group evaluate these costs and recognize the asset , which is amortize on a systematic basis over the benefit period of the associated contracts. The amortization of these costs is included in cost of revenue in the consolidated statement of profit or loss.

Any costs that are not incremental or not expected to be recovered are expensed as incurred. The Group's policy is to expense sales agent fees when the amortization period would be one year or less, as these costs are considered to be fulfilled within a short period of time. These costs is included in selling and marketing expenses in the consolidated statement of profit or loss. Disclosures on cost to obtain a contract that are not incremental or not expected to be recovered are made in note 9.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3.2 RECOGNITION OF EXPENSES

All expenses incurred in running the business and maintaining property and equipment in a state of operational efficiency have been charged to the consolidated statement of profit or loss. The allocation between cost of revenue, general and administrative expenses, selling and marketing expenses, is made on a consistent basis. Expenses incurred for the purpose of acquiring, extending or improving assets of a permanent nature through which to continue in business or for the purpose of increasing the ability to earn business are treated as capital expenditures.

3.3.3 DIVIDENDS DISTRIBUTION FROM INVESTMENTS

Dividends are recorded in the consolidated financial statements when announced and approved in the general assembly by the shareholders of the investee company.

3.3.4 LEASE CONTRACTS

Rental income under operating leases is recognized in the consolidated statement of profit or loss on a straight-line basis over the term of the lease.

3.3.5 RELATED PARTY TRANSACTIONS

The disclosure is made in relation to the commercial transactions between the parties who were identified as related parties according to the International Accounting Standard No. (24) - disclosure of the related party as approved by the Saudi Organization for Certified Public Accountants.

3.3.6 SUBSEQUENT EVENT AFTER THE STATEMENT OF FINANCIAL REPORTING DATE

All significant events that occur after the date of the consolidated statement of financial position, and where appropriate, amendments or disclosures made in the relevant notes to the consolidated financial statements are considered.

3.3.7 ZAKAT AND TAX

Zakat

The Company and its Saudi Arabian subsidiaries provide provision for zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). The provision is charged to the consolidated statement of profit or loss. Differences that may arise at the finalization of an assessment are accounted for when the assessment is finalized with ZATCA.

Current foreign income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date, in the countries where the Group operates and generates taxable income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3.7 ZAKAT AND TAX (continued)

Current foreign income tax (continued)

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

Deferred tax

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period, or recognised in profit or loss.

Sales and Value Added Tax

Revenues, expenses and assets are recognised net of the amount of sales and value added tax, except:

- Where the sales or value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3.7 ZAKAT AND INCOME TAX (continued)

Sales and Value Added Tax (continued)

- Receivables and payables are stated with the amount of sales and value added tax included

The net amount of sales or 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.

3.3.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

3.3.9 FINANCIAL INSTRUMENTS

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

Initial recognition and measurement

- The Group determines the classification of its financial assets upon initial recognition. The classification depends on the nature of the Group's business to manage the financial assets and the contractual terms of the cash flows.

Classification

Financial assets are classified into the following measurement categories:
A- Those that are subsequently measured at fair value (either through consolidated comprehensive income, or through consolidated profit or loss).
B- Those measured at amortization cost.
For assets measured at fair value, gains and losses are recorded in the consolidated statement of profit or loss or consolidated statement of comprehensive income. In relation to equity investments, this depends on whether the Group has chosen the method for the initial recognition of the equity investments at fair value through consolidated total comprehensive income.

Measurement

On initial recognition, the Group measures the financial assets at fair value, including if the financial asset is not recognised at fair value through profit or loss, costs incurred directly attributable to the acquisition. The costs of purchasing financial assets are recorded in the consolidated statement of profit or loss at fair value and are recognized as an expense if incurred.

Debt instrument

The subsequent measurement of debt instruments depends on the nature of the Group's use of the assets and the cash flows resulting from the use of that asset. The Group classifies debt instruments at amortized value based on the following:
A- The asset is kept within the business activity in order to obtain contractual cash flows,
B - The contractual terms clarify specific dates for cash flows, which are principal and interest payments calculated on the amount outstanding.

Amortized cost is calculated after taking into account any discount or premium on purchase and fees or costs that are an integral part of the effective interest rate. Employee and shareholder loans to joint venture companies are stated at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3.9 FINANCIAL INSTRUMENTS (continued)

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to cash flows expire or upon transfer of the financial asset and the risks and benefits associated with its ownership to another party. If the Group does not transfer or retain all of the risks and rewards of owning the asset and continues to control the transferred asset, the Group recognizes its retained interest in the related assets and liabilities for the amounts that it may have to pay. If the Group retains all risks and rewards of the excluded asset, then the Group continues to recognize the financial asset and also recognizes the guaranteed borrowing of the returns received.

Impairment in value of financial assets

The Group applies the expected credit loss model (ECL) to measure and prove the loss of impairment in the value of financial assets and exposure to credit risk for debt instruments and it is measured at amortized cost such as loans, deposits and receivables.

Expected credit losses are a weighted estimate of the probability of credit losses (that is, the present value of all cash deficits) divided by the expected life of the financial asset. cash shortages are the difference between the cash flows due according to the contract and the cash flows that the Group expects to receive. expected credit losses take into account the amount and timing of payments and consequently credit losses arise even if the Group expects to receive the payment in full but later than the due date specified in the contract. The ECL method requires an assessment of the credit risk, default and timing of collection since the initial recognition. This requires that an expected credit loss allowance is recognized in the consolidated statement of profit or loss as well as for newly created or acquired receivables.

The decline in the value of financial assets is measured by either 12-month expected credit losses or expected credit losses over the life of the asset, depending on whether there has been a significant increase in credit risk since the creation of the asset. 12-month ECL represents expected credit losses arising from default events that may be possible within 12 months after the end of the financial year. Life expectancy of credit losses represent any expected credit losses that would arise from all possible events of delinquency over the expected life of the financial asset.

Accounts receivables are short-term and usually due in less than 12 months. Therefore, the credit loss allowance is calculated in a manner that does not differ from the 12-month period, which is the expected life of the receivables. The Group uses the practical method in IFRS 9 (“Financial Instruments”) to measure expected credit losses for receivables using a provision matrix based on the ages of receivables.

The Group uses past and historical experiences and loss rates based on the basis of the past 36 months, where historical loss rates are adjusted to reflect information on current conditions and future expectations of future economic conditions. The loss rates differ based on the age of the receivables and are usually higher the older the receivables.

Income recognition

Interest income

For all financial instruments that are measured at amortized cost and interest-bearing financial assets, interest income is recognized using the effective interest rate, which is the rate that discounts estimated future cash receipts over the expected life of the financial instrument or a shorter period, to the net book value of the financial asset.

When the value of loans and receivables decreases, the Group reduces the carrying amount to the recoverable value, which is the estimated future cash flows discounted at the original interest rate of the instrument and books the discount as interest income. Interest income is recognized on financial assets that are impaired in value using the original interest rate.

Dividends distribution

Dividends received from financial instruments are recognized in the consolidated statement of profit or loss only when the right to receive the payments is established, and also when it is probable that future economic benefits associated with the dividend will flow, and can be measured accurately.

Financial Liabilities

Non-derivative financial liabilities

All financial liabilities are recognized initially on The trade date at which The Group becomes a party to The contractual provisions of The instrument. financial assets and liabilities are offset and The net amount is included in The consolidated balance sheet when and only when there is a legal right for The Group to set off The amounts realized and when The Group has The intention to settle The assets with liabilities on a net basis or sell The assets and pay The liabilities simultaneously.

Non-derivative financial liabilities include term loans, payables and other payables. These financial liabilities are initially recognized at fair value plus any transaction costs directly attributable to them. Subsequent to initial recognition, These financial liabilities are measured at amortized cost using The prevailing (effective) interest rate method. The Group derecognises a financial liability when The obligation specified in The contract is performed, cancelled or expires.

Derecognition of financial liabilities

The derecognition of a financial liability when the obligation specified in the contract is fulfilled, cancelled or expired, and when an existing financial liability is replaced by another liability from the same lender under substantially different terms, or the terms of the existing financial liability have been modified substantially. This replacement or amendment is treated as a cancellation of the original liability and recognition of the new liability. The differences in the relevant book value are included in the statement of consolidated profit or loss.

Offsetting the financial assets and liabilities

Financial assets and liabilities are offset and the net amount is included in the consolidated statement of financial position when and only when there is a legal right for the Group to set off the amounts realized and when the Group has the intention to settle the assets with liabilities on a net basis or sell the assets and pay the liabilities simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3.10 INVENTORIES

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

Raw materials:

- Purchase cost on a weighted average basis.

Finished goods and work in progress:

- Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

3.3.11 EQUITY ACCOUNTED INVESTMENTS

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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

The considerations taken in determining whether significant influence or joint control exists, are similar to those necessary to determine control over subsidiaries.

The Group’s investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group’s share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the Group’s share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group’s OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it is liable due to constructive or legal obligations on behalf of the other entity.

Unrealised gains and losses resulting from transactions between the Group and the associate and joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group’s share of profit or loss of an associate is shown on the face of the consolidated statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

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

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment. The Group determines at each reporting date whether there is any objective evidence that the investments in the associates or joint ventures are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the loss as part of ‘share of results of equity accounted investments' in the consolidated statement of profit or loss.

Upon loss of significant influence, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the investment upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognised in the consolidated statement of profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3.12 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Repairs and maintenance costs are recognised in the consolidated statement of profit or loss as incurred.

Buildings are measured at cost, less accumulated depreciation on buildings, and any accumulated impairment losses.

Land are initially recognized at cost and the fair value model is used for measurement after recognition (post-measurement).

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

- Buildings and land improvements - 3 to 35 years
- Plant, machinery and equipment - 4 to 25 years
- Furniture, fixtures and office equipment - 3 to 8 years

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

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

The Capital Market Authority issued the decision of the Board of Commissioners on 15 Muharram 1438H (16 October 2016) to require listed companies to apply the cost model when measuring the property and equipment, investment properties and intangible assets when adopting IFRS for a period of 3 years begin from the date of adoption of the International Financial Reporting Standards as of December 31, 2019. The fiscal periods for the year beginning on January 1, 2022, were extended and continue to require compliance with the requirements for disclosure of IFRS adopted in the Kingdom of Saudi Arabia, which require disclosure of fair value.

Reference to the Capital Market Authority (CMA) Board of Commissioners resolution dated 15/01/1438H corresponding to 16/10/2016G, which obligated listed companies to apply the cost model to measure the property, plant, equipment, investment property, and intangible assets upon adopting the International Financial Reporting Standards (IFRS) for three years period starting from the IFRS adopting date, while continuing to abide by the disclosure requirements of the IFRS that are endorsed in Saudi Arabia, which require or encourage the disclosure of the fair value within the notes to the financial statements. The resolution indicated that CMA will analyze the feasibility of continuing to apply the cost model upon completing the aforementioned period, or the feasibility of allowing the application of the fair value or the revaluation model.

Based on the CMA’s role in regulating and monitoring the works and activities of parties subject to the monitoring and supervision of the CMA, and its role in regulating and monitoring the full disclosures of information regarding financial securities and their issuers, CMA announces the Board of Commissioners resolution, which includes allowing listed companies to use the fair value model or the revaluation model to measure property, and investment property in the financial statements prepared for financial periods within fiscal years starting during the calendar year 2022 or thereafter.

As at 30 June 2022, the Company has changed its accounting policy to fair value model to measure investment properties and revaluation model to measure lands while continuing to apply the cost model to measure other items of property, plant and equipment and intangible assets. Management appointed at least two independent valuers licensed by the Saudi Authority for Accredited Valuers ("TAQEEM") to evaluate each of the lands and investment property when preparing the unaudited interim condensed consolidated financial statements for the second quarter of 2022, provided that the re-evaluation takes place on an annual basis, in line with the requirments of the Capital Market Authority and when using the fair value model and the revtaluation model for the first time and has chosen the lower of the two valuations. The change from cost model to fair value or revaluation model in recording investment properties and lands is considered a change in accounting policy. Hence, prior period adjustments on accumulated losses of SR 0.96 million were made on 1 January 2021 and a revaluation reserve of SR 375.78 million recorded as at that date (notes 25 and 27).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3.13 CAPITAL WORK IN PROGRESS

The cost of capital work in progress consists of the contract value, the costs directly attributable to the development and equipping of the project assets to the site and condition to enable them to be operated for the purpose for which they were acquired. The costs of capital work in progress are transferred to categories of tangible assets and non-current intangible assets when they reach operating condition and are available for use. The carrying value of capital work in progress is reviewed to see if there is a decline in its value when events or changes in circumstances indicate that the carrying value may not be recoverable. In the event that such indication exists and when the book value exceeds the estimated recoverable value, the asset value is reduced to the recoverable value.

3.3.14 BORROWING COSTS

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

3.3.15 BUSINESS COMBINATIONS AND GOODWILL

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed, and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of profit or loss as a bargain purchase gain.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3.16 INVESTMENT PROPERTIES

Investment properties are initially measured at cost. The fair value is determined based on the annual evaluation by two independent valuers licensed by the Saudi Authority for Accredited Valuers ("TAQEEM") according to the instructions of the Capital Market Authority by applying the recommended evaluation method by the Standards Committee of the International Valuation Standards Board.

