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

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2024

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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Ernst & Young Professional Services (Professional LLC)
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INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS
TO SHAREHOLDERS OF RED SEA INTERNATIONAL COMPANY
(A SAUDI JOINT STOCK COMPANY)

Qualified Opinion

We have audited the consolidated financial statements of Red Sea International Company, a Saudi Joint Stock Company (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, except for the possible effect of the matter described in the Basis of Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Qualified Opinion

As referred to the note 38 of the consolidated financial statements, the Parent Company entered into a shareholders' agreement (SHA) on 1 October 2023 to acquire 51% stake in a subsidiary. The SHA includes put and call options in relation to the non-controlling interest in the subsidiary exercisable subject to certain terms and conditions to be met over a period of time. As per IFRS, the Group is required to account for such options from the date of the acquisition of the subsidiary based on appropriate valuation. However, these options were not recognized in the consolidated financial statements as of 31 December 2024 and 2023, which constitute a departure from IFRS as endorsed in the Kingdom of Saudi Arabia. The effects on the consolidated financial statements of the above has not been determined, as the Company has not performed the valuation exercise for the above options as of 31 December 2024 and 2023.As disclosed in note 41, events after reporting date of the consolidated financial statements, the Parent Company and the minority shareholders of First Fix entered into an agreement on 9 April 2025 that terminated the put and call options.

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

Material uncertainty related to going concern

We draw attention to Note 2.1 in the consolidated financial statements, which indicates that, as of 31 December 2024, the accumulated losses of the Company amounted to SR 283.3 million which represent 93.7% of the Company's capital (31 December 2023: SR 219.7 million representing 72.7% of the capital). Additionally, at 31 December 2024, the Group's current liabilities exceeded its current assets by SR 250.7 million (31 December 2023: SR 346.3 million). As stated in Note 2.1, these events or conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Key Audit Matters

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

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

Key audit matter	How our audit addressed the key audit matter
RECOGNITION OF EXPECTED CREDIT LOSSES UNDER IFRS 9 At 31 December 2024, the Group has gross outstanding receivables of SR 1,696.8 million (2023: SR 1,160 million) related to trade receivables and contract assets. At 31 December 2024, an allowance for expected credit losses amounting to SR 222.2 million (2023: SR 184.2 million). Assessment of expected credit losses ("ECL") is considered to be a key audit matter for us due to the significant judgement required in determining the allowance for expected credit losses and in the preparation of ECL model.	We performed the following procedures to address the key audit matter: - Obtained and tested the expected credit loss (ECL) model prepared by the management. - Evaluated the reasonableness of the significant judgments used by the management to develop loss rates and final ECL allowance using the loss rates. - Verified the data inputs used in assessing the loss rates.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
RECOGNITION OF EXPECTED CREDIT LOSSES UNDER IFRS 9 (continued) *Refer to the notes 4, 18, 19 and 35 of the consolidated financial statement for the accounting policy and other related information.*	- Evaluated forward-looking information, wherever applicable, that reflects the impact of future events on expected credit losses. - Assessed the adequacy of disclosures presented in the consolidated financial statements.
IMPAIRMENT OF NON-FINANCIAL ASSETS As at 31 December 2024, the carrying value of the Group's property, plant and equipment, investment properties, intangible assets and right-of-use assets amounted to SR 103.9 million, SR 195.6 million, SR 491.1 million and SR 49.9 million, respectively. At each reporting date, the Group reviews whether there are any events or changes in circumstances (impairment indicators) which indicate that the carrying amount of non-current assets may not be recoverable. If any impairment indicators are identified, the management perform impairment assessment by calculating the recoverable amounts of the related Cash Generating Units (the "CGUs") comparing them against their carrying amounts. For the goodwill, the impairment assessment is performed on annual basis. For the purpose of the financial statements for the year ended 31 December 2024, the management assessed the losses incurred by certain CGUs and expected market condition as impairment indicators and accordingly, performed impairment assessment.	We performed the following procedures to address the key audit matter: - Reviewed the management's procedures in identifying impairment indicators. - Obtained management's impairment calculations and related key assumptions including revenue forecasts, basis of selection of growth rates and discount rates. - Assessed the appropriateness of the valuation model and tested significant assumptions used in the impairment analysis, such as discount rate and terminal growth rate. - Future cash flows were tested through comparison to current performance against budget and forecasts, considering the historical consistency of budgeting and forecasting and understanding from management in respect of key growth and performance assumptions used. Our internal valuation specialists were involved to assess the reasonableness of the discount rate used and overall impairment computation. - Assessed the adequacy of the related disclosures in the accompanying consolidated financial statements.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
IMPAIRMENT OF NON-FINANCIAL ASSETS (continued) Based on assessment performed, the management concluded that the recoverable amounts of non-current assets of certain of the Company's CGUs were lower than their carrying amounts, and accordingly, recorded an impairment loss of SR 8.6 million for the year ended 31 December 2024 (2023: SR 23 million). This assessment required management to use significant judgment over the assumptions and estimations in determining the recoverable amount. The significant assumptions and estimations used include, among others, annual revenue growth, forecasted gross margins and weighted average cost of capital. Due to aforesaid facts, we determined that this is a key audit matter. *Refer to the notes 4, 13, 14 ,15 and 16 of the consolidated financial statement for the accounting policy and other related information.*	- Assessed the qualifications, independence and expertise of the management's external valuers, involved in the valuation of investment properties.

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
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PURCHASE PRICE ALLOCATION UNDER IFRS 3

Effective 1 October 2023, the Group acquired 51% shareholding of an entity for purchase consideration of SR 644.8 million. At the time of initial recognition, the Group has accounted for the acquisition based on the provisional fair values of the acquired assets and liabilities and recognized goodwill of SR 403.3 million. During the year, the Group with involvement of an external consultant completed the purchase price allocation ("PPA") to net assets acquired in which the Group identified and measured the identifiable assets and liabilities assumed as of the acquisition date in accordance with the requirements of IFRS 3.

As a result of the exercise performed and subsequently adjusted, following adjustments to book value of net assets have been recorded by the Group at the date of acquisition:

- Net uplift of other intangible assets with defined useful life by SR 404.2 million.
- Decrease of retention receivables, trade receivables and contracts assets by SR 20.5 million.
- Decrease of goodwill by SR 195.6 million.
- Increase of non-controlling interest by SR 188.1 million.

Purchase price allocation ("PPA") is considered to be a key audit matter for us due to the significant judgement required in determining the PPA of the acquired net assets of the entity.

Refer to the notes 4, 15 and 38 of the consolidated financial statement for the accounting policy and other related information.

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We performed the following procedures to address the key audit matter:

- Obtained understanding of the process followed by management for the identification of net assets and determination of fair values at the acquisition date of subsidiary.
- Obtained understanding of the methodology adopted by management for the valuation in respect of identified intangible assets, including appropriateness of the discount rates, cash flow forecasts and assumptions used.
- Assessed the qualifications, independence and expertise of the management's external valuers, involved in the valuation.
- Involved internal valuation specialists to assess the methodology used by the management specialist, reasonableness of the discount rate used and other significant assumptions.
- Assessed whether the identification and method of valuation of identified intangible assets in line with the applicable accounting standards.
- Assessed the reasonableness of key assumptions. Further, we agreed input data to supporting evidence such as approved budgets and reasonableness of these budgets.
- Assessed the adequacy of disclosures in the accompanying consolidated financial statements.

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Other information included in the Group's 2024 Annual Report

Other information consists of the information included in the Group's 2024 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

The Company's accumulated losses exceeded 50% of its issued capital as at 31 December 2024. As required by article 132 of the companies' law, the Company has taken certain steps as detailed in note 2.1 which is still subject to regulatory approvals.

for Ernst & Young Professional Services

Marwan S. AlAfaliq
Certified Public Accountant
License No. 422

CR 2051058792
Ernst & Young Professional Services (Professional LLC)

Al Khobar: 19 Shawwal 1446H
17 April 2025

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	Note	***2024*** ***SR'000***	*2023* *SR'000* *(Restated)* *(Note 40)*
CONTINUING OPERATIONS			
Revenues	6	**2,984,238**	1,378,489
Cost of revenues	7	**(2,637,193)**	(1,268,890)
GROSS PROFIT		**347,045**	109,599
EXPENSES			
Selling and distribution	8	**(12,784)**	(10,513)
General and administration	9	**(226,121)**	(85,111)
Allowance for expected credit losses, net		**(38,008)**	(7,606)
OPERATING PROFIT		**70,132**	6,369
Other income (loss)	10	**2,365**	(854)
Finance costs	11	**(29,341)**	(12,393)
Finance income		**161**	530
PROFIT (LOSS) BEFORE ZAKAT AND INCOME TAX		**43,317**	(6,348)
Income tax	30	**(2,495)**	(1,989)
Zakat	30	**(23,892)**	(1,347)
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**16,930**	(9,684)
DISCONTINUED OPERATIONS			
Loss after tax for the year from discontinued operations	39	**(12,869)**	(13,447)
PROFIT (LOSS) FOR THE YEAR		**4,061**	(23,131)
PROFIT (LOSS) ATTRIBUTABLE TO:			
Equity holders of the Parent Company		**(62,365)**	(48,015)
Non-controlling interests		**66,426**	24,884
		4,061	(23,131)
LOSS PER SHARE:			
Basic and diluted losses per share attributable to the shareholders of the Parent Company	12	**(2.06)**	(1.59)

Chairman of the Board

Chief Financial Officer

Chief Executive Officer

The attached notes 1 to 41 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Note	***2024*** ***SR'000***	*2023* *SR'000* *(Restated)* *(Note 40)*
Profit (Loss) for the year		**4,061**	(23,131)
Other comprehensive income not to be reclassified to the consolidated statement of profit or loss in subsequent periods:			
Actuarial (loss) gain on defined benefit liabilities	26	**(227)**	29
Deferred tax credit on the gain on remeasurement of employee benefit obligations	30	**9**	-
Net other comprehensive (loss) income not to be reclassified to consolidated statement of profit or loss in subsequent periods		**(218)**	29
Other comprehensive (loss) income for the year		**(218)**	29
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**3,843**	(23,102)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Parent Company		**(63,561)**	(47,277)
Non-controlling interests		**67,404**	24,175
		3,843	(23,102)