Investments in real estate held for leasing incomes or for increase in their capital value, or both, as opposed to either being sold in the ordinary course of business or for use in production or for administrative purpose are not used to generate sales revenue through normal business operations. Investments in real estate are initially recognized at cost and the fair value model is used for measurement after recognition (post-measurement).

Real estate investments are derecognised in case of sale or disposal or transferred to development real estate. Any gain or loss resulting from de-recognition of the property is immediately recognized in the statement of consolidated profit or loss.

Profits or losses from the sale or transfer of investment properties that represent the difference between the net sale proceeds and the book value are included in the statement of profit or loss in the period in which the sale / disposal takes place, except for those related to sale and lease back arrangements.

The Capital Market Authority issued the decision of the Board of Commissioners on 15 Muharram 1438H (16 October 2016) to require listed companies to apply the cost model when measuring the property and equipment, investment properties and intangible assets when adopting IFRS for a period of 3 years begin from the date of adoption of the International Financial Reporting Standards as of December 31, 2019. The fiscal periods for the year beginning on January 1, 2022, were extended and continue to require compliance with the requirements for disclosure of IFRS adopted in the Kingdom of Saudi Arabia, which require disclosure of fair value.

Reference to the Capital Market Authority (CMA) Board of Commissioners resolution dated 15/01/1438H corresponding to 16/10/2016G, which obligated listed companies to apply the cost model to measure the property, plant, equipment, investment property, and intangible assets upon adopting the International Financial Reporting Standards (IFRS) for three years period starting from the IFRS adopting date, while continuing to abide by the disclosure requirements of the IFRS that are endorsed in Saudi Arabia, which require or encourage the disclosure of the fair value within the notes to the financial statements. The resolution indicated that CMA will analyze the feasibility of continuing to apply the cost model upon completing the aforementioned period, or the feasibility of allowing the application of the fair value or the revaluation model.

Based on the CMA's role in regulating and monitoring the works and activities of parties subject to the monitoring and supervision of the CMA, and its role in regulating and monitoring the full disclosures of information regarding financial securities and their issuers, CMA announces the Board of Commissioners resolution, which includes allowing listed companies to use the fair value model or the revaluation model to measure property, and investment property in the financial statements prepared for financial periods within fiscal years starting during the calendar year 2022 or thereafter.

As at 30 June 2022, the Company has changed its accounting policy to fair value model to measure investment properties and revaluation model to measure lands while continuing to apply the cost model to measure other items of property, plant and equipment and intangible assets. Management appointed at least two independent valuers licensed by the Saudi Authority for Accredited Valuers ("TAQEEM") to evaluate each of the lands and investment property when preparing the unaudited interim condensed consolidated financial statements for the second quarter of 2022, provided that the re-evaluation takes place on an annual basis, in line with the requirments of the Capital Market Authority and when using the fair value model and the revtaluation model for the first time and has chosen the lower of the two valuations. The change from cost model to fair value or revaluation model in recording investment properties and lands is considered a change in accounting policy. Hence, prior period adjustments on accumulated losses of SR 0.96 million were made on 1 January 2021 and a revaluation reserve of SR 375.78 million recorded as at that date (notes 25 and 27).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3.17 INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets are not capitalised and expenditure is recognised in the consolidated statement of profit or loss when it is incurred.

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

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is any indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category consistent with the function of the intangible assets.

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

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

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefits. Amortisation is recorded in cost of revenue. During the period of development, the asset is tested for impairment annually.

3.3.18 DECREASE IN THE VALUE OF NON-FINANCIAL ASSETS

- The Group evaluates the carrying value of the non-financial assets, excluding inventories, at each consolidated financial position date, to assess if there is any indication of impairment in their value. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets with no specified useful lives are tested annually to see if there is impairment in their value. An impairment loss is recognized if the carrying amount of the asset or cash-generating unit exceeds its recoverable amount.

A non-current asset is considered to be impaired if its book value is higher than its recoverable value. in determining an impairment loss, The Group compares The carrying amount of The Non-current asset with The estimated undiscounted cash flow of The asset in use. in The event that The carrying value exceeds The undiscounted estimated cash flow of The asset in use, The Group estimates The present value of The estimated future cash flows of The asset. an excess of The carrying amount over The present value of The estimated future cash flows is considered an impairment loss.

An impairment loss is recognized immediately in the consolidated statement of profit or loss. If the impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable value, so that it does not exceed the carrying amount that would have been determined had no impairment loss been recognized in the asset's value in previous years. The reversal of an impairment loss is recognized immediately in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3.19 PROVISIONS

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

If the effect of the time value of money is material, provisions are determined by discounting expected future cash flows using a current pre-tax rate that reflects, when appropriate, current market assessments of time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Asset restoration	Restoration costs are provided at the present value of expected costs to settle the obligation using the estimated cashflow which are recognized as part of the cost of the particular asset. The cashflows are discounted at a current pre-tax rate that reflects the risks specific to the restoration liability. The unwinding of the discount is expensed as incurred and recognised in the consolidated statement of income as a finance cost. The estimated future cost of restoration is reviewed annually and adjusted as appropriate
Onerous contracts	A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on incremental costs necessary to fulfil the obligation under the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.
Restructuring	A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

3.3.20 CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is unlikely to occur. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

3.3.21 EMPLOYEES DEFINED BENEFITS LIABILITIES

Provision for employee benefit liabilities is provided for the period of their service as at the date of the consolidated statement of financial position The provision for employee benefit liabilities is monitored according to the expected unit method in accordance with International Accounting Standard No. (19) Employee benefits, taking into account the Saudi Labor Law. The provision is recognized based on the present value of the defined benefit obligation.

The present value of defined benefit obligations is calculated using assumptions of average annual rate of salary increase, average years of employment of employees and an appropriate discount rate. The probabilities used are calculated on a consistent basis for each year and reflect management's best estimates. The discount rate is based on the best available estimates of market returns currently available at the reporting date.

Changes in accounting policies due to the revision of IAS 19
The amendments require the recognition of changes in the liabilities for defined benefits and fair value and the recognition of all accounting profits and losses directly through the consolidated statement of comprehensive income in order to reflect the net asset or liability of the company as recognized in the statement of consolidated financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3.22 STATUTORY RESERVE

If required, the Company may transfer 10% of its profit for the year to a statutory reserve. The reserve is not available for distribution as dividends.

3.3.23 CURRENT VERSUS NON-CURRENT CLASSIFICATION

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

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

All other assets are classified as non-current.
A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

3.3.24 FAIR VALUE MEASUREMENT

The Group measures financial instruments, such as financial derivatives, at fair value at each reporting date.

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

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

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

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

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

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

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

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

The Group’s Management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

At each reporting date, the Management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group’s accounting policies. For this analysis, the Management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Management also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3.25 CONVERTING TRANSACTIONS IN FOREIGN CURRENCIES

Transactions in foreign currencies during the year are converted into Saudi Riyals according to the exchange rates prevailing at the time of the transactions. At the date of each consolidated financial position, the balances of assets and liabilities of a monetary nature recorded in foreign currencies are converted into Saudi Riyals according to the exchange rates prevailing on that date. Gains and losses arising from transfers and settlements are included in the consolidated statement of profit or loss. On the date of preparing the consolidated balance sheet, the assets and liabilities of the foreign subsidiaries are translated into Saudi Riyals, according to the exchange rates prevailing on that date. The equity components are translated into the transfer prices prevailing at the date of origin of each component. The income and expenses of foreign companies are translated into Saudi Riyals on the basis of the weighted average transfer prices during the year. As for the accumulated translation adjustments of foreign currencies resulting from that, if any, they are included as a separate item in equity in the consolidated statement of financial position. When a portion of an investment in these associates is disposed of, these cumulative adjustments are included in the consolidated statement of profit or loss as part of the profit or loss on disposal.

3.3.26 SEGMENTAL REPORTING

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

3.3.27 DISCONTINUED OPERATIONS

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

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

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A Disposal Group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or It is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of profit or loss. All other notes to the consolidated financial statements include amounts for continuing operations, unless otherwise mentioned.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3.28 LEASE CONTRACTS

Group as lessee

Upon initiation of a contract, the company assesses whether the contract contains lease arrangements. With regard to such lease arrangements, the company recognizes the right to use assets and lease liabilities, with the exception of short-term leases and low-value asset contracts as follows:

A) Right of use assets:

The Group recognizes the right to use the assets on the date of commencement of the lease contract (the date the underlying asset becomes available for use). Right-to-use assets are measured at cost, less any accumulated impairment losses and aggregate depreciation, and adjusted for any re-evaluation of the lease liability. Right-to-use cost of assets includes the amount of the lease liability recognized, initial direct costs incurred, and lease payments made on or before the commencement date minus any lease incentives received. Unless the Group is reasonably certain that ownership of the leased asset will be acquired at the end of the lease term. The right to use the assets recognized on a straight-line basis is amortized over the estimated useful life or the lease term, whichever is shorter. The right to use asset is subject to impairment reviews.

B) Lease liabilities:

On the date of the commencement of the lease contract, the Group recognizes the lease liability measured at the present value of the lease payments to be made over the term of the lease. Rent payments comprise fixed payments (including embedded fixed payments) minus rental incentives receivable, variable rental payments that are index or rate based and amounts expected to be paid under residual value guarantees. The lease payments may also include the purchase option exercise price that is reasonably certain to be exercised by the Group and the termination penalty payment, if the lease agreement reflects that the Group exercises the termination option. Variable lease payments that do not depend on an index or rates are recognized as an expense in the period in which the event or condition that fulfils the payment requirement occurs.

In computing the present value of lease payments, the Group uses the borrowing rate at the lease commencement date if the rate of return implicit in the lease is not easily determined. After the lease commencement date, the amount of the lease liability is increased to reflect the accumulation of financial expenses and the reduction of the lease payments made.

The book value of the lease liability is re-measured if there is an amendment or change in the lease term, a change in the fixed rental payments, or a change in the valuation of the contracted asset purchase.

C) Short-term leases:

The Group applies the exemption granted on short-term leases to such leases (that is, those leases whose lease term is 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as an expense on a straight-line basis over the term of the lease.

D) Significant judgements in determining the lease term for contracts that include renewal options:

The Group defines the lease term as the irrevocable term of the lease, together with any periods covered by the option to extend the lease if that right can reasonably be exercised, or any periods covered by the option to terminate the lease, if it is reasonably certain that the Group will not exercise this right.

Group as a lessor

When the Group is a lessor, it determines, at the commencement of the lease, whether the lease is a finance lease or operating lease.

To classify each lease, the Group performs an overall assessment of whether the lease substantially transfers all risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, otherwise it is an operating lease. As part of this assessment, the Group considers specific indicators such as whether or not the lease term is for the majority of the economic life of the underlying asset.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as income on a straight- line basis over the lease term in the consolidated statement of profit or loss.

3.3.29 TREASURY SHARES

Own equity instruments that are reacquired (treasury shares), for discharging obligations under Employee Equity Participation Programmes (“EEPP”), are recognised at cost and presented as a deduction from equity and are adjusted for any transaction costs, dividends and gains or losses on sale of such shares. No gain or loss is recognised in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 New Standards, amendments to Standards and Interpretations

The below-mentioned IFRSs are not expected to have a significant impact on the financial statements of the group.

A. New and revised standards with no material effect on the financial statements

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023. The application of these revised IFRSs did not have any material impact on the amounts reported for current and prior periods.

I Accounting Policy (Amendment to IAS 28), effective date 1 January 2023;
- The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies

II Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12), effective date 1 January 2023;
- These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences

B. New and revised standards 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.

I Leases on sale and leaseback (Amendment to IFRS 16), effective date 1 January 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.

II Non-current liabilities with covenants and Classification of Liabilities as Current or Non-current Amendments (Amendment to IAS 1), effective date 1 January 2024;
- These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

III Supplier finance arrangements (Amendment to IAS 7 and IFRS 7), effective date 1 January 2024;
IV Lack of exchangeability (Amendment to IAS 27), effective date 1 January 2024;

Following are the new IFRS sustainability disclosure standards effective for annual periods beginning on or after 1 January 2024 subject to endorsement of the standards by SOCPA

I General requirements for disclosure of sustainability-related financial information(IFRS S1), effective date 1 January 2024;
- This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity’s value chain.

II Climate-related disclosures (IFRS S2), effective date 1 January 2024;
- This is the first thematic standard issued that sets out requirements for entities to disclose information about climate related risks and opportunities.

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

- Capital management — Note 6
- Financial instruments risk management and policies — Note 19
- Sensitivity analysis disclosures — Notes 19 and 33

4.1 Judgments

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

4.1.1 Going concern basis of accounting

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of its bank facilities and trade payables as disclosed in notes 30 and 31.

As at December 31, 2023, the group had accumulated losses of SR 207.4 million (2022: SR 34.6 million). The group had incurred a loss attributable to shareholders amounting to SR 174.7 million for the year ended December 31, 2023 (2022: SR 8.8 million) and as at that date, the group's current liabilities exceeded current assets by SR 621.6 million (2022: SR 451.9 million).In addition, the Group has failed to fulfill financial covenants related to bank facilities as described in Note 30.