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

The attached notes 1 to 41 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	*2024* *SR'000*	*2023* *SR'000* *(Restated)* *(Note 40)*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	**103,956**	81,503
Investment properties	14	**195,590**	224,283
Intangible assets and goodwill	15	**491,064**	589,284
Right-of-use assets	16	**49,969**	48,964
Retention receivables	19	**263,200**	257,490
Deferred tax assets	30	**1,460**	1,185
TOTAL NON-CURRENT ASSETS		**1,105,239**	1,202,709
CURRENT ASSETS			
Inventories	17	**60,914**	43,936
Contract assets and unbilled revenue	18	**681,857**	328,599
Trade receivables	19	**529,489**	389,740
Advances to suppliers	20	**391,713**	487,417
Prepayments and other receivables	21	**88,051**	56,538
Cash and cash equivalents	22	**26,190**	157,635
TOTAL CURRENT ASSETS		**1,778,214**	1,463,865
Assets held for sale	39	**4,107**	6,510
TOTAL ASSETS		**2,887,560**	2,673,084
EQUITY AND LIABILITIES			
EQUITY			
Share capital	23	**302,344**	302,344
Accumulated losses		**(283,294)**	(219,733)
Foreign currency translation reserve		**(11,779)**	(11,779)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		**7,271**	70,832
NON-CONTROLLING INTERESTS	24	**487,198**	419,794
TOTAL EQUITY		**494,469**	490,626
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings	25	**215,767**	222,675
Employees' defined benefit liabilities	26	**75,952**	57,496
Non-current portion of lease liabilities	16	**28,137**	28,299
Non- current portion of retention payable	29	**9,685**	28,736
Other non-current liabilities	27	**30,493**	28,555
TOTAL NON-CURRENT LIABILITIES		**360,034**	365,761

The attached notes 1 to 41 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2024

	Note	***2024*** ***SR'000***	*2023* *SR'000*
CURRENT LIABILITIES			
Deferred consideration	38	**394,799**	399,799
Trade payables	28	**558,058**	440,721
Accruals and other current liabilities	29	**451,540**	349,004
Short-term interest bearing loans and borrowings	25	**60,162**	20,000
Current portion of interest bearing loans and borrowings	25	**48,167**	84,750
Current portion of lease liabilities	16	**26,772**	23,930
Amount due to a shareholder	31	**81,225**	81,225
Contract liabilities	18	**346,598**	350,669
Zakat and income tax payable	30	**42,961**	42,687
TOTAL CURRENT LIABILITIES		**2,010,282**	1,792,785
Liabilities directly associated with the assets held for sale	39	**22,775**	23,912
TOTAL LIABILITIES		**2,393,091**	2,182,458
TOTAL EQUITY AND LIABILITIES		**2,887,560**	2,673,084

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

The attached notes 1 to 41 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributed to shareholders of the parent Company					
	Share capital	*Accumulated losses*	*Foreign currency translation reserve*	*Total*	*Non-controlling interests*	*Total equity*
	SR '000	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*
As at 1 January 2023	302,344	(172,456)	(11,779)	118,109	(24,435)	93,674
(Loss) profit for the year - restated	-	(48,015)	-	(48,015)	24,884	(23,131)
Other comprehensive income (loss) - restated	-	738	-	738	(709)	29
Total comprehensive (loss) income - restated	-	(47,277)	-	(47,277)	24,175	(23,102)
Acquisition of a subsidiary (note 38)	-	-	-	-	232,032	232,032
Impact of reassessment (note 15 & 40)	-	-	-	-	198,059	198,059
Impact of restatement (note 40)	-	-	-	-	(10,037)	(10,037)
Balance at 31 December 2023 - restated	302,344	(219,733)	(11,779)	70,832	419,794	490,626
(Loss) profit for the year	-	(62,365)	-	(62,365)	66,426	4,061
Other comprehensive (loss) income	-	(1,196)	-	(1,196)	978	(218)
Total comprehensive (loss) income	-	(63,561)	-	(63,561)	67,404	3,843
Balance at 31 December 2024	**302,344**	**(283,294)**	**(11,779)**	**7,271**	**487,198**	**494,469**

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

The attached notes 1 to 41 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Note	*2024* *SR'000*	*2023* *SR'000* *(Restated)*
OPERATING ACTIVITIES			
Profit (loss) before zakat and income tax from continuing operations		**43,317**	(6,348)
Loss before zakat and income tax from discontinued operations		**(12,650)**	(13,447)
		30,667	(19,795)
Adjustments to reconcile income before zakat and income tax to net cash flows:			
Depreciation of property, plant and equipment	13	**23,767**	13,848
Depreciation of investment properties	14	**37,314**	46,698
Amortization of intangible assets	15	**98,200**	25,103
Depreciation of right-of-use assets	16	**24,950**	10,451
Provision for employees' defined benefit liabilities	26	**27,479**	9,386
Finance costs	11 & 39	**35,701**	17,452
Allowance for expected credit losses		**38,008**	7,606
Impairment loss on property, plant and equipment and investment properties		**5,953**	23,047
Impairment of right of use assets		**2,666**	-
Finance income		**(161)**	(530)
(Gain) loss on disposal of property, plant and equipment and investment properties		**(992)**	1,546
Gain on modification of right-of-use asset and related lease liabilities		**(202)**	(285)
		323,350	134,527
Working capital adjustments:			
Inventories		**(15,583)**	7,605
Contract assets		**(371,676)**	(120,055)
Trade receivables		**(165,069)**	(108,761)
Advances to suppliers		**95,704**	31,427
Prepayment and other receivables		**(31,430)**	40,667
Trade payables		**116,109**	13,804
Retention payables		**(19,051)**	28,736
Accruals and other current liabilities		**104,661**	(218,624)
Other non-current liabilities		**1,938**	1,623
Contract liabilities		**(4,071)**	233,580
Cash from operations		**34,882**	44,529
Finance cost paid		**(35,211)**	(17,439)
Employees' defined benefit liabilities paid	26	**(9,060)**	(6,412)
Zakat and income tax paid	30	**(26,871)**	(1,000)
Net cash flows (used in) from operating activities		**(36,260)**	19,678

The attached notes 1 to 41 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2024

	Note	***2024 SR'000***	*2023 SR'000 (Restated) (Note 42)*
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	**(45,814)**	(10,176)
Purchase of investment properties	14	**(14,574)**	(13)
Purchase of intangible assets	15	**(73)**	(215)
Deferred consideration		**(5,000)**	-
Finance income		**161**	530
Acquisition of a subsidiary, net of cash acquired		**-**	(124,138)
Proceeds from disposal of property, plant and equipment and investment properties		**1,587**	6,077
Net cash used in investing activities		**(63,713)**	(127,935)
FINANCING ACTIVITIES			
Proceeds from the interest bearing loans and borrowings		**267,395**	321,500
Loan received from a shareholder	31	**-**	35,200
Repayment of interest bearing loans and borrowings		**(273,127)**	(114,082)
Payment of principal portion of lease liabilities		**(25,727)**	(8,647)
Net cash (used in) from financing activities		**(31,459)**	233,971
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(131,432)**	125,714
Cash and cash equivalents at the beginning of the year		**158,056**	32,342
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	22	**26,624**	158,056

SIGNIFICANT NON-CASH TRANSACTION:

Remeasurement (gain) loss on employees' defined benefit liabilities	26	**227**	(29)
Recognition of goodwill	15	**-**	403,296
Investment properties transferred from inventories	14	**-**	20,657

Chairman of the Board

Chief Financial Officer

Chief Executive Officer

The attached notes 1 to 41 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

Red Sea International Company (the "Company") ("Parent Company") and its subsidiaries (collectively the "Group") consist of the Company, a Saudi joint stock company, and its Saudi Arabian and foreign subsidiaries and branches. The Company was registered in Jeddah, Kingdom of Saudi Arabia under commercial registration number 4030286984 pursuant to Ministerial Resolution No. 2532 dated 2 Ramadan 1427H (September 25, 2006). During 2021, the Company has changed its registered address to Riyadh, Kingdom of Saudi Arabia and converted a branch commercial registration number 1010566349 into Company's main commercial registration. The registered address of the Company is P.O. Box 13316, Al Thumamah Road, Ar-Rabie District, Riyadh, Kingdom of Saudi Arabia. The Company have the following branches in the Kingdom of Saudi Arabia:

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

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

	Country of incorporation	*Effective ownership percentage*	
		2024	*2023*
Subsidiaries			
The Fundamental Installation for Electric Work Company Limited ("First Fix") (refer note 1.1)	Saudi Arabia	**51%**	51%
Red Sea Housing Services (Ghana) Limited ("RSG")	Ghana	**100%**	100%
SARL Red Sea Housing Services Algeria Limited ("RSA")	Algeria	**98%**	98%
Red Sea Housing Services Company Dubai FZE ("RSD")	UAE	**100%**	100%
Red Sea Building Materials and Equipments Trading Company ("RSBM")	Saudi Arabia	**100%**	100%
Premier Paints Company ("PPC") (refer note 39)	Saudi Arabia	**81%**	81%
Red Sea Housing Services (Mozambique), LDA ("RSM")	Mozambique	**100%**	100%
Red Sea Housing Services LLC ("RSO")	Oman	**100%**	100%
Red Sea Construction LLC ("RSC")	UAE	**100%**	100%
Joint Operations			
Red Sea Hanchi ("RSHC")	Algeria	**49%**	49%

1.1 On 9 June 2023, corresponding to 20 Thul-Qi'dah 1444H, the Company entered into an agreement for purchase of 51% shares in First Fix, a limited liability company registered in Jeddah, Kingdom of Saudi Arabia. Completion of the acquisition was subject to related regulatory and corporate approval as well as meeting certain conditions under the agreement signed with partners of the First Fix. The Company obtained the related regulatory approval and met the conditions with respect of the acquisition of First Fix. Accordingly, effective 1 October 2023, the First Fix was recognized as a subsidiary of the Company. Total purchase consideration for the acquisition of First Fix amounted to SR 644.8 million of which SR 250 million is payable in cash and the rest amounting to SR 394.8 million is payable either in cash or in-kind by way of newly issued shares of the parent Company (refer note 38).

1 CORPORATE INFORMATION (continued)

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

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

The consolidated financial statements of the Group for the year ended 31 December 2024 were authorised for issuance in accordance with the Board of Directors resolution dated 31 March 2025 (2 Shawwal 1446H).

2 BASIS OF PREPARATION

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

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

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

2.1 Going concern basis of accounting

As of 31 December 2024, the accumulated losses of the Group amounted to SR 283.3 million (31 December 2023: SR 219.7 million), representing 93.7% of the share capital as of the same date (31 December 2023: 72.7%). Additionally, as of 31 December 2024, the Group’s current liabilities exceeded its current assets by SR 250.7 million (31 December 2023: SR 346.3 million). Consequently, the Group was not in compliance with a covenant related to the current ratio, which constitutes an event of default under two borrowing agreements with commercial banks (note 25). Furthermore, on 1 October 2023, the Parent Company completed the acquisition of a 51% stake in The Fundamental Installation for Electric Work Company Limited (“First Fix”) for a total purchase consideration of SR 644.8 million. Of this amount, SR 250 million was settled in cash, financed through a new facility agreement obtained from a local commercial bank (refer to note 25), while the remainder of SR 394.8 million (deferred consideration) is payable either in cash or in-kind through newly issued shares of the Parent Company.