The accumulated losses are mainly attributable to the additional provision made for zakat as the final decision was made by the authorities was much higher than the recorded amounts and also the adverse results of the water sector . Management has formulated various performance improvements for the entities under its control and the management of the equity-accounted investments have also take actions to enhance their profitability. The measures are taken by the Group improving the efficiencies in the plants having the production units. The following are the improvements 1. Improvement Human Resources and recruiting 2. Reduction of redundant personnel 3. Outsourcing of human resources 4. Automation of the production, thus improving the efficiencies and reducing the rejections 5. Improving the efficiencies in raw material thus reducing the wastages. Another factor which attributed the losses was the higher raw material prices, which have started cooling down that will result in increase in the volumes of production and sales through better bargaining power with the suppliers .

Also on marketing and further development, management is extending the network by consulting engineers and experts, collaboration with technologically equipped associates to develop municipal business. Green initiatives by several governments in the business areas will also give edged to some of group’s entities thus increasing the profitability of the losing segment.

During 2022, the Group has reduced capital from SR 320 million to SR 99 million in order to absorb the accumulated losses.
During the year, the Group has taken the board approval for rights issues amounting SR 346.5 million, and it has been approved as well by the Capital Market Authority on January 24, 2024 (notes 37 and 42). Once approved by the shareholders, it will inject the additional amount of SR 346.5 million which will increase the working capital of the company, which in return enhance the capacity utilization of the business units which will result in the profitability. It will also assist in settling some of the bank loans which will result in reducing financial charges in the coming future.

The Group has also signed a settlement agreement with one of the local creditor banks "Alinma Bank" on December 31, 2023. According to this agreement, the Group will transfer the ownership of its entire shares in the International Infrastructure Management and Operation Co. Ltd. ("Amiwater") which is 100% owned by the Group, to an investment fund managed by the financial company affiliated by this bank. In return, the bank releases the Group from all its obligations towards the bank amounting to 572.7 million Saudi riyals. Accordingly, this agreement is considered as a full settlement of all the financial obligations due to this bank by Saudi Arabian Amiantit Co., noting that this debt represents approximately 50% of the total obligations owed by the Group to the bank.

On November 11, 2023, the Group has receive the approval from the Zakat, Tax and Customs Authority ("Authority") on the installment plan for the amounts of Zakat due from the Group to the authority and the installment plan included the amounts due for Zakat for the years from 2015 to 2020 with a total amount of SR 277.75 million. The installment plan is based on the assignment of a claim with a government entity amounting SR 29.19 million and the remaining amount in semi-annual installments starting in the second quarter of 2024 for a period of 4 years.

Management acknowledges that uncertainty remains over the Group’s ability to meet its funding requirements and to refinance or repay its credit facilities as they fall due. However, as described above, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group’s ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

4.1.2 Revenue recognition

In recognizing revenue from the customers, the Group makes judgement in respect of nature and timings of the satisfaction of performance obligations, including significant payment terms and related revenue recognition policies. This results in decision on whether revenue is to be recognized over time or at a point in time.

4.2 Estimates and assumptions

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

4.2.1 Uncertain zakat and tax positions

The Group's current zakat and tax payable of SR 320.4 million relates to management's assessment of the amount of zakat and tax payable on open zakat and tax positions where the liabilities remain to be agreed with relevant tax authorities. Uncertain zakat and tax items for which a provision of SR 139.2 million is made relate principally to the interpretation of zakat and tax legislation applicable to arrangements entered into by the Group. Due to the uncertainty associated with such zakat and tax items, it is possible that, on conclusion of open zakat and tax matters at a future date, the final outcome may differ significantly.

The Company has filed an appeal with GSTC against a zakat and income tax demand of SR 231.9 million for the finalization of assessments for the years 2015 to 2018 and another appeal against a zakat and income tax demand of SR 23.8 million for the year 2019 to 2020 from ZATCA. The Company received the final decisions on pending cases leading to the recording of an additional zakat expense totaling SR 115 million in our financial records. This expense was recognized to adequately align the provision for the years 2014 through 2020. Furthermore, in 2023, the company received an installment plan from ZATCA, involving the assignment of a claim with a government entity amounting to SR 29.185 million, with the remaining amount to be paid in semi-annual installments starting in the second quarter of 2024 over a four-year period. (refer to note 14)

4.2.2 Impairment of property, plant and equipment

In accordance with IAS 36 Impairment of Assets, the Company conducts annual impairment tests on its cash generating units (CGUs). The impairment tests are based on a 5-year cash flow projections from detailed budgets and estimates approved by management. The valuation reports have been aligned with the detailed projections, and any significant assumptions and judgments have been disclosed and discussed with the auditors to ensure that they are reasonable and supportable.

As at December 31, 2023, management appointed an independent consultant to review the impairment model of the company's cash-generating-units for Amiantit Firberglass Ltd. Co. (AFIL). Accordingly, the recoverable amount has been determined based on a value-in-use calculation. The pre-tax discount rate applied to cash flow projections is ranging from 14.0% to 15.0% , and the cash flows beyond 2023 are extrapolated using a management estimate of growth rate. Management also estimated that as at December 31, 2023, there were no additional impairment indicators nor there were indicators of reversal in previously recorded impairment. Disclosures on the impairment of property, plant and equipment are made in note 25.

As at December 31, 2023, management appointed an independent consultant to review the impairment model of the company's cash-generating-units for Saudi Araban Ductile Pipe Ltd. (SADIP). Accordingly, the recoverable amount has been determined based on a value-in-use calculation. The pre-tax discount rate applied to cash flow projections is ranging from 14.0% to 15.0% , and the cash flows beyond 2023 are extrapolated using a management estimate of growth rate. Management also estimated that as at December 31, 2023, there were no additional impairment indicators nor there were indicators of reversal in previously recorded impairment. Disclosures on the impairment of property, plant and equipment are made in note 25.

As at December 31, 2023, management appointed an independent consultant to review the impairment model of company's cash-generating-units for Factory of Bondstrand Limited ("BSL"). Accordingly, the recoverable amount of SR nil as at 31 December 2023 has been determined based on a value in use calculation using cash flow projections from a budget approved by the board covering 2024. The pre-tax discount rate applied to cash flow projections is ranging from 14.0% to 15.0% , and the cash flows beyond 2024 are extrapolated using a management estimate of growth rate. It was concluded that the fair value less costs of disposal cannot be measured reliably. As a result of this analysis, management has recognised an impairment charge of SR 0.4 million against property, plant and equipment with a carrying amount of SR 1.04 million as at 31 December 2023. The impairment charge is recorded within cost of sales in the consolidated statement of profit or loss. Disclosures on the impairment of property, plant and equipment are made in note 25.

4.2.3 Impairment of equity accounted investments

The determination of whether impairment indicators exist for equity accounted investments as at the reporting date and the estimation of the recoverable amount for these investments involve significant management judgement.

4.2.4 Estimated cost to complete

The Group uses the percentage-of-completion method ("POC") in accounting for its fixed-price contracts to perform contracting work. Use of POC requires the Group to estimate the total costs to complete a contract.

4.2.5 Allowance for expected credit losses of trade receivables, contract assets, and trade receivables under legal collection

The Group uses a provision matrix to calculate Expected Credit Losses "ECLs" for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates and modified with forward-looking information.

The assessment of Loss Given Default ("LGD") and the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 21.

4.2.6 Employees defined benefits liabilities

The Group's net obligation in respect of employees defined benefit programs is calculated by estimating the value of future benefits that employees received in exchange for their service in the current and prior periods. These obligations are discounted to determine their present value and the fair value of any assets is discounted.

The present value of the obligation is determined based on the actuarial valuation at the consolidated statement of financial position date by an independent expert using the unit projected credit method which recognizes each service period as leading to an additional unit of employee benefits and measures. The liability is measured at the present value of the estimated future cash flows. The discount rates used to determine the present value of the obligation under the defined benefit plan are determined by reference to the yield on US bonds (since the Riyal is pegged to the US dollar), adjusted for any additional risks.

4.2.7 Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension or termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment. During the current financial year, there was no material financial effect of revising lease terms to reflect the effect of exercising extension or termination options.

4.2.8 Useful life for property and equipment

The Group's management determines the estimated useful lives of property and equipment for the purpose of calculating depreciation. These estimates are determined after considering the expected usage of the assets or the depreciation to which these assets are exposed. The management reviews the residual value and the useful lives annually, and the annual depreciation expenses are adjusted when the management believes that the useful lives differ from previous estimates.

4.2.9 Allowance for obsolete and slow-moving inventories

The Group creates an allowance for obsolete and slow-moving inventories. These estimates take into consideration fluctuations of the net realisable value directly relating to events occurring subsequent to the consolidated statement of financial position date to the extent that such events confirm conditions existing at the end of the year.

4.2.10 Impairment in value of tangible and intangible assets

The Group's management makes an assessment to ascertain whether there are indications of an impairment in tangible and intangible assets.

5. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable segments, as follows:

(i) Manufacturing and selling various types of pipes and development and licensing of related technologies; and

(ii) Water management and related consultancy, engineering and operations.

Selected financial information as at December 31, 2023 and 2022 and for the year then ended, summarized by the above business segments, are as follows:

	Pipe manufacturing and technology	*Water management*	*Eliminations*	*Total*
As at and for the year ended December 31, 2023:	***SR '000***	***SR '000***	***SR '000***	***SR '000***
Sales to external customers	**659,008**	**59,954**	**-**	**718,962**
Inter-segment	**20,581**	**54**	**(20,635)**	**-**
Total revenue	**679,589**	**60,008**	**(20,635)**	**718,962**
Share in results of equity accounted investments	**35,623**	**8,606**	**-**	**44,229**
Finance costs	**(65,385)**	**(2,883)**	**-**	**(68,268)**
Depreciation, amortization and impairment	**(31,678)**	**(588)**	**-**	**(32,266)**
Zakat and income tax	**(138,734)**	**(454)**	**-**	**(139,188)**
Net profit (loss)	**(141,494)**	**(29,005)**	**-**	**(170,499)**
Equity accounted investments	**347,365**	**135,668**	**-**	**483,033**
Total assets	**1,701,935**	**607,955**	**-**	**2,309,890**
Total liabilities	**(1,881,034)**	**(233,868)**	**-**	**(2,114,902)**
Capital expenditures	**(3,526)**	**(138)**	**-**	**(3,664)**
As at and for the year ended December 31, 2022:				
Sales to external customers	468,493	40,324		508,817
Inter-segment	23,525	53	(23,578)	-
Total revenue	492,018	40,377	(23,578)	508,817
Share in results of equity accounted investments	20,269	10,866	-	31,135
Finance costs	(38,542)	(2,549)	-	(41,091)
Depreciation, amortization and impairment	11,630	(764)	-	10,866
Zakat and income tax	(19,254)	(142)	-	(19,396)
Net loss	16,494	(21,557)	-	(5,063)
Equity accounted investments	310,853	140,267	-	451,120
Total assets	1,697,325	584,738	-	2,282,063
Total liabilities	(1,687,949)	(233,571)	-	(1,921,520)
Capital expenditures	(2,839)	(74)	-	(2,913)

5. SEGMENT INFORMATION (continued)

The Group's operations are conducted in Saudi Arabia, Europe and other geographical areas. Selected financial information as at December 31, 2023 and 2022 and for the years then ended, summarized by geographic area, are as follows:

	Saudi Arabia	*Europe*	*Other Countries*	*Eliminations*	*Total*
	SR '000	*SR '000*	*SR '000*	*SR '000*	*SR '000*
As at and for the year ended December 31, 2023:					
Revenue	**606,636**	**53,907**	**79,054**	**(20,635)**	**718,962**
Non-current assets:					
- Property, plant and equipment	**523,287**	**1,208**	**15,029**	**-**	**539,524**
- Other non-current assets	**164,563**	**293,088**	**46,332**	**-**	**503,983**
As at and for the year ended December 31, 2022:					
Revenue	470,153	40,377	21,865	(23,578)	508,817
Non-current assets:					
- Property, plant and equipment	546,980	2,010	14,767	-	563,757
- Other non-current assets	171,160	258,954	44,608	-	474,722

6. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, change their share capital or adjust the level of their borrowings.

The Group monitors capital using a gearing ratio, which is "net debt" divided by total capital plus net debt **.** The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits, excluding discontinued operations.

	December 31, 2022	*December 31, 2021*
	SR '000	*SR '000*
Interest-bearing loans and borrowings (Note 30)	**1,146,070**	1,140,610
Lease liabilities (Note 26)	**5,030**	6,658
Trade payables (Note 31)	**184,275**	174,628
Accrued expenses and other liabilities (Note 32)	**132,438**	87,731
Less: cash and short-term deposits (Note 20)	**(33,139)**	(41,741)
Net debt	**1,434,674**	1,367,886
Equity	**194,988**	360,543
Total Capital	**194,988**	360,543
Capital and net debt	**1,629,662**	1,728,429
Gearing ratio	**88%**	79%

The Group's target is to keep the gearing ratio below 200%. In order to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings and change agreed upon rates. The details of breaches of the financial covenants of interest-bearing loans and borrowing in the current year are disclosed in note 30.

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2023 and 2022. The processes to monitor capital and to ensure compliance with capital management policies are overseen by the Board of Directors.

7. REVENUE

7.1 DISAGGREGATED REVENUE INFORMATION

Segments	2023	2022
	SR '000	SR '000
(A) Type of goods or service		
Sale of goods	**612,470**	430,327
Construction contracts	**106,492**	78,490
Total revenue	**718,962**	508,817
(B) Type of customer		
Government and quasi-government customers	**16,816**	24,928
Corporate customers	**702,146**	483,889
Total revenue	**718,962**	508,817
(C) Geographical markets		
Central region	**161,760**	77,319
Western region	**24,061**	15,301
Eastern region	**375,477**	269,723
European region	**42,101**	34,965
Exports and other foreign subsidiaries	**115,563**	111,509
Total revenue	**718,962**	508,817

7.2 CONTRACT BALANCES

	2023	2022
	SR '000	SR '000
Trade receivables	**530,837**	550,490
Contract assets (note (a) below)	**325,151**	301,073
Contract liabilities (note (b) below)	**103,919**	90,656

a) Contract assets:

Contract assets are initially recognised for revenue earned from construction contracts as receipt of consideration is conditional on successful completion of specific milestones. Upon completion of a milestone and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

The contract asset gross of impairment balance increased by SR 21.5 million (2022: SR 33.5 million decreased) during the period, from SR 306.8 million at the beginning of the period to SR 328.3 million at the end of the period. Significant changes to the contract asset balances are explained as follows:

- Additional contract assets recognized in the period of SR 97.6 million (2022: SR 70.9 million) due to progress in satisfying performance obligations.
- Transfers from contract assets to receivables in the amount of SR 86.5 million (SR 85.4 million) upon the satisfaction of performance obligations.
- Effects of foreign currency exchange rates from foreign operations have been reflected during the period with an increase of SR 10.4 million (2022: SR 19.0 million decrease).

As at December 31, 2023, the contract assets are carried net of an impairment loss of SR 3.1 million (2022 : SR 5.8 million). PWT Germany (A 100% owned subsidiary of the Company) recorded a write down of contract assets for SR nil (2022: SR nil).

These movements reflect the company's activities and progress in fulfilling its obligations under contracts with customers. The changes in balances are consistent with the Group's expectations based on the timing and nature of the contracts and do not represent any unexpected risks or uncertainties in the revenue recognition practices.

Movement in contract assets is as follows:	2023	2022
	SR '000	SR '000
Opening balance	**306,830**	340,361
Revenue recognized during the year	**97,583**	70,885
Invoiced during the year	**(86,534)**	(85,372)
Write down of contract assets during the year	**-**	-
Currency translation adjustments	**10,408**	(19,044)
	328,287	306,830
Impairment loss on financial asset (note 42.2)	**(3,136)**	(5,757)
Closing balance	**325,151**	301,073

b) Contract liabilities:

Contract liabilities include long-term advances against construction contracts and short-term advances received to install pipes as well as transaction price allocated to unsatisfied performance obligations.

Revenue recognised from amounts included in contract liabilities at the beginning of 2023 amounted to SR 5.4 million (2022: SR 11.6 million).

Movement in contract liabilities is as follows:	2023	2022
	SR '000	SR '000
Opening balance	**90,656**	99,240
Revenue recognized during the year	**(5,401)**	(11,631)
Invoiced during the year	**5,625**	13,798
Advances from customers during the year	**11,517**	(7,707)
Currency translation adjustments	**1,522**	(3,044)
Closing balance	**103,919**	90,656

7.3 PERFORMANCE OBLIGATIONS

a) Sale of goods:
The performance obligation is satisfied upon delivery of the goods and payment is generally due in advance or within 90 days from delivery.

b) Construction contracts:
Revenue is recognised over time based on the input method to measure progress towards the completion of the performance obligation. The related costs are recognised in the statement of profit or loss when they are incurred. Payment terms comprise a long-term advance, progress payments and payment of retentions one or two years after completion of the project. The duration of each project depends on the size and complexity of customer design and normally span for more than one year.

The Group's performance obligation is satisfied over time and the Group does not create an asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date.

8. COST OF REVENUE

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Material consumed	**324,700**	254,890
Employee costs (note 18)	**155,444**	139,897
Consumables spare parts	**26,007**	15,904
Depreciation and amortization	**24,937**	18,754
Transportation cost and rental machine	**36,739**	18,976
Electricity, gas, and water	**18,285**	15,990
Repairs and maintenance	**4,340**	3,406
Professional fee	**4,651**	1,781
Rental Space	**1,350**	1,337
Impairment (reversal) on impairment of property, plant and equipment (note 25)	**402**	(36,624)
Allowance for obsolete and slow-moving inventories (note 23)	**-**	(260)
Know-how fees (note 42.1)	**7,384**	4,070
Warranty (reversal) provision	**(1,436)**	(454)
Others	**27,406**	15,541
	630,209	453,208

9. SELLING AND MARKETING EXPENSES

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Employee costs	**7,341**	7,701
Depreciation and amortization	**1,156**	1,020
Travel	**572**	344
Marketing and sales commission	**1,836**	703
Others	**738**	455
	11,643	10,223

10. GENERAL AND ADMINISRATIVE EXPENSES

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Employee costs	**35,166**	29,033
Professional services	**17,771**	13,147
Information technology and communications	**8,959**	7,653
Depreciation and amortization	**5,771**	5,984
Electricity, gas, and water	**4,553**	3,017
Repairs and maintenance	**3,148**	2,394
Travel	**3,612**	1,482
Others	**5,437**	5,891
	84,417	68,601

11. IMPAIRMENT (LOSS) REVERSAL ON FINANCIAL ASSETS,NET

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Impairment (loss) reversal on financial assets (notes 7.2.a, and 21)	**(2,745)**	12,990
	(2,745)	12,990

12. OTHER INCOME (EXPENSES), NET

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Gain from sale of land (note 25)	**-**	138
Gain on sale of investment property (note 27)	**-**	13,894
Gain on revaluation of investment property (note 27)	**120**	3,290
Dividend income from affilited entity recognized at cost	**-**	1,258
Reversal of provision on unconfirmed bank balance	**-**	5,124
Reversal of provision on agency fee	**-**	3,529
Custom duty clearing on goods-in-transit	**-**	2,669
Gain on sale of equity accounted investment, net (note 24A)	**1,350**	-
Gain on supplier discount settlement	**-**	738
Unclaimed excess payment received	**262**	6,000
Foreign exchange differences	**690**	(2,202)
Goodwill write off	**(1,600)**	-
Loss on property plant and equipment write off	**(411)**	-
Customer claim provision	**(1,881)**	-
Reversal of legal provision against subsidiary shareholder	**844**	-
Refund from Human ResoursesDevelobment Fund	**3,163**	-
Gain on liquidation of subsidiary (note 2.1)	**152**	-
Miscellaneous income	**158**	80
	2,847	34,518

13 FINANCE COSTS

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Commission on Murabaha and Tawarruq finance	**64,036**	37,175
Interest on borrowings	**877**	2,269
Interest on lease liability (note 26)	**312**	439
Unwinding of discount on employees' termination benefits (note 33)	**3,043**	1,208
	68,268	41,091

14. ZAKAT AND INCOME TAX

Components of zakat and income tax base:

The Group is subject to zakat and income tax. Zakat is payable of the greater base at 2.578% on zakat base or 2.5% on adjusted net profit. Income tax is payable at the rates applicable to foreign subsidiaries at 20% of the adjusted net profit. The significant components of the zakat base of each company under zakat regulations principally comprise of shareholders' equity, provisions, long-term borrowings and adjusted net profit/(loss), less a deduction for the net book value of property, plant and equipment, investments and certain other items."

Zakat and income tax charged to the consolidated statement of profit or loss :

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Current zakat and income tax charges		
- continuing operations	**139,188**	19,396
- discontinued operations (note 2.2)	**-**	-
	139,188	19,396

The movements in the zakat and income tax payable for the years ended December 31, are as follows:

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
At January 1,	**200,899**	195,387
Charge for the year	**139,188**	19,396
Zakat and income tax paid during the year	**(19,655)**	(13,884)
At December 31,	**320,432**	200,899

Status of certificates and assessments:

The Company and its Saudi Arabian subsidiaries file their zakat return on a consolidated basis at Group level.

The company and its Saudi subsidiaries have received final zakat and income tax certificates for the years up to 2022. During the year ended December 31, 2020, the company and its subsidiaries in the Kingdom of Saudi Arabia received the final zakat assessments from the Zakat, Tax, and Customs Authority. For the years 2014 and from 2015 to 2018, an additional zakat claim of SAR 16.4 million for the year 2014 and SAR 231.9 million for the years 2015 to 2018 was made. The company filed an objection to the Zakat, Tax, and Customs Authority within 60 days of receiving this request, and the objection was escalated to the General Secretariat of Zakat, Tax, and Customs Committees for the years 2014 to 2018.

During the year 2021, the group received the final zakat assessment for the years 2019 and 2020, demanding an additional zakat amount of SAR 23.8 million, and the company filed an objection to the Zakat, Tax, and Customs Authority within 60 days of receiving this request. The objection was escalated to the General Secretariat of Zakat, Tax, and Customs Committees for the years 2019. During the year 2022, the company received preliminary decisions from the General Secretariat of Zakat, Tax, and Customs Committees for the mentioned years and decided to re-appeal.

In the year 2023, the final decisions for the years 2014 to 2020 were issued, demanding an additional zakat amount of SAR 277.75 million for those years. Consequently, the company recorded an additional zakat provision of SAR 115 million during the year within the income statement.

On November 11, 2023, the group obtained approval from the Zakat, Tax, and Customs Authority on the installment plan for the zakat amounts due from the group to the authority, which included the installment plan the zakat amounts due for the years 2015 to 2020 totaling SAR 277.75 million. The installment plan is based on the waiver of a claim at a government entity amounting to SAR 29.19 million and the remaining amount on semi-annual installments starting in the second quarter of 2024 for a period of 4 years.

14. ZAKAT AND INCOME TAX (continued)

Difference between accounting profit and zakatable / taxable profit

The following items are included in accounting profit but not included in zakatable / taxable profit:
- Impairment loss on financial assets.
- Write down of the cost of inventories to net realisable value.
- Impairment of property, plant and equipment.
- Charges related to employees' termination benefits provision.

The following items are included in zakatable / taxable profit but not included in accounting profit:
- Receivables written off.
- Inventories at net realisable value sold or written off.
- Depreciation of property, plant and equipment.
- Payments towards employees' termination benefits provision.

15. LOSS PER SHARE

Loss per share for the year ended December 31, 2023 has been computed by dividing the loss from continuing operations and net loss for the year by the weighted average number of 9,851,647 shares outstanding (December 31, 2022: 9,851,647 sharess). The Group does not have any dilutive instruments.

The number of shares outstanding as at December 31, is as follows:

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Shares issued	**9,900**	9,900
Less: shares held as treasury shares under ESOP (note 38)	**(48)**	(48)
	9,852	9,852

16. DIVIDENDS

During the year ended December 31, 2023, no dividends were declared or paid (2022: the same).

17. DEPRECIATION, AMORTISATION, IMPAIRMENT AND FOREIGN EXCHANGE DIFFERENCES INCLUDED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	December 31, 2023	*December 31, 2022*
Included in cost of revenue:	***SR'000***	*SR'000*
Depreciation	**24,937**	18,684
Amortisation	**-**	70
Impairment (reversal) of property, plant and equipment	**402**	(36,624)
Included in selling, general and administrative expenses:		
Depreciation	**6,174**	6,301
Amortisation	**753**	703
Impairment of property, plant and equipment	**-**	-
Included in other income (expenses), net:		
Net foreign exchange differences	**690**	(2,202)

18. EMPLOYEE BENEFITS EXPENSES

	December 31, 2023	*December 31, 2022*
Included in cost of revenue:	***SR'000***	*SR'000*
Wages and salaries	**146,096**	134,063
Social security costs	**4,106**	2,247
Termination costs	**5,242**	3,587
	155,444	139,897
Included in selling, general and administrative expenses:		
Wages and salaries	**39,798**	34,364
Social security costs	**2,201**	1,983
Termination costs	**508**	387
Total employee benefits expenses	**197,951**	176,631

19. FINANCIAL INSTRUMENTS

19.1 Fair value measurements of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	December 31, 2023						
	Carrying amount			***Fair value***			
	Fair value	***Amortised cost***	***Total***	***Level 1***	***Level 2***	***Level 3***	***Total***
Financial assets:	***SR '000***	***SR '000***	***SR '000***	***SR '000***	***SR '000***	***SR '000***	***SR '000***
Trade receivables	-	**530,837**	**530,837**	-	-	-	-
Contract assets	-	**325,151**	**325,151**	-	-	-	-
Cash and cash equivalents	-	**33,139**	**33,139**	-	-	-	-
	-	**889,127**	**889,127**	-	-	-	-
Financial liabilities:							
Short-term borrowings	-	**1,146,070**	**1,146,070**	-	-	-	-
Trade payables	-	**184,275**	**184,275**	-	-	-	-
Accrued expenses and other liabilities	-	**132,438**	**132,438**	-	-	-	-
Contract liabilities	-	**103,919**	**103,919**	-	-	-	-
	-	**1,566,702**	**1,566,702**	-	-	-	-

	December 31, 2022						
	Carrying amount			*Fair value*			
	Fair value	*Amortised cost*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets:	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*
Trade receivables	-	550,490	550,490	-	-	-	-
Contract assets	-	301,073	301,073	-	-	-	-
Cash and cash equivalents	-	41,741	41,741	-	-	-	-
	-	893,304	893,304	-	-	-	-
Financial liabilities:							
Short-term borrowings	-	1,140,610	1,140,610	-	-	-	-
Trade payables	-	174,628	174,628	-	-	-	-
Accrued expenses and other liabilities	-	87,731	87,731	-	-	-	-
Contract liabilities	-	90,656	90,656	-	-	-	-
	-	1,493,625	1,493,625	-	-	-	-

19. FINANCIAL INSTRUMENTS (continued)

19.2 Risk Management of Financial Instruments

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

The Group is exposed to credit risk, liquidity risk, market price risk, currency risk, and interest rate risk. The Group's senior management oversees the management of these risks. The Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives.