Additionally, Al-Dabbagh Group, which owns 70% of the Parent Company’s share capital, has provided short-term loans to the Parent Company amounting to SR 81.2 million (December 31, 2023: same) which were due in 2024 but were unpaid as at the reporting date.

Furthermore, the share purchase agreement with First Fix includes both call and put options. Notably, the put option can be exercised by minority shareholders in 2026, contingent upon First Fix achieving specific KPIs. If exercised, the put option would require the Parent Company to settle a substantial cash outflow of approximately SR 555 million, which represents 46% of the exercise price. The remaining amount of SR 652 million, accounting for 56%, can be settled either in cash or through the issuance of equity shares, at the Parent Company's discretion.

These events and conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern.

2 BASIS OF PREPARATION (continued)

2.1 Going concern basis of accounting (continued)

On 17 March 2024, corresponding to 7 Ramadhan 1445H, the Board of Directors proposed a capital increase by converting shareholder loans amounting to SR 81.2 million and settling the purchase consideration First Fix through the issuance of shares totaling SR 394.8 million, pending regulatory approval and the consent of the Company's extraordinary general assembly. In April 2024, the Parent Company submitted the request for the capital increase to the relevant regulatory authority and is currently in the process of completing the necessary legal formalities and other regulatory requirements. Management assesses that, given the advanced stage of the application with the regulator, approval is expected by Q2 2025. If regulatory approval is not obtained, it would result in significant cash outflows of SR 394.8 million in the next 12 months.

On 9 April 2025, the Parent Company and the minority shareholders of First Fix entered into an agreement that terminated the put and call options specified in Article 12 of the shareholders' agreement retrospectively. As a consequence, there will be no cash flows associated with the call or put option.

The Company's ability to continue its operations is contingent upon the proposed equity restructuring of the shareholder loans and deferred consideration into equity, the ongoing availability of financing facilities, and an increase in revenue volume and margins through upcoming contracts. The Parent Company's management has made an assessment of it's ability to continue as a going concern with the consideration of current project backlog, future bids pipeline and related equity restructuring and is confident of its' ability to continue the business for foreseeable future.

At the reporting date, the Parent Company received waiver from the commercial banks with respect of the breach of covenants and therefore these balances are not immediately payable. While the shareholder loans were due at the reporting date, the Parent Company has the option to roll over the outstanding balance at the maturity with the consent from the shareholder. Accordingly, the shareholder has extended the maturity of the loan to August 2025 and is expected to further extend the maturity if the need arises.

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

2.2 Basis of consolidation

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2024. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

2 BASIS OF PREPARATION (continued)

2.2 Basis of consolidation (continued)

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

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

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

- Capital management (note 36)
- Financial risk management objectives and policies (note 35)
- Sensitivity analyses disclosures (note 26 & 35)

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

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

3.1 Significant judgements

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

Satisfaction of performance obligations

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

Transfer of control in contracts with customer

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

Determination of transaction price

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.1 Significant judgements (continued)

Determination of transaction price (continued)

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

Financing Component

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

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

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

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

Property lease classification - Group as lessor

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

Consolidation of subsidiaries

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

Going Concern

The Group's management has made an assessment of its ability to continue as a going concern as disclose in note 2.1 to the consolidated financial statements and discloses all of the matters of which the management is aware that are relevant to the Group's ability to continue as a going concern, including significant conditions and events, the management's plans for future action, and the feasibility of those plans and satisfied that the Group's operations shall continue for a foreseeable future under the normal course of business. Accordingly, these consolidated financial statements have been prepared on the going concern basis.

Joint Operations

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

- The structure of the joint arrangement – whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.1 Significant judgements (continued)

Joint Operations (cotninued)

- The legal form of the separate vehicle
- The terms of the contractual arrangement
- Other facts and circumstances (when relevant)

This assessment often requires significant judgement, and a different conclusion on joint control and also whether the arrangement is a JO or a JV, may materially impact the accounting.

Based on the Group's control assessment, investments held in RSHC is classified as joint operations. Based on management's judgement, the contractual arrangement establishes that the parties to the joint arrangement share their interests in all assets relating to the arrangement.

3.2 Estimations and assumptions

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

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

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

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

Impairment of non-financial assets

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

Provision for expected credit losses of trade receivables and contract assets

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.2 Estimations and assumptions (continued)

Provision for expected credit losses of trade receivables and contract assets (continued)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 35.

Defined benefit plans

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

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds. Further details about pension obligations are provided in note 26.

Impairment of inventories

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

Provision for decommissioning

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

Useful lives of property, plant and equipment and investment properties

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

Taxes

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

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.2 Estimations and assumptions (continued)

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

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

Leases - Estimating the incremental borrowing rate

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

4 MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in in the last year, except for the adoption of new standards effective as of 1 January 2024 as disclosed in note 5. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

4.1 Business combination and goodwill

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

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

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

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

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

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.1 Business combination and goodwill (continued)

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

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

4.2 Investments in associate

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

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

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

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

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

4.3 Interest in joint arrangements

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

Joint operations Red Sea Hanchi ("RSHC")

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

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

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.3 Interest in joint arrangements (continued)

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

4.4 Non-current assets held for sale and discontinued operations

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

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

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

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

4.5 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

4.6 Fair value measurement

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

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

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

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.6 Fair value measurement (continued)

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

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

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

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

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

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

4.7 Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers for sale of properties

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

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

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

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

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

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

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

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

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

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

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.7 Revenue recognition (continued)

Revenue from contracts with customers (continued)

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

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

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

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

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

Revenue from construction and general work contracts

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue. The Group has concluded that for all of its arrangements, it is either creating or enhancing an asset controlled by the customer or it is creating an asset with no alternative use and has an enforceable right to payment for work completed. Therefore, it meets the criteria to recognize revenue over time and measures progress of its projects through the input method, which best depicts the transfer of control of products and services under each performance obligation.

The Group's single performance obligation in all its contracts is to provide construction services under Mechanical, Electrical and Plumbing (MEP) contracts. The Group acts as a principal in all its contracts with customers. The Group's contracts portfolio comprises contracts based on lumpsum and re-measurable (unit rate) pricing.

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

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

A loss is recognized in profit or loss when the expected contract cost exceeds the anticipated contract revenue. Revenue is recognized in the consolidated statement of comprehensive income to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

The Group's construction contracts are recognized over time based on costs incurred as a proportion of total expected contract costs. The Group believes that this input method approach is most appropriate because engineering percentages of completion are not readily available.

Sale of goods - Building materials

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

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

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

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.7 Revenue recognition (continued)

Revenue from contracts with customers (continued)

Revenue from maintenance and installation services

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

Rental income

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

Financing Component

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

4.8 Property plant and equipment

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

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

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

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

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

4.9 Investment properties

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

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

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

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.9 Investment properties (continued)

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

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

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

4.10 Intangible assets /amortisation

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

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

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

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

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

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

Computer software	4 to 10 years
Customer relationship	6.5 years
Order backlog	3.3 years

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

4.11 Retention receivables

Retention receivables are amounts deducted from the interim billings made to the customers against works completed as a performance guarantee, to be collected from the customer after completion of the agreed period in the contract. The percentage of deduction is determined according to the contract terms. If settlement of the contract is expected in one year or less, they are classified as current. If not, they are presented as non-current.

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.12 Inventories

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

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

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

4.13 Contract assets and contract liabilities

The contract assets represent Group's right to receive the payments from the customers based on the revenue recognised over time based on the stage of completion of the services provided to the customers less any progress billings under the contractual terms. Contract assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less allowance for expected credit losses.

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group satisfy the performance obligation and recognise the revenues. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related assets or services to the customer).

4.14 Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Collection of trade receivable is expected in one year or less and therefore are classified as current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less allowance for expected credit losses. When the Group satisfies a performance obligation by delivering the promised services, it transfers the amounts from contract asset to trade receivables (unbilled). When the amounts are due from the customers as per the agreed terms and invoices are sent to the customers, the amounts are reclassified from trade receivables (unbilled) to trade receivables (billed).

4.15 Cash and cash equivalents

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

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

4.16 Provisions

Onerous contracts

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

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.16 Provisions (continued)

Onerous contracts

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

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

Assurance type warranties

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

Decommissioning costs

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

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

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

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

4.17 Contingencies

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

4.18 Expenses

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

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.19 Zakat and taxes

Zakat and income tax

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

Foreign subsidiaries and foreign branches are subject to income taxes in their respective countries of domicile. Such income taxes are charged to the consolidated statement of profit or loss.

Deferred tax

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

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

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

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

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

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

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

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

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

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.19 Zakat and taxes (continued)

Value added tax

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

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

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

4.20 Segment reporting

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

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

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

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

4.21 Earnings/(loss) per share

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

4.22 Leases

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

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

Group as a lessee

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

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

i) Right-of-use assets

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

Land	2 - 39 years
Equipments	4 years
Buildings	2 - 5 years

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.22 Leases (continued)

i) Right-of-use assets (continued)

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

ii) Lease liabilities

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

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

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

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

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

Group as a lessor

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

4.23 Foreign currencies

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

Transaction and balances

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

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

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.23 Foreign currencies (continued)

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

Group companies

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

4.24 Borrowing costs

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

4.25 Employee benefit obligations

Short-term employee benefits

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

Defined benefit plans

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

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

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

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

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

4.26 Cash dividend

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

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.27 Financial instruments – initial recognition, subsequent measurement and derecognition

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

Financial assets

Initial recognition and measurement

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

Subsequent measurement

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

Financial assets at amortised cost

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

Derecognition

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

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

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

Impairment of financial assets

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

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

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

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

Financial assets (continued)

Impairment of financial assets (continued)

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

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

Financial liabilities

Initial recognition and measurement

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

Subsequent measurement

The financial liabilities are subsequently measured at amortized costs.

Derecognition

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

Offsetting of financial instruments

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

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

4.28 Impairment of non financial assets

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

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

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

4.28 Impairment of non financial assets (continued)

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

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

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

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

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

5 STANDARDS ISSUED BUT NOT EFFECTIVE AND NEW STANDARDS

New and amended standards and interpretations:

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those used in the previous year, except for certain amendments to standards adopted by the Group as of 1 January 2024. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The adoption of these standards and interpretations did not have any effect on the Group's financial position, financial performance or disclosures.

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

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

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

5 STANDARDS ISSUED BUT NOT EFFECTIVE AND NEW STANDARDS

New and amended standards and interpretations (continued):

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

The amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

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

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

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

As a result of implementing the amendments, the Group has provided additional disclosures about its supplier finance arrangement. Please refer note 30.

Standards issued but not yet effective:

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

Lack of exchangeability – Amendments to IAS 21

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

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

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

Standards issued but not yet effective (continued):

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified ‘roles’ of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from ‘profit or loss’ to ‘operating profit or loss’ and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Group is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

The amendments are not expected to have an impact on the Company’s consolidated financial statements.