19.2.1 Credit Risk:

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables and contract assets).

Trade receivables

Customer credit risk is managed in accordance with the Group's established policy, procedures and controls regarding customer credit risk management. The customer's credit quality is assessed based on SIMAH's credit rating and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored and any shipments to major customers are covered by guarantees.
The five largest customers represented approximately 25% (2022: 24%) of trade receivables outstanding at December 31, 2023.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns by default in payment and coverage by letters of credit. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off based on management approval and company policy. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 21. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment.

		Days past due				
	Not past due	*< 180 days*	*181-365 days*	*366-730 days*	*> 730 days*	*Total*
December 31, 2023:	***SR'000***	***SR'000***	***SR'000***	***SR'000***	***SR'000***	***SR'000***
Expected credit loss rate	***1%***	***9%***	***39%***	***31%***	***45%***	***37%***
Gross carrying amount	**64,047**	**99,765**	**36,535**	**19,798**	**620,362**	**840,507**
Expected credit loss	**895**	**8,992**	**14,135**	**6,067**	**279,581**	**309,670**
December 31, 2022:						
Expected credit loss rate	*1%*	*11%*	*27%*	*54%*	*43%*	*36%*
Gross carrying amount	68,677	91,836	20,832	20,561	657,435	859,341
Expected credit loss	943	9,770	5,553	11,002	281,583	308,851

Trade receivables under legal collection ("TRULC") are expected, due to length of the collection process, to be collected after one year from the reporting date. Virtually all the balance of TRULC is outstanding for more than two years. As at December 31, 2023, the balance of TRULC is carried net of an allowance for impairment of SR 197.1 million (December 31, 2022: SR 195.2 million). The allowance for impairment is calculated based on the estimate of legal advisors and lawyers of the amount to be collected. Retentions receivable are non-interest bearing and are generally collectable upon project completion. As at December 31, 2023, the balance of retentions receivable is carried net of an allowance for impairment of SR 0.4 million (December 31, 2022: SR 0.9 million).

Contract assets

Contract assets are initially recognised for revenue earned from construction contracts as receipt of consideration is conditional on successful completion of specific milestones. Upon completion of a milestone and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. As at December 31, 2023, the contract assets are carried net of an impairment loss of SR 3.1 million (2022: SR 5.8 million). The provision for onerous contracts relates mainly to the losses expected to be incurred to complete a fixed price contract in Samawa, Iraq. The project is expected to be completed in 2025.

Movement in contract assets is as follows:

	December 31, 2023	*December 31, 2022*
	SR '000	*SR '000*
Gross carrying amount at default	**328,287**	306,830
Allowance for impairment loss on financial asset (note 7.2)	**3,136**	5,757
Provision for onerous contracts (note 35)	**158,001**	152,515
Allowance for impairment rate	**49%**	52%

Assessment of significant increases in credit risk

The Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition based on SIMAH credit ratings, significant financial difficulty of the borrower, and breach of contract such as default or past due event.

Definition of default

The Group defines default as when the borrower is unlikely to pay their credit obligations without the Group taking certain actions.

Write-off policy

Financial assets are written off when the company has exhausted all practical recovery efforts, or there is reasonable evidence indicating that the debtor is in severe financial difficulty and has filed for bankruptcy or financial reorganization.

Modified financial assets

In cases where the contractual cash flows of a financial asset are renegotiated or otherwise modified and the modification does not lead to derecognition, the company applies IFRS 9 (Financial Instruments) by recalculating the present value of the modified cash flows using the original effective interest rate and recognizing any modification gain or loss in the consolidated statement of profit or loss.

Cash and cash equivalents

Credit risk from balances with banks and financial institutions is managed by the Group's management department in accordance with the Group's policy.

	December 31, 2023	*December 31, 2022*
	SR '000	*SR '000*
Cash and cash equivalents	***33,139***	*41,741*

The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2023 and 2022 is the carrying amounts as illustrated in Note 19.1.

Credit risk on receivables and bank balances is reduced by the following:

Cash balances are kept with banks with high credit ratings.

Accounts receivable are stated net of impairment allowance for trade receivables.

The Group manages credit risk in relation to receivables from customers by monitoring them in accordance with defined policies and procedures. The group seeks to limit credit risks with respect to customers by setting credit limits for each customer and monitoring uncollected receivables on an ongoing basis.

19.2.2 Liquidity Risk:

Liquidity risk is the risk that the Group may encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. The calculation of net debt was as follows:

	December 31, 2023	*December 31, 2022*
	SR '000	*SR '000*
Interest-bearing loans and borrowings (note 30)	**1,146,070**	1,140,610
Lease liabilities (note 26)	**5,030**	6,658
Trade payables (note 31)	**184,275**	174,628
Accrued expenses and other liabilities (note 32)	**132,438**	87,731
Less: cash and short-term deposits (note 20)	**(33,139)**	(41,741)
Net debt	**1,434,674**	1,367,886
Equity	**194,988**	360,543
Total Capital	**194,988**	360,543
Capital and net debt	**1,629,662**	1,728,429

At the statement of financial position date, gearing ratio analysis by the management was as follows:

Net debt to equity ratio	**736%**	379%
Gearing ratio	**88%**	79%
Current ratio	**67%**	73%

19. FINANCIAL INSTRUMENTS (continued)

19.2 Risk Management of Financial Instruments (continued)

19.2.2 Liquidity Risk (continued):

Following are the contractual maturities at the end of the reporting period of financial liabilities.

	December 31, 2023			
	Carrying amount	***Less than 1 year***	***1 year to 5 years***	***More than 5 years***
Financial Liabilities:	***SR '000***	***SR '000***	***SR '000***	***SR '000***
Borrowings	**1,146,070**	**1,146,070**	**-**	**-**
Lease liabilities	**6,245**	**1,139**	**4,000**	**1,106**
Trade payables	**184,275**	**184,275**	**-**	**-**
Accrued expenses and other liabilities	**132,438**	**132,438**	**-**	**-**
Contract liabilities	**103,919**	**103,919**	**-**	**-**
Other non-current liabilities	**644**	**-**	**644**	**-**
	1,573,591	**1,567,841**	**4,644**	**1,106**

	December 31, 2022			
	Carrying amount	*Less than 1 year*	*1 year to 5 years*	*More than 5 years*
Financial liabilities:	*SR '000*	*SR '000*	*SR '000*	*SR '000*
Borrowings	1,140,610	1,140,610	-	-
Lease liabilities	7,289	1,178	4,233	1,878
Trade payables	174,628	174,628	-	-
Accrued expenses and other liabilities	87,731	87,731	-	-
Contract liabilities	90,656	90,656	-	-
Other non-current liabilities	644	-	644	-
	1,501,558	1,494,803	4,877	1,878

The amounts disclosed in the table are the contractual undiscounted cash flows, which may differ from the carrying values in the statement of financial position.

Liquidity Risk Management

The company manages its 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.

Details of the company's liquidity management policies are as follows:

The group monitors cash shortfall risks using a liquidity planning tool. The group's goal is to maintain a balance between financing continuity and flexibility through bank loans and lease agreements. The group has access to a diverse range of financing sources and can renew debt maturing within 12 months with current lenders. The group has signed agreements to reschedule Islamic banking facilities with commercial banks, which management believes will have a positive impact on enhancing the group's performance in the upcoming periods. Management acknowledges that there is still uncertainty regarding the group's ability to meet its financing requirements and refinance or repay its credit facilities upon maturity. However, management has reasonable expectations that the group has sufficient resources to continue its operational existence in the foreseeable future.

19.2.3 Market Risk:

Market price risk is the risk that the value of a financial instrument may fluctuate as a result of changes in market prices, such as foreign exchange rates and interest rates, and will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

19.2.4 Currency Risk:

Currency risk is the risk that the value of financial instruments may fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's reporting currency. The Group's exposure to foreign currency risk is primarily limited to transactions in United States Dollar ("USD") and Euro ("EUR"). The Group's management believes that the exposure to currency risk associated with USD is limited as the Group's currency is pegged to USD. The fluctuation in exchange rates against Euro is monitored on a continuous basis. Quantitative data regarding the Group's exposure to currency risk arising from EUR is as follows:

	EUR	***Equivalent SR***
December 31, 2023:	***'000'***	***'000'***
Cash and cash equivalents	**2,550**	**10,575**
Trade receivables	**26,116**	**108,306**
Trade payables	**(5,897)**	**(24,455)**
Net statement of financial position exposure	**22,769**	**94,426**
December 31, 2022:		
Cash and cash equivalents	2,052	8,214
Trade receivables	27,989	112,043
Trade payables	(6,267)	(25,087)
Net statement of financial position exposure	23,774	95,170

19. FINANCIAL INSTRUMENTS (continued)

19.2. Risk Management of Financial Instruments (continued)

19.2.4 Currency Risk (continued):

A strengthening/(weakening) of the EUR by 10% against all other currencies would have affected the measurement of financial instruments denominated in foreign currency and would have increased/(decreased) equity by the amounts shown below

	December 31, 2023	*December 31, 2022*
	SR '000	*SR '000*
Impact of 10% increase in EUR on equity	**9,443**	9,517
Impact of 10% decrease in EUR on equity	**(9,443)**	(9,517)

19.2.5 Interest Rate Risk

Interest rate risk is the exposure associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. Variable rate financial liabilities as at the reporting date amounted to SR 1,146.1 million (December 31, 2022: SR 1,140.6 million).

The following table demonstrates the sensitivity of profit to reasonably possible changes in interest rates, with all other variables held constant.

	Increase / decrease in basis points of interest rates	***Effect on profit for the year***
		SR '000
Year ended December 31, 2023:	**+100**	**(11,433)**
	-100	**11,433**
Year ended December 31, 2022:	+100	(11,334)
	-100	11,334

Management monitors the changes in interest rates to manage interest rate risk exceeding certain parameters.

20. CASH AND CASH EQUIVALENTS

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Cash in hand	**972**	779
Cash at banks	**32,147**	39,173
Time deposits	**20**	1,789
	33,139	41,741

Time deposits are held by commercial banks and yield finance income at prevailing market rates.

21. TRADE RECEIVABLES

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Trade receivables - third parties	**310,279**	288,751
Trade receivables under legal collection (note 42.2)	**515,470**	546,698
Retentions receivable	**8,071**	20,196
Trade receivables - related parties	**6,687**	3,696
	840,507	859,341
Less: impairment loss on financial assets-third parties (note 42.2)	**(108,750)**	(109,365)
Less: impairment loss on financial assets-receivable under legal collection and retention	**(197,525)**	(196,091)
Less: impairment loss on financial assets-related parties	**(3,395)**	(3,395)
	530,837	550,490

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.
The movement in the impairment loss on financial assets is as follows:

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
At January 1,	**308,851**	333,147
Additions	**2,745**	-
Reversals	-	(12,990)
Reclass	-	-
Write offs	**(2,634)**	(9,173)
Currency translation adjustments	**708**	(2,133)
At December 31,	**309,670**	308,851

Trade receivables under legal collection ("TRULC") are expected, due to length of the collection process, to be collected after one year from the reporting date. Virtually all the balance of TRULC is outstanding for more than two years. As at December 31, 2023, the balance of TRULC is carried net of an allowance for impairment of SR 197.1 million (December 31, 2022: SR 195.2 million). The allowance for impairment is calculated based on the estimate of legal advisors and lawyers of the amount to be collected.
Retentions receivable are non-interest bearing and are generally collectable upon project completion. As at December 31, 2023, the balance of retentions receivable is carried net of an allowance for impairment of SR 0.4 million (December 31, 2022: SR 0.9 million).
The balance of TRULC presented comprises the following:

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Balances scheduled to be collected according to court orders	**65,312**	87,079
Balances where the Group received favourable court verdicts and settlement is still to be agreed with debtors	**308,178**	322,565
Balances still under legal proceedings	**141,980**	137,054
	515,470	546,698

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses as mentioned in note 4.2. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables as disclosed below.
Set out below is the information about the credit risk exposure on the Company third parties' trade receivables using a provision matrix:

		Days past due				
					> 730 days	***Total***
December 31, 2023:	***SR'000***	***SR'000***	***SR'000***	***SR'000***	***SR'000***	***SR'000***
Gross carrying amount	**64,047**	**99,765**	**36,535**	**19,798**	**620,362**	**840,507**
Expected credit loss	**(895)**	**(8,992)**	**(14,135)**	**(6,067)**	**(279,581)**	**(309,670)**
Net trade receivables	**63,152**	**90,773**	**22,400**	**13,731**	**340,781**	**530,837**
December 31, 2022:						
Gross carrying amount	68,677	91,836	20,832	20,561	657,435	859,341
Expected credit loss	(943)	(9,770)	(5,553)	(11,002)	(281,583)	(308,851)
Net trade receivables	67,734	82,066	15,279	9,559	375,852	550,490

22. PREPAYMENTS AND OTHER RECEIVABLES

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Advances to suppliers (note 43.3)	**34,537**	17,201
Prepaid expenses (note 43.3)	**58,718**	56,235
Others	**536**	455
	93,791	73,891

23. INVENTORIES

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Raw materials	**93,794**	74,592
Work in process	**10,171**	10,976
Supplies, not held for sale	**73,361**	77,734
Finished products	**189,735**	195,079
Goods in transit	**351**	1,955
	367,412	360,336
Less: provision for inventory obsolescence	**(83,947)**	(83,947)
	283,465	276,389

The movement in the provision for inventory obsolescence is as follows:

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
1 January	**83,947**	84,939
(Reversals) additions	**-**	(260)
Write-offs	**-**	(732)
Closing balance	**83,947**	83,947

During the year ended December 31, 2023, the Group recorded SR nil provision (2022: SR 0.3 million reversal) on write down of cost of inventories to net realisable value under cost of revenue.
The allowance for obsolete and slow moving inventories is based on nature of inventories, ageing profile, their expiry and sales expectation based on historic trends and other qualitative factors.