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

i. IFRS S1 General requirements for disclosure of sustainability-related financial information - 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. IFRS S2 Climate-related disclosures - This is the first thematic standard issued that set out requirements for entities to disclose information about climate related risks and opportunities.

6 REVENUES

	2024	*2023*
	SR'000	*SR'000*
Type of goods or service		
Revenue from the contract with customers:		
Revenue from construction and general work contracts	**2,626,200**	869,246
Revenue from sale of buildings	**228,517**	358,014
	2,854,717	1,227,260
Other revenue:		
Rental revenue from investment properties	**129,521**	151,229
	2,984,238	1,378,489
Timing of revenue recognition		
Services transferred over time	**2,755,721**	1,020,475
Goods and services transferred at a point in time	**228,517**	358,014
	2,984,238	1,378,489
Geographical markets		
Kingdom of Saudi Arabia	**2,957,497**	1,323,683
Out of the Kingdom of Saudi Arabia	**26,741**	54,806
	2,984,238	1,378,489
Customer wise revenue recognition		
Third parties	**2,984,238**	1,378,489

6.1 **Contract balances**

Trade receivables (note 19)	**529,489**	389,740
Contract assets (note 18)	**681,857**	328,599
Contract liabilities (note 18)	**346,598**	350,669

As per the contracts with the customers, there is no non-cash consideration or consideration payable to customer involved in the transaction price. The Group avails the practical expedient under IFRS 15 regarding the existence of a significant financing component within its revenue contracts. While retention balances are expected to be due for more than a year, their purpose is not considered to be financing in nature.

Contract assets relate to revenue earned from revenue contracts. As such, the balances of this account vary and depend on the number of ongoing contracts at the end of the year. Contract assets are initially recognised based on the value of work executed or delivered to the customers. Upon acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. During year ended 31 December 2024, SR 18.4 million (2023: reversal of SR 0.6 million) was recognised as provision for expected credit losses on contract assets. Refer note 18 for the details. The significant increase in contract assets relate to the revenue recognized during the year which was not billed as of reporting date.

Contract liabilities represent billing in excess of value of work executed for construction and general work contracts and advances received from customers with respect of the goods and services to be delivered in the future. Revenue recognised during the year that was included in the contract liability balance at the beginning of the period amounting to SR 84.4 million (2023: SR 73.8 million).

6 REVENUES (continued)

6.1 **Contract balances (continued)**

Set out below are the carrying amounts of contract liabilities and the movements during the year:

	2024	*2023*
	SR'000	*SR'000*
At 1 January	**350,669**	30,121
Acquisition during the year (note 38)	**-**	321,781
Balance offset against contract liabilities and assets	**(636,632)**	(106,104)
Increase due to cash received and billings	**716,989**	178,626
Recognised as revenue during the year	**(84,428)**	(73,755)
At 31 December	**346,598**	350,669

6.2 **Performance obligation**

Revenue from construction and general work contracts

The performance obligation is satisfied over the time where the Group's performance is measured using an input method, by reference to the inputs towards satisfying the performance obligation relative to the total expected inputs to satisfy the performance obligation. The payment is generally due within 30 to 90 days from the date of billings.

Revenue from sale of buildings

The performance obligation is satisfied upon delivery of the building unit and payment is generally due within 30 to 90 days from delivery.

Rental revenue from investment properties

Rental income arising from operating leases is accounted for on a straight-line basis over the lease term or based on occupancy and provision of services as applicable. The payment is generally due within 30 to 90 days from the date of billings.

Unsatisfied long-term contracts

As at 31 December 2024, the aggregate amount of the transaction price that is partially or fully unsatisfied is SR 3,710 million (2023: SR 3,230 million). Management estimates that approximately SR 2,700 million of the transaction price allocated to the unsatisfied contracts as at 31 December 2024 is expected to be recognised as revenue during 2025.

7 COST OF REVENUES

	2024	*2023*
	SR'000	*SR'000*
		(Restated)
		(Note 40)
Materials, subcontracting and other direct costs	**2,199,347**	1,017,436
Employee salaries and benefits	**110,234**	66,948
Depreciation and amortisation	**79,603**	65,743
Impairment loss (note 13 & 14)	**5,952**	23,047
Others	**242,057**	95,716
	2,637,193	1,268,890

8 SELLING AND DISTRIBUTION EXPENSES

	2024	*2023*
	SR'000	*SR'000*
Employee salaries and benefits	**10,571**	8,736
Depreciation and amortization	**440**	268
Visa and license expenses	**222**	204
Travelling	**187**	164
Marketing fees	**56**	97
Rent	**47**	49
Others	**1,261**	995
	12,784	10,513

9 GENERAL AND ADMINISTRATION EXPENSES

	2024	*2023*
	SR'000	*SR'000*
		(Restated)
		(Note 40)
Amortization of intangible assets	**98,200**	24,369
Employee salaries and benefits	**72,635**	34,763
Professional fees	**18,320**	13,249
Depreciation and amortization	**5,029**	2,396
Rent	**4,057**	1,048
Impairment of right of use assets	**2,666**	-
Travelling	**2,076**	912
Insurance	**1,852**	830
Utilities	**642**	723
Others	**20,644**	6,821
	226,121	85,111

Auditor's fee for the statutory audit and review of the Group's consolidated financial statements (including financial statements of certain subsidiaries) for the year ended 31 December 2024 amounted to SR 1.6 million (2023: SR 1.8 million). Auditors' fees for the provision of other services for the year ended 31 December 2024 amounted to SR 0.1 million (2023: SR 0.1 million).

10 OTHER INCOME (LOSS)

	2024	*2023*
	SR'000	*SR'000*
Net gains (loss) on disposal of property, plant and equipment and investment properties	**992**	(1,546)
Scrap sales	**692**	474
Net foreign currency exchange losses	**(526)**	(1,556)
Others, net	**1,207**	1,774
	2,365	(854)

11 FINANCE COSTS

	2024	*2023*
	SR'000	*SR'000*
		(Restated)
		(Note 40)
Non-conventional borrowings	**21,725**	6,222
Conventional borrowings	**3,380**	3,856
Interest expense on lease liabilities	**2,538**	1,173
Unwinding of discount for provision for decommissioning (note 27)	**607**	723
Bank charges and other costs	**1,091**	419
	29,341	12,393

12 LOSS PER SHARE

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

	2024	*2023*
	SR'000	*SR'000*
		(Restated)
Loss for the year attributable to the shareholders of the parent Company	**(62,365)**	(48,015)
Adjusted weighted average number of outstanding shares during the period (share '000)	**30,234**	30,234
Basic and diluted loss per share attributable to the shareholders of the Parent Company	**(2.06)**	(1.59)

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings and residential houses (note 13.1)	*Machinery and equipment*	*Furniture, fixtures and office equipment*	*Vehicles*	*Capital work-in-progress*	*Total*
	SR '000	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*
Cost:						
At 1 January 2023	163,654	70,855	21,483	25,823	43,398	325,213
Additions	-	6,210	1,356	2,036	574	10,176
Acquisition of a subsidiary (note 38)	-	23,526	17,172	13,491	-	54,189
Assets held for sale (note 39)	(15,595)	(11,070)	(3,468)	(945)	-	(31,078)
Disposals	(1,919)	(122)	(17)	-	-	(2,058)
At 31 December 2023	146,140	89,399	36,526	40,405	43,972	356,442
Accumulated depreciation and impairment:						
At 1 January 2023	108,076	63,942	20,079	22,196	42,331	256,624
Charge for the year	6,106	5,159	1,189	1,394	-	13,848
Acquisition of a subsidiary (note 38)	-	7,903	6,098	4,047	-	18,048
Assets held for sale (note 39)	(14,302)	(11,059)	(3,234)	(945)	-	(29,540)
Disposals	(928)	(122)	(13)	-	-	(1,063)
Impairment (note 13.2)	-	14,709	1,699	187	427	17,022
At 31 December 2023	98,952	80,532	25,818	26,879	42,758	274,939
Net book amounts:						
At 31 December 2023	47,188	8,867	10,708	13,526	1,214	81,503

13 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings and residential houses (note 13.1)	*Machinery and equipment*	*Furniture, fixtures and office equipment*	*Vehicles*	*Capital work-in-progress*	***Total***
	SR '000	*SR '000*	*SR '000*	*SR '000*	*SR '000*	***SR '000***
Cost:						
At 1 January 2024	146,140	89,399	36,526	40,405	43,972	356,442
Additions	-	22,104	5,903	16,215	1,685	45,907
Disposals	(930)	-	-	-	-	(930)
At 31 December 2024	**145,210**	**111,503**	**42,429**	**56,620**	**45,657**	**401,419**
Accumulated depreciation and impairment:						
At 1 January 2024	98,952	80,532	25,818	26,879	42,758	274,939
Charge for the year	4,676	7,623	4,621	5,939	-	22,859
Disposals	(335)	-	-	-	-	(335)
At 31 December 2024	**103,293**	**88,155**	**30,439**	**32,818**	**42,758**	**297,463**
Net book amounts:						
At 31 December 2024	**41,917**	**23,348**	**11,990**	**23,802**	**2,899**	**103,956**

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

13.2 The accumulated impairment losses on property, plant and equipment as of 31 December 2024 amounts to SR 63 million (31 December 2023: SR 63 million).

13.3 During the year ended 31 December 2023, considering the market conditions of the locations, management expectation on the future economic benefits of the respective assets and ongoing restructuring of the Group entities and the management has updated its business plan for certain business locations. Such assessment has resulted in impairment loss of property, plant and equipment of SR 17 million. No impairment loss has been recognized for the year.

13 PROPERTY, PLANT AND EQUIPMENT (continued)

13.4 Depreciation for the years has been allocated as follows:

	2024	*2023*
	SR'000	*SR'000*
Cost of revenue	**19,983**	12,883
General and administration expenses	**2,584**	856
Selling and distribution expenses	**292**	109
	22,859	13,848
Assets held for sale	**-**	(3,274)
	22,859	10,574

14 INVESTMENT PROPERTIES

	Freehold land	*Buildings and residential houses*	*Capital work-in-progress*	*Total*
	SR '000	*SR '000*	*SR '000*	*SR '000*
Cost:				
At 1 January 2023	4,228	951,738	422	956,388
Additions	-	13	-	13
Disposal	-	(39,221)	-	(39,221)
Transfer from inventories	-	20,657	-	20,657
Transfer to inventories	-	(22)	-	(22)
Foreign currency translation	-	1	-	1
At 31 December 2023	4,228	933,166	422	937,816
Additions	-	22	14,552	14,574
At 31 December 2024	**4,228**	**933,188**	**14,974**	**952,390**
Accumulated depreciation and impairment:				
At 1 January 2023	-	692,990	422	693,412
Charge for the year	-	46,698	-	46,698
Disposal	-	(32,593)	-	(32,593)
Transfer to inventories	-	(10)	-	(10)
Impairment (note 14.2)	-	6,025	-	6,025
Foreign currency translation	-	1	-	1
At 31 December 2023	-	713,111	422	713,533
Charge for the year	-	37,314	-	37,314
Impairment (note 14.2)	-	5,952	-	5,952
Foreign currency translation	-	1	-	1
At 31 December 2024	**-**	**756,378**	**422**	**756,800**
Net book amounts:				
At 31 December 2024	**4,228**	**176,810**	**14,552**	**195,590**
At 31 December 2023	4,228	220,055	-	224,283

14 INVESTMENT PROPERTIES (continued)

14.1 Direct operating expenses in respect of investment properties generating rental income for the year amounts to SR 40.93 million (2023: SR 49.01 million).

14.2 During the year, the management performed assessment of its investment properties considering the market conditions of the certain assets and management expectation on the future economic benefits of the respective assets. Such assessment has resulted in impairment loss of investment properties of SR 5.95 million (2023: based on the management assessment impairment loss of SR 6 million recognized).

14.3 At the reporting date, the fair value of the Group's investment property has been arrived on the basis of the valuation exercise carried out by following independent valuers, who are not related to the Group. Fair value of investment properties are as follows:

Location	*Independent valuers*	*Valuer's qualification*	*Fair Value SR '000*
2024			
KSA	Land Sterling Property Consultants	Registered valuers with Saudi Authority for Accredited Valuers (Taqeem Saudi Arabia) and Member of Royal Institute of Chartered Surveyors	**213,631**
Dubai	Land Sterling Property Consultants		**185**
Oman	Land Sterling Property Consultants		**1,130**
			214,946
2023			
KSA	Land Sterling Property Consultants	Registered valuers with Saudi Authority for Accredited Valuers (Taqeem Saudi Arabia) and Member of Royal Institute of Chartered Surveyors	257,587
Dubai	Land Sterling Property Consultants		1,462
Oman	Land Sterling Property Consultants		1,276
			260,325

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

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

	Level 1 SR '000	*Level 2 SR '000*	*Level 3 SR '000*	*Total SR '000*
2024	-	-	**214,946**	**214,946**
2023	-	-	260,325	260,325

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

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

15 INTANGIBLE ASSETS AND GOODWILL

	Goodwill	*Customer relationships*	*Order backlog*	*Computer software*	*Total*
	SR '000	*SR '000*	*SR '000*	*SR '000*	*SR '000*
Cost:					
At 1 January 2023	6,416	-	-	9,706	16,122
Additions / reassessment	403,296	174,800	229,400	215	807,711
Allocated to intangibles	(195,692)	-	-	-	(195,692)
At 31 December 2023	214,020	174,800	229,400	9,921	628,141
Additions	-	-	-	73	73
Reclassification	-	-	-	(93)	(93)
At 31 December 2024	**214,020**	**174,800**	**229,400**	**9,901**	**628,121**
Accumulated amortisation and impairment:					
At 1 January 2023	6,365	-	-	7,389	13,754
Charge for the year	-	-	-	734	734
Reassessment	-	6,723	17,646	-	24,369
At 31 December 2023	6,365	6,723	17,646	8,123	38,857
Charge for the year	-	26,892	70,585	723	98,200
At 31 December 2024	**6,365**	**33,615**	**88,231**	**8,846**	**137,057**
Net carrying value					
At 31 December 2024	**207,655**	**141,185**	**141,169**	**1,055**	**491,064**
At 31 December 2023	207,655	168,077	211,754	1,798	589,284

Intangible assets include goodwill, customer relationship and orders backlog related to the acquisition of a subsidiary, The Fundamental Installation for Electric Work Company “First Fix” during 2023 and assigned with the construction segment. The acquisition has been accounted for using the acquisition method under IFRS 3 – Business Combinations (the “Standard”) with the Group being the acquirer and First Fix being the acquiree. The Group has accounted for the acquisition based on the provisional fair values of the acquired assets and liabilities and recognized goodwill of SR 403.3 million.

During the year ended 31 December 2024, the Group in consultation with an external consultant, has completed the purchase price allocation exercise pertaining to the acquisition of First Fix. Consequently, provisional goodwill of SR 206 million has been allocated to the fair values of identifiable assets and liabilities resulting in revised goodwill of SR 203.6 million. In addition. intangible assets relating to customer relationship and order backlog amounting to SR 174.8 million and SR 229.4 million with definite useful life, have been recognized and related NCI have been adjusted by an amount of SR 186 million in the statement of changes in equity for the year ended 31 December 2023. These adjustments are recognized retrospectively, and comparative information was revised which is in line with the requirements of IFRS 3 “Business Combinations” (note 38). Subsequent to the remeasurement, the management of the Group identified error (note 40) with relates to the fair value of certain assets remeasured after twelve months period from the date of the acquisition and corrected with adjustments are recognized retrospectively resulting SR 20.5 million reduction in the fair value of the respective assets with the corresponding impact of SR 10.5 in goodwill and SR 10 million in the NCI.

The Group performs its impairment test annually and when circumstances indicate that the carrying value may be impaired. As at 31 December 2024, an impairment assessment of goodwill was conducted to determine whether the carrying values exceed the recoverable amounts and was concluded that goodwill was not impaired. The recoverable amount of the construction segment as at 31 December 2024 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 15% and cash flows beyond the five-year period are extrapolated using a 1.5% growth rate. As a result of the analysis, the management did not identify an impairment for this CGU. The calculation of value in use for construction segment is most sensitive to the assumption of gross margins of the projects, discount rate and growth rates used to extrapolate cash flows beyond the forecast period. As a result of the analysis, there is headroom of SR 342 million.

16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

	Land *SR'000*	*Building* *SR'000*	*Equipment* *SR'000*	*Total* *SR'000*
Cost:				
Amount as of 1 January 2023	83,864	-	144	84,008
Acquisition of a subsidiary (note 38)	-	15,235	-	15,235
Additions	-	2,985	-	2,985
Remeasurement	140	337	-	477
Assets held for sale (note 39)	(691)	-	-	(691)
Lease termination	(1,770)	-	-	(1,770)
At 31 December 2023	81,543	18,557	144	100,244
Additions	-	28,698	-	28,698
Remeasurement	-	(127)	-	(127)
At 31 December 2024	**81,543**	**47,128**	**144**	**128,815**
Accumulated amortisation:				
At 1 January 2023	40,757	-	72	40,829
Depreciation expense	7,394	2,985	72	10,451
At 31 December 2023	48,151	2,985	144	51,280
Depreciation expense	11,052	13,848	-	24,900
Impairment	2,666	-	-	2,666
At 31 December 2024	**61,869**	**16,833**	**144**	**78,846**
Net carrying value				
At 31 December 2024	**19,674**	**30,295**	**-**	**49,969**
At 31 December 2023	33,392	15,572	-	48,964

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

	Lease liabilities	
	2024 ***SR'000***	*2023* *SR'000*
At 1 January	**52,229**	46,468
Acquisition of a subsidiary (note 38)	**-**	13,822
Additions to lease liabilities	**28,698**	2,985
Interest expense	**2,538**	1,173
Remeasurement	**(329)**	192
Termination	**-**	(1,822)
Liabilities directly associated with the assets held for sale (note 39)	**-**	(769)
Payments	**(28,227)**	(9,820)
At 31 December	**54,909**	52,229
Current portion of lease liabilities	**26,772**	23,930
Non-current portion of lease liabilities	**28,137**	28,299

Maturity analysis of lease liabilities have been disclosed in the note 35 of these consolidated financial statements.

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

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

	2024	*2023*
	SR'000	*SR'000*
Expense relating to short-term leases and low value assets	**49,519**	45,616
Depreciation expense of right-of-use assets	**24,900**	10,451
Interest expense on lease liabilities	**2,538**	1,173
	76,957	57,240

17 INVENTORIES

	2024	*2023*
	SR'000	*SR'000*
Raw materials	**51,378**	44,924
Work in progress	**16,665**	3,296
Finished goods	**46,076**	48,679
	114,119	96,899
Less: provision for obsolete inventory	**(53,205)**	(48,331)
Assets held for sale (note 39)	**-**	(4,632)
	60,914	43,936

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

	2024	*2023*
	SR'000	*SR'000*
At the beginning of the year	**48,331**	52,676
Provision (reversal) for the year	**4,874**	(1,108)
Assets held for sale (note 39)	**-**	(3,237)
	53,205	48,331

At the reporting date, the Group re-assessed the realisable value of inventories and as a result, provision of SR 4.9 million was recognized (2023: provision of SR 1.1 million was reversed) in the consolidated statement of profit or loss by taking into consideration the age and condition of these inventories.

18 CONTRACT ASSETS AND CONTRACT LIABILITIES

18.1 Contract assets

	2024	*2023*
	SR'000	*SR'000*
		(Restated)
		(Note 40)
Value of work executed in excess of billing	**641,889**	251,670
Sale of building - work executed but not billed	**54,826**	53,981
Rental revenue - accrued but not billed	**19,099**	38,487
	715,814	344,138
Allowance for expected credit losses	**(33,957)**	(15,539)
	681,857	328,599

18 CONTRACT ASSETS AND CONTRACT LIABILITIES (continued)

18.1 Contract assets (continued)

Movements in allowance for expected credit losses are as follows:

	2024	*2023*
	SR'000	*SR'000*
		(Restated)
		(Note 40)
At the beginning of the year	**15,539**	5,664
Provision for the year	**18,418**	(589)
Acquisition of a subsidiary (note 38)	**-**	10,464
	33,957	15,539

18.2 Contract liabilities

	2024	*2023*
	SR'000	*SR'000*
		(Restated)
		(Note 40)
Customer advances and deposits	**329,371**	313,441
Billings in excess of value of work executed	**17,227**	37,228
	346,598	350,669

19 TRADE RECEIVABLES

	2024			*2023 (Restated) (note 40)*		
	Receivables from contracts with customers	*Rental receivables*	*Total*	*Receivables from contracts with customers*	*Rental receivables*	*Total*
	SR'000			*SR'000*		
Trade receivables (note 19.1)	433,085	42,547	**475,632**	396,597	46,244	442,841
Retentions receivable (note 19.2)	505,312	-	**505,312**	373,054	-	373,054
Allowance for expected credit losses	(188,255)	-	**(188,255)**	(168,665)	-	(168,665)
	750,142	42,547	**792,689**	600,986	46,244	647,230
Less: current portion	(486,942)	(42,547)	**(529,489)**	(343,496)	(46,244)	(389,740)
Non current portion	263,200	-	**263,200**	257,490	-	257,490

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

	2024	*2023*
	SR'000	*SR'000*
		(Restated)
		(Note 40)
At the beginning of the year	**168,665**	113,373
Acquisition of a subsidiary (note 38)	**-**	45,935
Provided during the year	**19,590**	8,195
Assets held for sale (note 39)	**-**	(2,303)
Reclassification	**-**	3,465
At the end of the year	**188,255**	168,665