24. EQUITY ACCOUNTED INVESTMENTS

	Note	***December 31, 2023***	*December 31, 2022*
		SR'000	*SR'000*
Interests in joint ventures			
Amiblu Holding GmbH ("Amiblu")	A	**267,055**	243,163
International Water Distribution Co. ("Tawzea")	B	**135,668**	140,260
Total interests in joint ventures		**402,723**	383,423
Investments in associates:			
Amiantit Qatar Pipe Co. Ltd. ("AQAP")	C	**45,842**	43,849
Other associates	D	**34,468**	23,848
Total investment in associates		**80,310**	67,697
Total equity accounted investments		**483,033**	451,120

A. Amiblu

Amiblu is a joint venture in which the Group has joint control and a 50% ownership interest. Amiblu is registered in Austria and is not publicly listed. Amiblu and its subsidiaries ("Amiblu Group") are engaged in pipe manufacturing and related technologies and their principal place of business is the European Union.

The following table summarizes the financial information of Amiblu Group as included in its own consolidated financial statements, adjusted for fair value adjustment at acquisition. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Amiblu Group.

24. EQUITY ACCOUNTED INVESTMENTS (continued)

A. Amiblu (continued)

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Current assets, including cash and cash equivalents of SR 60.4 million (2022: SR 53.2 million)	**463,275**	477,993
Non-current assets	**315,546**	306,467
Current liabilities, including bank borrowings of SR 119.8 million (2022: SR 155.7 million)	**(318,208)**	(405,881)
Non current liabilities, including long term borrowings of SR 3.1 million (2022: SR 17.2 million)	**(50,234)**	(15,984)
Equity	**410,379**	362,595
Group's share in equity, 50% (2022: 50%)	**205,190**	181,298
Goodwill	**61,865**	61,865
Group's carrying amount of the investment	**267,055**	243,163

Summarised statement of profit or loss of Amiblu Group for the year ended December 31,:

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Revenue	**898,837**	989,781
Finance costs	**(7,869)**	(7,090)
Income tax expense	**(9,282)**	(6,321)
Income for the year	**25,856**	18,708
Total comprehensive income (loss)	**25,856**	18,708
Group's share of total comprehensive income - 50% (2022: 50%)	**12,928**	9,354

The movement in the interest in Amiblu is as follows:	***December 31, 2023***	*December 31, 2022*
	SR'000	*SR'000*
1 January	**243,163**	251,563
Share in results	**12,928**	9,354
Currency translation adjustments	**10,964**	(17,754)
December 31,	**267,055**	243,163

As at December 31, 2023, the management performed the annual impairment test for Amiblu. The recoverable amount of Amiblu has been determined based on a value-in-use calculation. Key assumptions used in this analysis include a post-tax discount rate which was calculated using a Weighted Average Cost of Capital (WACC) methodology of 8.80% and a growth rate of 1% for each business unit. As a result of the above mentioned assessment, the difference between the recoverable amount of the investment and it's carrying amount as at December 31, 2023 was nil (2022: SR nil).

24. EQUITY ACCOUNTED INVESTMENTS (continued)

B. Tawzea

Tawzea is a joint venture in which the Group has joint control and a 50% ownership interest. Tawzea is registered in the Kingdom of Saudi Arabia and is not publicly listed. Tawzea is principally engaged in offering services related to construction, operation, and maintenance of public water & sewage services. The following table summarizes the financial information of Tawzea as included in its own financial statements, adjusted for fair value adjustment at acquisition. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Tawzea.

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Current assets, including cash and cash equivalents of SR 122.9 million (2022: SR 112.5 million)	**283,720**	210,441
Non-current assets	**338,532**	287,387
Current liabilities, including short term borrowings of SR 18.3 million (2022: SR nil)	**(317,801)**	(200,993)
Non-current liabilities including long term borrowings of SR 10.0 million (2022: SR nil)	**(26,737)**	(12,862)
Non-controlling interest	**(6,379)**	(3,453)
Equity attributable to the Company	**271,335**	280,520
Group's share in equity - 50% (2022: 50%)	**135,668**	140,260
Group's carrying amount of the investment	**135,668**	140,260

Summarised statement of profit or loss of Tawzea for the years ended December 31, 2023 and 2022:

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Revenue	**880,408**	405,937
Depreciation and amortization	**(14,469)**	(13,652)
Finance costs	**(3,038)**	(1,267)
Profit for the year	**17,212**	21,732
Other comprehensive income- actuarial on employees' defined benefit obligation	**(1,652)**	3,783
Other comprehensive income-hedging reserve	**(4,745)**	92,062
Total comprehensive income	**10,815**	117,577
Group's share of net profit - 50% (2022: 50%)	**8,606**	10,866
Group's share of total comprehensive income - 50% (2022: 50%)	**5,408**	58,789

The movement in the interest in Tawzea is as follows:

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
1 January	**140,260**	91,471
Share in results	**8,606**	10,866
Dividends	**(10,000)**	(10,000)
Share in other comprehensive income-hedging reserve	**(2,373)**	46,031
Share of other comprehensive income (loss)-actuarial	**(825)**	1,892
December 31,	**135,668**	140,260

24. EQUITY ACCOUNTED INVESTMENTS (continued)

C. Amiantit Qatar Pipes Co. (AQAP)

AQAP is an associated company in which the Group owns 40% of its shares. AQAP is registered and conducts its main operations in Qatar. AQAP is not publicly listed.

The following table summarises the financial information of AQAP as included in its own financial statements, adjusted for fair value adjustments at acquisition. The table also reconciles the summarised financial information to the carrying amount of the Group's investment in AQAP.

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Current assets	**100,199**	90,484
Non-current assets	**47,027**	55,130
Current liabilities	**(24,002)**	(25,250)
Non-current liabilities	**(16,864)**	(17,882)
Non-controlling interest	**8,246**	7,141
Equity attributable to the Company	**114,606**	109,623
Group's share in equity - 40% (2022: 40%)	**45,842**	43,849

Summarised statement of profit or loss of AQAP for the years ended December 31, 2023 and 2022:

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Revenue	**98,706**	113,465
Net Profit for the year	**7,043**	781
Total comprehensive income	**7,043**	781
Group's share of total comprehensive income - 40% (2022: 40%)	**2,817**	312

The movement in the investment in AQAP is as follows:

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
1 January	**43,849**	49,718
Share in results	**2,817**	312
Dividends	**(824)**	(6,181)
December 31,	**45,842**	43,849

D. Other associates

The Group also has investments in a number of individually immaterial associates. The movement in the investments in these associates is as follows.

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
January 1,	**23,848**	14,448
Share in results	**19,878**	10,603
Share in other comprehensive income (loss)	**(2)**	(1)
Dividends	**(4,939)**	-
Currency translation adjustments	**(4,317)**	(1,202)
December 31,	**34,468**	23,848

The Company owns 20% investment in Subor. As the investment in Subor from around mid of the year 2018 had turned into negative due to heavy losses coupled with the continued devaluation of Turkish Lira to USD, the Company had stopped recording further losses from investment in Subor. Since recently by the end of December 31, 2022, Subor has consistently earned profits and has turned around its total equity, the Company recorded a share in profit of SR 9.0 million after adjusting for all the share of losses not recognized up to the period ending December 31, 2022.

During the year, the Company has recognized the sale of its 40% ownership in Amitech Libya for an amount of SR 1.35 million, the carrying amount of this investments was SR nil prior to the disposal. Upon disposal, management has realized an amount of SR 1.35 million as gain on disposal of investment in equity accounted investment on the consolidated statement of profit or loss (note 12). Noting that the disposal was due to force majeure attributed to the war in Libya. However, the company still reserves the rights of licensing in Amitech Libya through its joint venture in Europe ("Amiblu").

25. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and land improvements	،Plant machinery and equipment	Furniture fixtures and office	Construction in progress	Total
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*
The cost						
Balance as on 1 January, 2023	**580,493**	**279,796**	**964,969**	**55,285**	**12,180**	**1,892,723**
Additions during the year	**1,586**	**488**	**2,883**	**1,200**	**(2,493)**	**3,664**
Disposals during the year	**-**	**-**	**(109)**	**(2,175)**	**-**	**(2,284)**
Impairment of asset	-	-	-	-	-	-
Movement in valuation reserve	**3,556**	-	-	-	-	**3,556**
Reclassification of intangible assets	-	-	-	-	-	-
Currency translation adjustments	**-**	**88**	**441**	**493**	**-**	**1,022**
Balance as on December 31, 2023	**585,635**	**280,372**	**968,184**	**54,803**	**9,687**	**1,898,681**
Accumulated depreciation and impairment:						
Balance as on 1 January, 2023	**166,677**	**243,482**	**864,284**	**49,917**	**4,606**	**1,328,966**
Charged for the year	**2,112**	**6,612**	**19,916**	**1,490**	**-**	**30,130**
Disposals during the year	**-**	**-**	**(109)**	**(1,764)**	**-**	**(1,873)**
Impairment of asset	**-**	**140**	**262**	**-**	**-**	**402**
Retroactive depreciation of the impairment reversal	**-**	**-**	**-**	**-**	**-**	**-**
Currency translation adjustments	**-**	**90**	**992**	**450**	**-**	**1,532**
Balance as on December 31, 2023	**168,789**	**250,324**	**885,345**	**50,093**	**4,606**	**1,359,157**
Net book value						
As on December 31, 2023	**416,846**	**30,048**	**82,839**	**4,710**	**5,081**	**539,524**

	Land	Buildings and land improvements	،Plant machinery and equipment	Furniture fixtures and office	Construction in progress	Total
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*
The cost						
Balance as on 1 January, 2022	588,897	279,967	966,068	55,331	11,144	1,901,407
Additions during the year	-	110	553	1,085	1,165	2,913
Disposals during the year	(5,638)	-	(476)	(198)	-	(6,312)
Impairment in valuation reserve	(2,766)	-	-	-	-	(2,766)
Reclassification of intangible assets	-	-	-	-	(128)	(128)
Currency translation adjustments	-	(281)	(1,176)	(933)	(1)	(2,391)
Balance as on December 31, 2022	580,493	279,796	964,969	55,285	12,180	1,892,723
Accumulated depreciation and impairment:						
Balance as on 1 January, 2022	164,532	243,696	882,345	49,362	4,606	1,344,541
Charged for the year	2,145	5,709	14,428	1,535	-	23,817
Disposals during the year	-	-	(431)	(171)	-	(602)
Reversal of impairment	-	(6,388)	(44,048)	-	-	(50,436)
Retroactive depreciation of the impairment reversal	-	1,328	12,484	-	-	13,812
Currency translation adjustments	-	(863)	(494)	(809)	-	(2,166)
Balance as on December 31, 2022	166,677	243,482	864,284	49,917	4,606	1,328,966
Net book value						
As on December 31, 2022	413,816	36,314	100,685	5,368	7,574	563,757
As on December 31, 2021	424,365	36,271	83,723	5,969	6,538	556,866

- Construction work in progress as at December 31, 2023 mainly represents advances to suppliers for purchase of machinery and equipment amounting to SR 5.1 million (2022: SR 7.6 million) in addition to development projects of SR 4.6 million (2022: SR 4.6 million) that are fully impaired.

25. PROPERTY, PLANT AND EQUIPMENT (continued)

- Reference to the Capital Market Authority (CMA) Board of Commissioners resolution dated 15/01/1438H corresponding to 16/10/2016G, which obligated listed companies to apply the cost model to measure the property, plant, equipment, investment property, and intangible assets upon adopting the International Financial Reporting Standards (IFRS) for three years period starting from the IFRS adopting date, while continuing to abide by the disclosure requirements of the IFRS that are endorsed in Saudi Arabia, which require or encourage the disclosure of the fair value within the notes to the financial statements. The resolution indicated that CMA will analyze the feasibility of continuing to apply the cost model upon completing the aforementioned period, or the feasibility of allowing the application of the fair value or the revaluation model.
As of December 31, 2023, the management appointed at least two independent valuers licensed by the Saudi Authority for Accredited Valuers ("TAQEEM") to assess both the land and investment properties in preparation for its consolidated financial statements. This is in accordance with the requirements of the Saudi Capital Market Authority, utilizing the fair value model. The lower of the two valuations is selected as follows:

Dammam, KSA Land Valuation:

Area	Adjusted Book Value	Evaluators		Lowest Valuation	Revaluation Increase
		Injazat Office	Mwathiqoon Office		
Industrial Lands (1+2) Dammam	369,700	373,082	422,062	373,082	3,382

Zwingenberg ,Germany Land Valuation:

Area	Book Value	Evaluators		Lowest Valuation	Revaluation Increase
		Better for Real Estate	Phi Technical Advisory		
Zwingenberg - Germany	8,368	9,548	8,542	8,542	174
Total	**378,068**			**381,624**	**3,556**

The revaluation reserve is not available for distribution of dividends to shareholders.
As at 31 December 2023, the Company made its annual revaluation of land in Dammam Industrial and Zwingenberg, Germany for an amount of SR 381.62 million, the carrying amount of this land was SR 378.06 milion, upon revaluation, management has realized an amount of SR 3.56 million addition (2022: SR 2.77 milion reduction) as revaluation reserve movement on the consolidated statement of changes in equity.