19 TRADE RECEIVABLES (continued)

19.1 The following are the breakup of trade and retention receiveables:

(a) Trade receivables

	2024 SR'000	2023 SR'000 (Restated) (Note 40)
Trade receivables	**475,632**	442,841
Allowance for expected credit losses	**(166,862)**	(151,031)
	308,770	291,810

(b) Retention receivables

	2024 SR'000	2023 SR'000 (Restated) (Note 40)
Retention receivables - non-current	**268,276**	266,005
Retention receivables - current	**237,036**	107,049
	505,312	373,054
Allowance for expected credit losses	**(21,393)**	(17,634)
At the end of the year	**483,919**	355,420
Non-current portion of retention receivables	**268,276**	266,005
Allowance for expected credit losses - non current portion	**(5,076)**	(8,515)
Less: Non-current portion of retention receivables, net	**(263,200)**	(257,490)
Current portion of retention receivables, net	**220,719**	97,930

19.2 Refer to note 35 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

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

20 ADVANCES TO SUPPLIERS

	2024 SR'000	2023 SR'000
Advances to suppliers	**300,387**	352,802
Advances to subcontractors	**91,326**	134,615
	391,713	487,417

21 PREPAYMENTS AND OTHER RECEIVABLES

	2024	*2023*
	SR'000	*SR'000*
Margin deposits	**55,871**	34,348
Prepaid expenses and deposits	**17,110**	12,157
Amounts due from related parties (note 31)	**1,900**	-
Advances to employees	**2,066**	3,451
Others	**11,104**	6,582
	88,051	56,538

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

22 CASH AND CASH EQUIVALENTS

	2024	*2023*
	SR'000	*SR'000*
Bank balances	**25,000**	154,605
Cash in hand	**1,190**	3,030
	26,190	157,635

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

	2024	*2023*
	SR'000	*SR'000*
Bank balances	**25,000**	154,605
Cash in hand	**1,190**	3,030
Cash at banks and in hand attributable to discontinued operations (note 39)	**434**	421
	26,624	158,056

23 SHARE CAPITAL

The share capital of the Company as at 31 December 2024 amounted to SR 302,344,000 (31 December 2023: SR 302,344,000) consisting of 30,234,400 shares (31 December 2023: 30,234,400 shares) fully paid and issued shares at a value of SR 10 per share.

24 MATERIAL PARTLY-OWNED SUBSIDIARIES

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

Proportion of equity interest held by non-controlling interests:

Name	*Principal activities*	*Country of incorporation*	***2024***	*2023*
The Fundamental Installation for Electric Work Company Limited ("First Fix")	Construction and general work contracts	Saudi Arabia	**49%**	49%
SARL Red Sea Housing Services Algeria Limited ("RSA")	Rental/sales of non -concrete building	Algeria	**2%**	2%
Premier Paints Company ("PPC")	Manufacturing and trading paints	Saudi Arabia	**19%**	19%

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

Summarised statement of profit or loss and other comprehensive income:

	31 December 2024 SR'000			*31 December 2023 (Restated) (note 40) SR'000*		
	First Fix	***RSA***	***PPC***	*First Fix*	*RSA*	*PPC*
Revenues	**2,626,200**	**43**	**1,800**	869,246	483	4,031
Profit (loss) for the period	**238,141**	**(2,688)**	**(12,869)**	80,971	(14,791)	(13,447)
Total comprehensive income (loss)	**240,386**	**(2,688)**	**(13,592)**	79,527	(14,791)	(13,447)
Attributable to non-controlling interests	**117,789**	**(54)**	**(2,582)**	38,968	(296)	(2,555)

Summarised statement of financial position:

	31 December 2024 SR'000			*31 December 2023 (Restated) (note 40) SR'000*		
	First Fix	***RSA***	***PPC***	*First Fix*	*RSA*	*PPC*
Current assets	**1,474,211**	**3,823**	**2,836**	1,119,910	10,060	4,281
Current liabilities	**(986,880)**	**(5,066)**	**(20,931)**	(907,987)	(3,632)	(22,257)
Net current assets/(liabilities)	**487,331**	**(1,243)**	**(18,095)**	211,923	6,428	(17,976)
Non-current assets	**365,183**	**-**	**1,271**	319,469	8,590	2,229
Non-current liabilities	**(79,510)**	**-**	**(1,844)**	(78,146)	-	(1,655)
Net non-current assets	**285,673**	**-**	**(573)**	241,323	8,590	574

25 INTEREST BEARING LOANS AND BORROWINGS

	2024	2023
	SR'000	SR'000
Bai Al Ajel Islamic facility (25.1)	**225,000**	250,000
Medium term loans (25.2)	**40,750**	59,750
Short term loans (25.3)	**17,000**	20,000
Short term loans (25.4)	**42,662**	-
	325,412	329,750
Less: unamortised transaction cost	**(1,316)**	(2,325)
Total borrowings	**324,096**	327,425

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

	2024	2023
	SR'000	SR'000
Long term borrowings	**215,767**	222,675
Current portion of long-term borrowings	**48,167**	84,750
Short term borrowings	**60,162**	20,000
	324,096	327,425

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

	2024	2023
	SR'000	SR'000
At 1 January	**327,425**	122,410
Islamic facility obtained	**-**	250,000
Net movement of short-term loans	**40,671**	(16,145)
Repayment of medium-term loans	**(19,000)**	(26,437)
Repayment of Islamic facility	**(25,000)**	-
Borrowings directly associated with the assets held for sale (note 39)	**-**	(2,403)
At 31 December	**324,096**	327,425

25.1 During 2023, the Company entered into a facility agreement of SR 330 million with a local commercial bank of which SR 300 million for the acquisition of a new subsidiary ("First Fix", refer note 38) and SR 30 million for other treasury products. The Company has withdrawn SR 250 million of the facility. The loan is repayable in seven variable installments with the last installment due in 2030. The loan bear finance costs based on prevailing market rates which is based on Saudi inter-bank offered rates (SAIBOR) plus fixed margin of 2.5% and due in semi-annual basis. The borrowing is secured by pledge of the Company's shares in First Fix, promissory note issued by the Company, assignment of contract proceed and pledge of shares of a sister company by a related party.

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

	2024	2023
	SR'000	SR'000
2024	**-**	25,000
2025	**29,167**	29,167
2026	**33,332**	33,332
2027	**37,500**	37,500
2028	**41,667**	41,667
2029	**41,667**	41,667
2030	**41,667**	41,667
	225,000	250,000

25 INTEREST BEARING LOANS AND BORROWINGS (continued)

25.2 The Group obtained various short-term facilities from a local commercial bank in the past. In May 2023, the short-term facilities were rescheduled to a medium-term loan of SR 76 million by the bank, which is repayable in 16 equal quarterly installments of SR 4.75 million each with the last instalment due in March 2027. The facility is secured by assignment of contract proceeds and order note signed by the Group. The facility agreement contains covenants requiring maintenance of certain financial ratios and other matters by the Group. The Group is not in compliance with the covenant relates to the facility which is an event of default as per the borrowing agreements as of 31 December 2024 (2023: same). However, on 31 December 2024, the Group received waiver from the commercial bank with respect of the requirement of financial ratios (2023: no waiver received).

25.3 Short-term borrowings represent bank loans obtained from a local commercial bank and a financial institution and bear financial charges at prevailing market rates which are based on Saudi inter-bank offer rates. These borrowings are denominated in Saudi Riyal. Total unused credit facilities available to the Group under the facility on 31 December 2024 were approximately SR 18.1 million (2023: SR 7.6 million) principally representing short-term loans and re-financing of invoices and letters of credit. The short-term borrowings are secured by promissory notes and assignment of contract proceeds. The facility agreements contain covenants requiring maintenance of certain financial ratios and other matters by the Group. The Group is not in compliance with the covenant relates to the facility which is an event of default as per the borrowing agreements as of 31 December 2024 (2023: same). However, on 31 December 2024, the Group received waiver from the commercial bank with respect of the requirement of financial ratios (2023: the Group obtained the waiver during the year).

25.4 A subsidiary entered in to facility agreements with local commercial banks to provide financing facilities amounting to a total of SR 1.13 billion (2023: SR 669 million), including SR 310 million for letters of credit, SR 415.28 million for guarantees, SR 369.26 million for general working capital, and SR 35 million for payroll financing which is a revolving facility repaid within 60 days from the date of drawing the facility. The total unutilised credit facilities available to the subsidiary as at 31 December 2024, amounts to SR 454 million (31 December 2023: SR 210 million). As of 31 December 2024, the subsidiary has outstanding short-term borrowings of SR 45.4 million consisting of SR 35.2 million for payroll financing (2023: nil) and SR 10.2 million letters of credit post finance. These facilities are denominated in Saudi Riyals and bear financial charges based on prevailing market rates. The facilities are secured by promissory notes issued. The facility agreements contain covenants requiring maintenance of certain financial ratios by the subsidiary. The subsidiary has not breach any of the financial covenants as required under the facility agreements.

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

	Red Sea International Company	***First Fix***	***Total***
		SR ' 000	
Conventional borrowings	57,750	42,662	100,412
Tawarruq	223,684	-	223,684
At 31 December 2024	**281,434**	**42,662**	**324,096**

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

25 INTEREST BEARING LOANS AND BORROWINGS (continued)

First Fix

Please refer note 25.4 above for the details of the conventional short-term facilities of First Fix.

Premier Paints Company ("PPC")

The outstanding short-term facility of PPC has been fully settled during the year.

26 EMPLOYEES' DEFINED BENEFIT LIABILITIES

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its defined benefit obligations at 31 December 2024 in respect of employees' end-of-service benefits payable under relevant local regulations and contractual arrangements. The main actuarial assumptions used to calculate the defined unfunded benefit obligation are as follows:

	2024	*2023*
Discount rate	**5.26% - 5.55%**	4.75% - 5.13%
Expected rate of salary increase	**3% - 4%**	3% - 4%
Retirement period	**60 years**	60 years

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

	2024	*2023*
	SR'000	*SR'000*
Current service cost	**25,389**	8,152
Interest cost on benefit obligation	**2,623**	1,234
Net benefit expense	**28,012**	9,386

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

	2024	*2023*
	SR'000	*SR'000*
At the beginning of the year	**57,496**	21,855
Acquisition of a subsidiary (note 38)	**-**	34,351
Net benefit expense	**28,012**	9,386
Benefits paid	**(9,060)**	(6,412)
Remeasurement loss (gain) on employees' defined benefit liabilities	**227**	(29)
Liabilities directly associated with the assets held for sale (note 39)	**(723)**	(1,655)
	75,952	57,496

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

	2024	*2023*
	SR'000	*SR'000*
Actuarial losses arising from changes in financial assumptions	**2,495**	(80)
Experience adjustments	**(2,268)**	51
	227	(29)

26.4 Breakup of the employee benefit obligations by geographic segment:

	Saudi Arabia	***UAE***	***Ghana***	***Other***	***Total***
	SR'000	***SR'000***	***SR'000***	***SR'000***	***SR'000***
2024	**67,756**	**7,921**	**186**	**89**	**75,952**
2023	52,142	5,069	181	104	57,496

26 EMPLOYEES' DEFINED BENEFIT LIABILITIES (continued)

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

	Increase/ (decrease)	***2024 SR '000***	*2023 SR '000*
Discount rate	**1.00%**	**(5,957)**	(1,884)
	(1.00%)	**6,975**	9,751
Expected rate of salary increase	**1.00%**	**7,295**	9,937
	(1.00%)	**(6,310)**	(2,110)

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

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

	2024 SR '000	*2023 SR '000*
Within the next 12 months (next annual reporting period)	**13,202**	8,344
Between 2 and 5 years	**22,468**	14,351
Between 6 and 10 years	**86,171**	16,040
Over 10 years	**6,412**	54,510
Total expected payments	**128,253**	93,245

The average duration of the defined benefit plan obligation at the end of the reporting period is 2.5 to 9.5 years (31 December 2023: 2.93 to 12.02 years).