Management appointed an independent consultant licenced by the Saudi Authority for Accredited Valuers (TAQEEM) to review their impairment models as of 31 December 2023. The recoverable amount of these CGUs has been determined based on a value-in-use calculation. The results of the impairment test performed for each Cash Generating Units as at 31 December 2023 were as follows:
As at December 31, 2023, management appointed an independent consultant to review the impairment model of the company's cash-generating-units for Amiantit Firberglass Ltd. Co. (AFIL). Accordingly, the recoverable amount has been determined based on a value-in-use calculation. The pre-tax discount rate applied to cash flow projections is ranging from 14.0% to 15.0% , and the cash flows beyond 2023 are extrapolated using a management estimate of growth rate. Management also estimated that as at December 31, 2023, there were no additional impairment indicators nor there were indicators of reversal in
As at December 31, 2023, management appointed an independent consultant to review the impairment model of the company's cash-generating-units for Saudi Araban Ductile Pipe Ltd. (SADIP). Accordingly, the recoverable amount has been determined based on a value-in-use calculation. The pre-tax discount rate applied to cash flow projections is ranging from 14.0% to 15.0% , and the cash flows beyond 2023 are extrapolated using a management estimate of growth rate. Management also estimated that as at December 31, 2023, there were no additional impairment indicators nor there were indicators of reversal in previously recorded impairment.

As at December 31, 2023, management appointed an independent consultant to review the impairment model of company's cash-generating-units for Factory of Bondstrand Limited ("BSL"). Accordingly, the recoverable amount of SR nil as at 31 December 2023 has been determined based on a value in use calculation using cash flow projections from a budget approved by the board covering 2024. The pre-tax discount rate applied to cash flow projections is ranging from 14.0% to 15.0% , and the cash flows beyond 2024 are extrapolated using a management estimate of growth rate. It was concluded that the fair value less costs of disposal cannot be measured reliably. As a result of this analysis, management has recognised an impairment charge of SR 0.4 million against property, plant and equipment with a carrying amount of SR 1.04 million as at 31 December 2023. The impairment charge is recorded within cost of sales in the consolidated statement of profit or loss.

During 2022, the Company has sold its land located in Ghirnatah, Riyadh for an amount of SR 5.77 million, the carrying amount of this land was SR 5.64 million prior to the disposal, upon disposal, management has realized an amount of SR 0.13 million as gain on sale of land on the consolidated statement of

- The Group owns a parcel of industrial land in Jeddah which was acquired in 2009 through the acquisition, from a related party, of a subsidiary that owns this land. The ownership of the parcel is being contested in the Saudi Arabian judicial system. The gross value of this parcel of land, before deducting any impairment allowance, as at December 31, 2023 is SR 150.0 million (2022: SR 150.0 million) and management of the Group has made an impairment allowance for the full value of the parcel at the acquisition date. The net book value of property, plant and equipment constructed over this parcel of land as at December 31, is as follows:

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Buildings and land improvements	**16,441**	17,650
Plant, machinery and equipment	**4,695**	6,768
Furniture, fixtures and office equipment	**44**	53
	21,180	24,471

Management of the Group believes that the outcome of the litigation process will not impact the carrying amounts or useful lives of property, plant and equipment constructed on this parcel of land. The land’s dispute has already been settled and a royal order issued to prove the land to its current owners of which the Group has not received a copy, but the Jeddah Municipality has begun to take the necessary measures to stabilize the land for its current owners, and work is underway to develop a divisional scheme for the entire Al-Melissa general plan in preparation for the issuance of electronic deeds. The impairment allowance will be reversed until getting electronic deed.

26 LEASES

The Group leases various assets including land and buildings, and office equipment. Information about leases for which the Group is a lessee is presented below:

26.1 Right-of-use assets

For the year ended December 31, 2023:	***Land and***	***Office equipment***	***Total***
	SR '000	***SR '000***	***SR '000***
Balance at January 1, 2023	5,247	334	5,581
Additions during the year	-	-	-
	5,247	**334**	**5,581**
Depreciation charge for the year	(762)	(219)	**(981)**
Balance at December 31, 2023	**4,485**	**115**	**4,600**

For the year ended December 31, 2022:	*Land and*	*Office equipment*	*Total*
	SR '000	*SR '000*	*SR '000*
Balance at January 1, 2022	5,420	553	5,973
Additions during the year	778	-	778
	6,198	553	6,751
Depreciation charge for the year	(951)	(219)	(1,170)
Balance at December 31, 2022	5,247	334	5,581

26.2 Lease liability

Maturity analysis - contractual undiscounted cashflows	***December 31, 2023***	*December 31, 2022*
	SR '000	*SR '000*
Less than one year	**1,139**	1,178
One to five years	**4,000**	4,233
More than five years	**1,106**	1,878
Total undiscounted liabilities as at December 31,	**6,245**	7,289

26.3 Lease liability included in the consolidated statement of financial position as at December 31,

	December 31, 2023	*December 31, 2022*
	SR '000	*SR '000*
Current	**862**	927
Non-current	**4,168**	5,731
	5,030	6,658

26.4 Amounts recognised in the consolidated statement of profit or loss for the year ended December 31,:

	December 31, 2023	*December 31, 2022*
	SR '000	*SR '000*
Depreciation of right-of-use assets	**981**	1,170
Interest on lease liability (note 13)	**312**	439
	1,293	1,609

27. INVESTMENT PROPERTIES

Investment property represents assets held for capital appreciation.

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
1 January	**10,580**	10,427
Disposal	**-**	(1,331)
Reclass	-	(1,806)
Revaluation	**120**	3,290
	10,700	10,580

Reference to the Capital Market Authority (CMA) Board of Commissioners resolution dated 15/01/1438H corresponding to 16/10/2016G, which obligated listed companies to apply the cost model to measure the property, plant, equipment, investment property, and intangible assets upon adopting the International Financial Reporting Standards (IFRS) for three years period starting from the IFRS adopting date, while continuing to abide by the disclosure requirements of the IFRS that are endorsed in Saudi Arabia, which require or encourage the disclosure of the fair value within the notes to the financial statements. The resolution indicated that CMA will analyze the feasibility of continuing to apply the cost model upon completing the aforementioned period, or the feasibility of allowing the application of the fair value or the revaluation model.

As of December 31, 2023, the management appointed at least two independent valuers licensed by the Saudi Authority for Accredited Valuers ("TAQEEM") to assess both the land and investment properties in preparation for its consolidated financial statements. This is in accordance with the requirements of the Saudi Capital Market Authority, utilizing the fair value model. The lower of the two valuations is selected as follows:

Investment Property Valuation:

Area	Adjusted Book Value	Evaluators		Lowest Valuation	Revaluation Decrease
		Injazat Office	Mwathiqoon Office		
Jubail City	9,500	9,500	10,750	9,500	-
Riyadh Industrial	1,080	1,264	1,200	1,200	120
Total	**10,580**	**10,764**	**11,950**	**10,700**	**120**

As at 31 December 2023, the Company made its annual revaluation of investment properties in Jubail City and Riyadh Industrial District for an amount of SR 10.7 million, the carrying amount of this investment property was SR 10.58 million, upon revalution, management has realized an amount of SR 0.12 million (2022: SR 3.29 million gain) as gain on revaluation of investment property on the consolidated statement of profit or loss (note 12).

During 2022, the Company has sold its investment property located in Al Khurais for an amount of SR 15.23 million, the carrying amount of this investment property was SR 1.33 million prior to the disposal, upon disposal, management has realized an amount of SR 13.90 million as gain on sale of investment property on the consolidated statement of profit or loss (note 12).

28. INTANGIBLE ASSETS

Intangible assets represent identifiable non-monetary asset which include goodwill acquired from a business combination, software and capitalized development expenditure.

	Goodwill	Other assets	Total
	SR'000	*SR'000*	*SR'000*
1 January 2022	4,576	2,810	7,386
Additions	-	128	128
Amortization	-	(772)	(772)
Foreign currency translation adjustments	(57)	-	(57)
31 December 2022	4,519	2,166	6,685
Additions	**-**	**540**	**540**
Amortization	**-**	**(753)**	**(753)**
Impairment	**(1,600)**	**-**	**(1,600)**
Foreign currency translation adjustments	**290**	**-**	**290**
31 December 2023	**3,209**	**1,953**	**5,162**

These assets are initially measured at cost. After initial recognition, the Company measures intangible asset at cost less accumulated amortisation and impairment.

29. DEFERRED TAX ASSET

Deferred tax assets relate to unused tax losses for its subsidiary Amitech Astana LLC. Management believes that future taxable profits will be available against which deferred tax assets can be realised.

30. BORROWINGS

During the year 2021, the Company has signed agreements to reschedule Islamic Banking facilities agreements with commercial banks, which management believes will have positive impact on enhancing the Company's performance during the next periods. Management believes Company's cashflows will improve and the rescheduling will enhance the operations of the Company which is appropriate with the new schedule period stated as follows:

30.1 Bai Ajel borrowings

During the year 2021, new terms signed including new schedule period i.e. 10 years, resulting in reduction of the annual financial charges ranging from SIBOR +3.25% to 2.75% to be SIBOR +1.5%. The financing periods scheduled are as follows:

i- Bai Ajel for one time SAR 367,700,000 (non-revolving) and Bai Ajel limit of SAR 268,000,000 (one off) (new) for total tenor of 10 years inclusive of 2 years grace period repaid on semi-annual installments and profit to be paid semiannually during grace period. The Company utilized this facility fully as of December 31, 2023.

ii- Bai Ajel sub-limit ,L/C, L/G SAR 157,600,000 (revolving) to be availed against any repaid installment from the main limit not exceeding 30% from Gross Limit to finance working capital requirements through direct purchases of raw material, for aggregate period not exceeding 12 months. The Company utilized this facility fully as at December 31, 2023.

iii- Bai Ajel/ LC Musharakah sublimit (SAR 80,000,000) to be availed against any repaid installment from the main limit not exceeding 30% from Gross Limit to finance working capital requirements through direct purchases of raw material and maintenance CAPEX or issuance of Musharakah LCs (sight, deferred) (local, international) for a maximum of 12 months inclusive of LC deferral period. The Company is yet to utilize this facility as of December 31, 2023.

30.2 Tayseer Tijari borrowings

During the year 2021, new terms signed including new schedule period i.e. 10 years, resulting in reduction of the annual financial charges from SIBOR +3.25% to be SIBOR +1.5%. The financing period as scheduled are as follows:

i-Tayseer Tijari for one time SAR 219,100,000 (non-revolving) for total tenor of 10 years inclusive of 2 years grace period repaid on semiannual installments and profit to be paid semiannually during grace period (last installment not to exceed December 31, 2031). The Company utilized this facility fully as of December 31, 2023.

ii- Tayseer Tijari sub-limit ,L/C, L/G SAR 93,900,000 to be availed against any repaid installment from the main limit not exceeding 30% from Gross Limit to finance working capital requirements through direct purchases of raw material and CAPEX, for aggregate period not exceeding 12 months. The Company utilized this facility fully as of December 31, 2023.

30.3 SHORT-TERM BORROWINGS

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Short-term bank loans	**30,992**	844,674
Current portion of long-term loans	**1,115,078**	295,936
	1,146,070	1,140,610

The short-term borrowings are secured by promissory notes given by the Group and the carrying values are denominated in the following currency:

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Saudi Riyals	**30,662**	844,458
Other currency	**330**	216
	30,992	844,674

30. BORROWINGS (continued)

30.4 LONG-TERM BORROWINGS

Long term borrowings comprise the following:	***December 31, 2023***	*December 31, 2022*
	SR'000	*SR'000*
Commercial bank loans	**1,115,078**	295,936
Current portion shown under current liabilities	**(1,115,078)**	(295,936)
Non-current portion shown under non-current liabilities	**-**	-

The long-term borrowings are secured by promissory notes given by the Group and the carrying values are denominated in the following currency:

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
Saudi Riyals	**1,105,618**	286,479
US dollars	**9,460**	9,457
	1,115,078	295,936

30.5 BREACH OF LOAN COVENANTS

The covenants of certain of the short-term and long-term borrowing facilities require the Group to maintain a certain level of financial conditions, require lenders' prior approval for dividends distribution above a certain amount, and limit the amount of annual capital expenditure and certain other requirements. The Group has breached some of the financial covenants stated in the credit facility agreements with commercial banks.

As a result of the breach, the lenders have the right to accelerate repayment of future instalments. Accordingly, the entire balance of long term loans have been presented under current liabilities on the consolidated statement of financial position.