During the year, the Group have contributed SR 15.8 million (2023: SR 15.6 million) into the general organisation of social insurance ("GOSI") for its Saudi national staff.

27 OTHER NON-CURRENT LIABILITIES

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

	2024 SR'000	*2023 SR'000*
At the beginning of the year	**28,872**	27,249
Additions during the year	**1,331**	900
Unwinding of discount charge for the year (note 11)	**607**	723
At the end of the year	**30,810**	28,872
Less: current portion (note 29)	**(317)**	(317)
	30,493	28,555

28 TRADE PAYABLES

	2024	*2023*
	SR'000	*SR'000*
		(Restated)
		(Note 40)
Trade accounts payables	**545,883**	440,043
Due to related parties (note 31)	**12,175**	678
	558,058	440,721

28.1 Terms and conditions of the above financial liabilities:
- Trade payables are non-interest bearing and are normally settled on 30-60 day terms
- For terms and conditions with related parties, refer to note 33.

29 ACCRUALS AND OTHER LIABILITIES

	2024	*2023*
	SR'000	*SR'000*
		(Restated)
		(Note 40)
Accrual for project operation and catering costs	**203,826**	196,044
Employee salaries and benefits	**117,872**	90,876
Advance and valued added tax	**51,542**	20,001
Retention payable	**40,397**	34,559
Accrued interest	**15,584**	7,168
Accrued professional and consultancy charges	**9,635**	11,934
Deposits from customers	**9,006**	1,008
Provision for assurance type warranties	**5,588**	929
Unearned rental revenue	**662**	718
Provision for decommissioning costs (note 27)	**317**	317
Accrued indirect taxes	**477**	141
Other accrued expenses	**6,319**	14,045
	461,225	377,740
Less: Non-current portion of retention payable	**(9,685)**	(28,736)
	451,540	349,004

30 ZAKAT AND INCOME TAX

The major components of zakat and income tax expense for the year ended 31 December 2024 and 2023 are:

Consolidated statement of profit or loss

	2024	*2023*
	SR'000	*SR'000*
Zakat	**23,892**	1,347
Income tax expense	**2,761**	1,989
	26,653	3,336

30 ZAKAT AND INCOME TAX (continued)

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

	Zakat	***Current tax***	***Total***	*Zakat*	*Current tax*	*Total*
	31 December 2024 SR '000			*31 December 2023 SR '000*		
At the beginning of the year	**36,127**	**6,560**	**42,687**	26,341	3,414	29,755
Provision for the year	**23,892**	**2,761**	**26,653**	1,347	1,989	3,336
Acquisition of a subsidiary (note 38)	-	-	-	9,667	1,768	11,435
Liabilities directly associated with the assets held for sale (note 39)	-	-	-	(839)	-	(839)
Payments during the year	**(20,475)**	**(6,396)**	**(26,871)**	(389)	(611)	(1,000)
Reclassification to advance tax	-	**492**	**492**	-	-	-
At 31 December	**39,544**	**3,417**	**42,961**	36,127	6,560	42,687

30.2 ***Zakat***

(i) Zakat charge for the year consist of :

	2024 SR'000	*2023 SR'000*
Provision for the year	**23,892**	6,871
Adjustment relating to prior years	-	(5,524)
Charge for the year	**23,892**	1,347

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

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

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

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

a) The Parent Company and its wholly owned subsidiary

The zakat assessments of the Company and its wholly owned Saudi subsidiaries as a whole have been agreed with the Zakat, Tax and Customs Authority ("the ZATCA") up to 2010. The zakat declarations until years 2023 have been filed with the ZATCA.

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

Further, during 2021, the ZATCA issued an assessment for the years 2019 and 2020 amounting to SR 11.6 million for the Company and its wholly owned Saudi subsidiaries. The management of the company submitted an appeal against this assessment with ZATCA. During 2022, the ZATCA issued a revised assessment for the year 2019 and 2020 amounting to SR 8 million for the Company and its wholly owned Saudi subsidiaries. The Company has escalated the appeal against the ZATCA assessments for the above-mentioned period with the General Secretariat of Tax Committees ("GSTC") and the case is still under review by the committees. Further, during 2025, the Company has escalated the appeal for the above-mentioned years to the GSTC. Afterward the Company agreed with ZATCA to apply the ministerial resolution no. 1007 which allows the application of the new Zakat regulations issued 1445 on the years before 1 January 2024. The discussion with ZATCA is still ongoing on the application.

30 ZAKAT AND INCOME TAX (continued)

a) The Parent Company and its wholly owned subsidiary (continued)

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

The Zakat assessments of the Company and its wholly owned Saudi subsidiaries for the years 2011 to 2013 and for the years 2018 and 2021 to 2023 have not yet been raised by the ZATCA.

b) Partially owned subsidiaries

Premier Paints Company

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

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

30.3 ***Income Tax***

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

	2024	*2023*
	SR '000	*SR '000*
Provision for the year	**3,027**	1,989
Deferred tax credit	**(266)**	-
Charge for the year	**2,761**	1,989

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

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

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

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

Income tax assessments have been agreed with the Ghana Revenue Authority ("the GRA") up to the year ended 31 December 2010. RSG received tax assessment for years from 2011 to 2016 amounting to SR 4.7 million. RSG filed an appeal against this amount and settled SR 1.5 million in 2018, however the assessment yet to be finalised.

30 ZAKAT AND INCOME TAX (continued)

30.4 ***Deferred Tax***

Deferred tax asset

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

	2024	*2023*
	SR'000	*SR'000*
Provisions	**47**	91
Employee defined benefit obligation	**554**	361
Loss allowance for contract and financial assets	**802**	627
Accelerated tax depreciation	**57**	106
	1,460	1,185
Movement in deferred tax assets		
Opening balance	**1,185**	-
Acquisition of a subsidiary	**-**	1,185
Charge to profit and loss	**266**	-
Charge to other comprehensive income	**9**	-
	1,460	1,185

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

31 RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

Name of related party	*Nature of relationship*
Dabbagh Group Holding Company Limited	Shareholder
Sherwin-Williams Protective and Marine Coatings	Affiliate
National Scientific Company	Affiliate

31 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

Related party	***Nature of transactions***	***Amount of transactions***	
		2024	*2023*
		SR'000	*SR'000*
Dabbagh Group Holding Company Limited	Interest free funds received from a shareholder	**-**	35,200
	Payment for land rentals	**-**	883
	Expenses paid on behalf of a shareholder	**6**	6
	Expenses paid on behalf of the Group	**7**	150
Board of directors	Expenses paid by the Group	**140**	420

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

Amount due from related parties presented under prepayments and other receivables

	2024	*2023*
	SR'000	*SR'000*
Dabbagh Group Holding Company Limited	**1,900**	-

Amount due to a shareholder

	2024	*2023*
	SR'000	*SR'000*
Dabbagh Group Holding Company Limited	**81,225**	81,225

Amount due to related parties presented under trade payables

	2024	*2023*
	SR'000	*SR'000*
Dabbagh Group Holding Company Limited	**12,175**	678

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

31 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	2024	*2023*	***2024***	*2023*
	SR'000	*SR'000*	***SR'000***	*SR'000*
	Members of Board of Directors		*Key Management*	
Short-term employee benefits	**-**	-	**7,565**	8,952
End-of service employee benefits	**-**	-	**334**	421
Board of directors' fees	**2,960**	2,074	**-**	-
	2,960	2,074	**7,899**	9,373

32 CONTINGENCIES AND COMMITMENTS

As at 31 December 2024, the Group had capital commitments of SR 23.5 million (2023: SR 36 million). Also at 31 December the Group had the following outstanding contingencies:

In addition to above, at 31 December 2024, the Group had commitments of SR 3.19 billion (2023: SR 2.79 billion) relating to estimated costs for the projects to be delivered in future.

	2024	*2023*
	SR'000	*SR'000*
Letters of guarantee	**486,609**	450,607
Letters of credit	**125,383**	30,557

33 OPERATING LEASES

The Group leased out various residential houses under operating lease agreements. Rental income from such leases for the year ended 31 December 2024 amounted to SR 129.5 million (2023: SR 151.2 million).

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

	2024	*2023*
	SR'000	*SR'000*
Within one year	**163,359**	154,565
After one year but not more than five years	**182,848**	78,758
	346,207	233,323

34 SEGMENTAL INFORMATION

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

- Construction, general construction, electrical works, telecommunications and other related contracts (“General construction).
- Manufacturing and sale of non-concrete residential and commercial buildings ("Non-concrete residential and commercial buildings");
- Rentals from investment properties; and
- Manufacturing and sale of paints and related services ("Paints and related services") (note 39)

34 SEGMENTAL INFORMATION (continued)

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

Business segments

	31 December 2024			
	General construction	*Non-concrete residential and commercial buildings*	*Rentals from investment properties*	*Total segments*
		SR '000		
Revenue:				
Total segment revenue	**2,626,200**	**304,510**	**129,521**	**3,060,231**
Inter-segment revenue elimination	**-**	**(75,993)**	**-**	**(75,993)**
Revenue from external customers	**2,626,200**	**228,517**	**129,521**	**2,984,238**
Timing of revenue recognition:				
Over time	**2,626,200**	**-**	**129,521**	**2,755,721**
At point in time	**-**	**228,517**	**-**	**228,517**
	2,626,200	**228,517**	**129,521**	**2,984,238**
Profit (loss) before finance cost, finance income, depreciation & amortization and zakat and income tax	**293,863**	**(109,981)**	**80,505**	**264,387**
Impairment loss	**-**	**(2,666)**	**(5,952)**	**(8,618)**
Finance cost	**(4,707)**	**(23,716)**	**(918)**	**(29,341)**
Finance income	**-**	**161**	**-**	**161**
Depreciation & amortisation	**(30,629)**	**(109,433)**	**(43,210)**	**(183,272)**
Profit (Loss) before zakat and income tax	**258,527**	**(245,635)**	**30,425**	**43,317**
Income tax	**(2,493)**	**-**	**-**	**(2,493)**
Zakat	**(17,894)**	**(6,000)**	**-**	**(23,894)**
Segment profit (loss) from operations	**238,140**	**(251,635)**	**30,425**	**16,930**