31. ACCOUNTS PAYABLE

	December 31, 2023	*December 31, 2022*
	SR '000	*SR '000*
Payable to third parties	**181,196**	174,252
Payable to related parties (note 36)	**3,079**	376
	184,275	174,628

32. ACCRUED EXPENSES AND OTHER LIABILITIES

	December 31, 2023 SR'000	*December 31, 2022 SR'000*
Accrued salaries, wages and benefits	**5,600**	4,630
Accrued sales agency fees	**2,308**	2,586
Accrued finance costs	**47,981**	17,220
VAT and withholding tax payable (note 42.3)	**51,823**	34,917
Other accrued expenses (note 42.3)	**24,726**	28,378
	132,438	87,731

33. EMPLOYEES' TERMINATION BENEFITS PROVISION

The movement in employees' termination benefits provision, a defined benefit plan, during the year is as follows:

	December 31, 2023 SR'000	*December 31, 2022 SR'000*
At January 1,	**64,435**	59,835
Expense charged to profit or loss	**8,793**	5,182
Actuarial remeasurement charged to OCI	**(2,701)**	1,594
Benefits paid during the year	**(7,742)**	(2,176)
At December 31,	**62,785**	64,435

The expense charged to profit or loss comprises:

	December 31, 2023 SR '000	*December 31, 2022 SR '000*
Current service cost	**5,750**	3,974
Interest cost	**3,043**	1,208
Cost recognized in profit or loss	**8,793**	5,182

Significant actuarial assumptions:

	As at December 31, 2023	*2022*
Discount factor used	**5.00%**	5.25%
Salary increase rate	**5.25%**	2.30%
Rates of employee turnover	**Moderate**	Moderate

Sensitivity analysis of key actuarial assumptions are as follows:

	December 31, 2023		*December 31, 2022*	
	%	***SR '000***	*%*	*SR '000*
Discount rate				
Increase	**+ 0.50%**	**59,815**	+ 0.50%	61,673
Decrease	**- 0.50%**	**66,035**	- 0.50%	67,443
Salary growth rate				
Increase	**+ 0.50%**	**66,030**	+ 0.50%	67,435
Decrease	**- 0.50%**	**59,792**	- 0.50%	61,653

Maturity analysis

Employee termination benefits are expected to be settled as follows:

	December 31, 2023 SR '000	*December 31, 2022 SR '000*
Within one year	**12,060**	12,955
Between 2 and 5 years	**12,195**	14,810
Between 6 and 10 years	**27,658**	26,826
	51,913	54,591

34. WARRANTY PROVISIONS

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
At January 1,	**2,744**	3,289
(Reversals)	**(1,436)**	(454)
Utilizations	**-**	-
Foreign currency translation adjustments	**-**	(91)
At December 31,	**1,308**	2,744

35. PROVISION FOR ONEROUS CONTRACTS

The provision relates mainly to the losses expected to be incurred to complete a fixed price contract in Samawa, Iraq. The project is expected to be completed in 2025. The movement in the provision for onerous contracts is as follows:

	December 31, 2023	*December 31, 2022*
	SR'000	*SR'000*
At January 1,	**152,515**	162,174
Currency translation adjustments	**5,486**	(9,659)
At December 31,	**158,001**	152,515

36. RELATED PARTY DISCLOSURES

The following table provides the total amount of material transactions that have been entered into with related parties:

		Sales to related parties	*Purchases from / payments made to related parties*	*Amounts due from related parties**	*Amounts due to related parties**
		SR'000	*SR'000*	*SR'000*	*SR'000*
Associate:					
Amiantit Qatar Pipe	**2023**	**-**	**-**	**60**	**-**
Company Limited	2022	-	-	60	-
Joint ventures:					
Amiblu Germany GmbH	**2023**	**-**	**-**	**23**	**-**
	2022	-	-	32	-
Amiblu Holding	**2023**	**-**	**-**	**81**	**-**
	2022	-	-	81	-
Subor	**2023**	**-**	**-**	**128**	**-**
	2022	-	-	128	-
International Water	**2023**	**-**	**-**	**3,000**	**-**
Distribution Company	2022	-	-	-	-
Amitech Algeria	**2023**	**-**	**-**	**-**	**-**
	2022	-	-	-	-
Total	**2023**	**-**	**-**	**3,292**	**-**
	2022	-	-	301	-

Amounts due from related parties as at December 31, 2023 is net of an impairment loss of SR 3.4 million (2022: SR 3.4 million) (note 21).
* The amounts are classified as trade receivables and accounts payable, respectively.

Loans from / to related parties		*Purchases from / payments made to related parties*	*Interest received from/ (paid to) related parties*	*Amounts due from/(to) related parties*
		SR'000	*SR'000*	*SR'000*
Associate:				
Others	**2023**	**-**	**-**	-
	2022	-	-	(12)
Joint venture:				
Amiblu Tech AS	**2023**	**(8,585)**	**-**	**(3,079)**
	2022	(5,138)	-	(364)
Total	**2023**	**(8,585)**	**-**	**(3,079)**
	2022	(5,138)	-	(376)

Compensation of key management personnel of the Group

Members of the Board of Directors do not receive any remuneration for their role in managing the Company unless approved by the General Assembly. Members of the Board of Directors receive an attendance allowance for Board and Board Committee meetings. Executive Directors receive fixed benefits as a result of their direct duties and responsibilities. The top five Senior Executives, including the Chief Executive Officer and the Chief Financial Officer, receive benefits according to the employment contracts signed with them as follows:

	'December 31, 2023	*'December 31, 2022*
	SR'000	*SR'000*
Short term benefits	**6,023**	5,823
Termination benefits	**380**	370
Total compensation for key management personnel	**6,403**	6,193

37. SHARE CAPITAL

	'December 31, 2023	*'December 31, 2022*
Authorized, issued and fully paid		
Number of ordinary shares with a nominal value of SR 10 per share	**9,900,000**	9,900,000
Share capital (SR'000)	**99,000**	99,000

38. EMPLOYEE SHARE OWNERSHIP PLAN AND RESERVE

The Company had implemented an Employee Share Ownership Plan ("ESOP"), which provides an award for service to certain levels of employees effective January 1, 2012. During 2012, the Company purchased 2.5 million of its own shares, through a financial institution, for the purpose of the ESOP which have been recorded under “Employee share ownership plan and reserve” in the consolidated statement of financial position. These employees, subject to their subscription to ESOP, after completing employment with the Group for a period of three years and maintaining a required level of performance, were awarded shares of the Company, at no cost, upon the vesting date during 2015. The total number of shares awarded in 2015 and 2021 were 564,309 shares and 380,000 shares respectively.

During the year, the Company assigned the number of earmarked share options to the trustee that represented the value of the remaining shares held in the name of the Company for future options. Treasury shares in number 48,353 shares that have not been granted to Eligible Employees in the reporting period for which those were earmarked shall carry over to the next reporting period. The Company intends to transfer the same to employees in the coming years.

As at December 31, 2023, 48 thousand shares were held by the Group as treasury shares earmarked for employee share ownership plan (2022: 48 thousand shares). In the event of a capital increase, share split or dividend distribution (in the form of shares), the number of shares and the exercise price subject to the ESOP will be adjusted accordingly.

39. STATUTORY RESERVE

If required, the Company may transfer 10% of its profit for the year to a statutory reserve. The reserve is not available for distribution as dividends. As the Company incurred a net loss during the year ended 31 December 2023, no transfer has been made to the statutory reserve (2022: SR nil)

40. COMMITMENTS AND CONTINGENCIES

40.1 Commitments for capital expenditure:

The capital expenditure contracted by the Group but not yet incurred at December 31, 2023 was SR 0.4 million (December 31, 2022: SR 0.6 million).

40.2 Contingencies

40.2.1 The Group owns a parcel of industrial land in Jeddah which it has fully impaired and which was acquired in 2009 through the acquisition, from a related party, of a subsidiary that owns this land. The ownership of this parcel is being contested in the Saudi Arabian judicial system. Management of the Group believes that the outcome of the litigation process will not result in any liabilities.

40.2.2 As at December 31, 2023, the Group is involved in certain law-suits for an amount of SR Nil (2022: SR 9.96 million) by a number of vendors and customers against the Group.

40.3 Guarantees:

The Group was contingently liable for bank guarantees issued in the normal course of the business amounting to SR 56.4 million as at December 31, 2023 (December 31, 2022: SR 56.2 million). The Group, collectively with other shareholders of equity accounted investments, is also contingently liable for corporate guarantees amounting to SR 316.7 million at December 31, 2023 (December 31, 2022: SR 162.3 million) in relation to the borrowing facilities of related joint ventures and associated companies.

Pursuant to-IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", an entity shall not recognize a contingent liability and a contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. Where an entity is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability. The entity recognizes a provision for the part of the obligation for which an outflow of resources embodying economic benefits is probable,except in the extremely rare circumstances where no reliable estimate can be made. The Group assessed continually the contingent liabilities to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision will be recognized in the financial statements of the period in which the change in probability occurs. Hence, no provision is required to be recognized on the consolidated financial statement as there were no particular circumstances that show that it is likely that the debtor(s) will fail to make payments when due, and the financial statements of associates can be used as evidence of the companies' ability and cash management when settling their liabilities and accounts.

41. SUBSEQUENT EVENT

The Board of Directors of the Company has recommended to the general assembly a share capital increase by offering rights shares of SR 346,500,000 that will result in an increase in number of shares from 9.9 million shares to 44.55 million shares. Post rights shares issuance, the share capital of the Company will increase from SR 99,000,000 to SR 445,500,000. The Company has received the approval from CMA, the next step on the process is to have the Extra-Ordinary General Assembly for approval. This transaction of capital increase is considered as a non-adjusting subsequent event and the accounting implication of this transaction has not been reflected in these consolidated financial statements.

On December 31, 2023, the Group has signed a settlement agreement with one of the local creditor banks "Alinma Bank". According to this agreement, the Group will transfer the ownership of its entire shares in the International Infrastructure Management and Operation Co. Ltd. ("Amiwater") which is 100% owned by the Group, to an investment fund managed by the financial company affiliated by this bank. In return, the bank releases the Group from all its obligations towards the bank amounting to 572.7 million Saudi riyals. Accordingly, this agreement is considered as a full settlement of all the financial obligations due to this bank by Saudi Arabian Amiantit Co., noting that this debt represents approximately 50% of the total obligations owed by the Group to the bank. This transaction of settlement agreement is considered as a non-adjusting subsequent event and the accounting implication of this transaction has not been reflected in these consolidated financial statements. It is also worth noting that there are no proceeds from this agreement, and it will not result in any cash inflow for the company.

42. PRESENTATION ERRORS/RECLASSIFICATIONS

We identified certain presentation error in the prior year's consolidated financial statements that have no impact on consolidated statement of profit or loss and consolidated statements of financial positions presentation and to the notes to the consolidated financial statement. The presentation error and their correction are as follows:

42.1 Presentation errors affecting consolidated statement of profit or loss

Know-how fees amounting to SR 4.07 million for the year ended December 31, 2022 was presented and included in as part of selling and marketing expenses, now we have presented this item as part of cost of revenue:

	From *'December 31, 2022* *SR'000*	To *'December 31, 2022* *SR'000*
Cost of revenue (note 8)	-	4,070
Selling and marketing expenses (note 9)	4,070	-

42.2 Presentation errors affecting consolidated statement of financial position

Trade receivables under legal collection and retentions receivable, net of impairment loss on financial assets amounting to SR 370.8 million for the year ended December 31, 2022 was presented as non-current receivables, now we have presented this item as part of current trade receivables,net:

	From *'December 31,* *SR'000*	To *'December 31,* *SR'000*
Trade receivables,net (note 21)	-	370,803
Non-current receivables	370,803	-

Provision for loss making contracts amounting to SR 5.757 million for the year ended December 31, 2022 was presented and included in as part of others on accrued expense and other liabilities, now we have presented this item as impairment loss on financial asset for contract asset. Consequently, the impairment loss on financial asset for trade receivables have been adjusted as well amounting to SR 10.755 million for the year ended December 31, 2022 respectively to conform to the current year presentation:

	From *'December 31, 2022* *SR'000*	To *'December 31, 2022* *SR'000*
Accrued expenses and other liabilities (note 32)	5,757	-
Impairment loss on financial asset, contract asset (note 7.2)	10,755	5,757
Impairment loss on financial asset, trade receivables (note 21)	(10,755)	-

42.3 Presentation errors affecting the notes to the consolidated financial statement

We identified certain presentation error in the prior year's notes to the consolidated financial statements that have no impact on consolidated statements of financial position or of profit or loss or of comprehensive income. The presentation error and their correction is as follow:

Down payments made on current assets balance amounting to SR 5.769 million was not included as part of advances to suppliers for the year ended December 31, 2022 and was included in prepaid expenses, now we have presented this item as follows:

	From *'December 31, 2022* *SR'000*	To *'December 31, 2022* *SR'000*
Advances to suppliers (note 22)	-	5,769
Prepaid expenses (note 22)	5,769	-

VAT and withholding tax payable balance amounting to SR 34.917 million not presented separately for the year ended December 31, 2022 and was included in Other accrued expenses, now we have presented this item separately as follows:

	From *'December 31, 2022* *SR'000*	To *'December 31, 2022* *SR'000*
VAT and withholding tax payable (note 32)	-	34,917
Other accrued expenses (note 32)	34,917	-

43. DATE OF AUTHORIZATION

These consolidated financial statements were authorized for issue by the Group's Board of Directors on 3 Shaban 1445H corresponding to 13 February 2024G.