34 SEGMENTAL INFORMATION (continued)

Business segments (continued)

	31 December 2023 (Restated)			
	General construction	*Non-concrete residential and commercial buildings*	*Rentals from investment properties*	*Total segments*
		SR '000		
Revenue:				
Total segment revenue	898,325	641,695	151,229	1,691,249
Inter-segment revenue elimination	(29,079)	(283,681)	-	(312,760)
Revenue from external customers	869,246	358,014	151,229	1,378,489
Timing of revenue recognition:				
Over time	869,246	221,878	151,229	1,242,353
At point in time	-	136,136	-	136,136
	869,246	358,014	151,229	1,378,489
Profit (loss) before finance cost, finance income, depreciation & amortization and zakat and income tax	88,412	(67,976)	105,484	125,920
Impairment loss	-	(14,871)	(12,770)	(27,641)
Finance cost	-	(11,130)	(1,263)	(12,393)
Finance income	-	530	-	530
Depreciation & amortisation	(26,922)	(14,215)	(51,627)	(92,764)
Profit (loss) before zakat and income tax	61,490	(107,662)	39,824	(6,348)
Income tax	(1,989)	-	-	(1,989)
Zakat	(3,660)	1,544	769	(1,347)
Segment profit (loss) from operations	55,841	(106,118)	40,593	(9,684)

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

	At 31 December 2024			
	General construction	*Non-concrete residential and commercial buildings*	*Rentals from investment properties*	*Total segments*
		SR '000		
Total assets	**1,839,395**	**730,521**	**313,537**	**2,883,453**
Total liabilities	**1,066,390**	**1,107,631**	**196,295**	**2,370,316**

34 SEGMENTAL INFORMATION (continued)

Business segments (continued)

	At 31 December 2023 (Restated)			
	General construction	*Non-concrete residential and commercial buildings*	*Rentals from investment properties*	*Total segments*
	SR '000			
Total assets	1,623,510	710,956	332,108	2,666,574
Total liabilities	987,121	995,115	176,310	2,158,546

During the year ended 31 December 2024, approximately 97% of the total revenues from general construction segment were derived from 5 customers (2023: approximately 92% from 5 customers). During the year ended 31 December 2024, approximately 85% of the total revenues from non-concrete residential and commercial buildings segment were derived from 5 customers (2023: approximately 92% from 5 customers). During the year, approximately 88% of the total revenues from rental segment were derived from 5 customers (2023: approximately 92% from 5 customers).

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

	31 December 2024			
	Saudi Arabia	*UAE*	*Others*	*Total*
	SR '000			
Total segment revenue	**2,959,297**	**102,308**	**426**	**3,062,031**
Inter-segment revenue elimination	**-**	**(75,993)**	**-**	**(75,993)**
Revenue from external customers	**2,959,297**	**26,315**	**426**	**2,986,038**
Segment (loss) profit from operations	**21,056**	**(4,159)**	**(12,836)**	**4,061**

	31 December 2023 (Restated)			
	Saudi Arabia	*UAE*	*Others*	*Total*
	SR '000			
Total segment revenue	1,353,257	337,336	1,151	1,691,744
Inter-segment revenue elimination	(29,574)	(283,681)	-	(313,255)
Revenue from external customers	1,323,683	53,655	1,151	1,378,489
Segment (loss) profit from operations	(24,559)	37,664	(36,236)	(23,131)

34 SEGMENTAL INFORMATION (continued)

	31 December 2024			
	Saudi Arabia	*UAE*	*Others*	*Total*
	SR '000			
Non-current assets				
Property, plant and equipment	**81,183**	**23,227**	**176**	**104,586**
Investment properties	**194,497**	**179**	**914**	**195,590**
Intangible assets and goodwill	**490,878**	**186**	**-**	**491,064**
Right-of-use assets	**41,895**	**8,715**	**-**	**50,610**
Retention receivables	**263,200**	**-**	**-**	**263,200**
Deferred tax assets	**1,460**	**-**	**-**	**1,460**
Total assets and liabilities				
Total assets	**2,822,917**	**59,095**	**5,548**	**2,887,560**
Total liabilities	**2,288,929**	**91,982**	**12,180**	**2,393,091**

	31 December 2023 (Restated)			
	Saudi Arabia	*UAE*	*Others*	*Total*
	SR '000			
Non-current assets				
Property, plant and equipment	54,078	27,249	176	81,503
Investment properties	223,008	302	973	224,283
Intangible assets and goodwill	404,718	426	2	405,146
Right-of-use assets	34,011	11,860	3,093	48,964
Retention receivables	334,075	-	-	334,075
Deferred tax assets	1,185	-	-	1,185
Total assets and liabilities				
Total assets	2,573,152	84,126	15,806	2,673,084
Total liabilities	2,036,145	134,974	11,339	2,182,458

35 FINANCIAL RISK MANAGEMENT

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

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

35.1 ***Market risk***

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

35.1 (a) Interest rate risk

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

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

	Increase (Decrease) in basis points	*Effect on profit (loss) before tax*
		SR '000
2024	**-100**	**6,515**
	100	**(6,515)**
2023	-100	4,498
	100	(4,498)

35.1 (b) Price risk

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

35.1 (c) Foreign currency risk

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

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 ***Market risk (continued)***

35.1 (c) Foreign currency risk (continued)

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

35.2 **Credit risk**

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

	2024	*2023*
	SR'000	*SR'000*
Trade and retention receivables	**792,689**	647,230
Contract assets	**681,857**	328,599
Bank balances	**25,000**	154,605
Other receivables	**70,941**	44,381
	1,570,487	1,174,815

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

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

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored and shipments to major customers are generally covered by letters of credit or other forms of credit insurance obtained from reputable banks and other financial institutions. At 31 December 2024, the Group had 5 customers (2023: 5) that owed it more than SR 403.7 million in total and accounted for approximately 60% (2023: 59%) of all the receivables and contract assets outstanding.

35 FINANCIAL RISK MANAGEMENT (continued)

35.2 **Credit risk (continued)**

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

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

	Expected credit loss rate	***Gross trade receivables***	***Expected credit loss***
31 December 2024		***SR***	***SR***
Trade receivables			
Neither past due nor impaired	**4.2%**	**145,571**	**6,152**
0-90 Days	**2.7%**	**99,205**	**2,631**
91-180 Days	**8.7%**	**22,815**	**1,994**
181-270 Days	**12.0%**	**41,579**	**4,971**
271-360 Days	**56.4%**	**4,457**	**2,513**
More than 365 Days	**80.4%**	**68,362**	**54,958**
		381,989	**73,219**
Retention receivables	**4.2%**	**505,312**	**21,393**
Specific provision on other customers	**100.0%**	**93,643**	**93,643**
		980,944	**188,255**
Contract assets	**4.7%**	**715,814**	**33,957**

	Expected credit loss rate	*Gross trade receivables*	*Expected credit loss*
31 December 2023		*SR*	*SR*
Trade receivables			
Neither past due nor impaired	6.1%	57,458	3,490
0-90 Days	3.4%	112,768	3,849
91-180 Days	5.7%	30,222	1,719
181-270 Days	12.2%	39,383	4,823
271-360 Days	14.8%	33,026	4,876
More than 365 Days	53.6%	81,294	43,584
		354,151	62,341
Retention receivables	4.7%	373,054	17,634
Specific provision on other customers	100.0%	88,690	88,690
		815,895	168,665
Contract assets	4.5%	344,138	15,539

35 FINANCIAL RISK MANAGEMENT (continued)

35.2 **Credit risk (continued)**

Amounts due from related party

The Group manages its credit risk with respect to balances due from related party and the outstanding balances are reviewed by the Group's Board of Directors on regular basis to minimise the concentration of risks and therefore mitigate financial loss through a related party's potential failure to make payments.

35.3 **Liquidity risk**

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

35.3 (a) **Excessive risk concentration**

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

35 FINANCIAL RISK MANAGEMENT (continued)

35.3 Liquidity risk (continued)

35.3 (a) Excessive risk concentration (continued)

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

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

Year ended 31 December 2024

	Less than 1 year	***1 to 5 years***	***> 5 years***	***Total***
		SR '000		
Trade and other payables	558,058	-	-	**558,058**
Interest bearing loans and borrowings	111,447	175,917	41,667	**329,031**
Lease liabilities	28,629	32,095	4,789	**65,513**
	698,134	**208,012**	**46,456**	**952,602**

Year ended 31 December 2023

	Less than 1 year	*1 to 5 years*	*> 5 years*	*Total*
		SR '000		
Trade and other payables	440,721	-	-	440,721
Interest bearing loans and borrowings	126,197	203,048	94,165	423,410
Lease liabilities	23,839	24,918	6,331	55,088
	590,757	227,966	100,496	919,219

35.4 Changes in liabilities arising from financing activities

	Non-current portion of Interest bearing loans and borrowings	*Current portion of interest bearing loans and borrowings*	*Short-term loans*	*Total*
		SR'000		
At 1 January 2023	-	5,143	117,267	122,410
Cash flows	222,675	79,607	(94,864)	207,418
31 December 2023	222,675	84,750	22,403	329,828
Cash flows	(6,908)	(36,583)	37,759	(5,732)
31 December 2024	**215,767**	**48,167**	**60,162**	**324,096**

36 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. Management monitors the return on capital, which the Company defines as net debt divided by total equity; net debt is total liabilities less bank balances and cash. Management also monitors the level of dividends to shareholders. The Company's net debt to capital ratio at the end of the reporting year was as follows:

	2024	*2023*
	SR	*SR*
Total Liabilities	**2,393,091**	2,182,458
Less: bank balances and cash	**(26,624)**	(158,056)
Net debt	**2,366,467**	2,024,402
Total equity	**7,271**	70,832
Equity and net debt	**2,373,738**	2,095,234
Gearing ratio	**100%**	97%

37 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

38 BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

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

The Company entered into a share purchase agreement (SPA) on 9 June 2023, corresponding to 20 Thul-Qi'dah 1444H, for acquisition of 51% shares in The Fundamental Installation for Electric Work Company Limited ("First Fix"), a limited liability company registered in Jeddah, Kingdom of Saudi Arabia. The acquisition was subject to related regulatory and corporate approval as well as meeting certain conditions under the agreement signed with partners of the First Fix. The Company obtained the related regulatory approval and met the conditions with respect of the acquisition of First Fix. Accordingly, effective 1 October 2023, the First Fix was recognized as a subsidiary of the Company. Total purchase consideration for the acquisition of First Fix amounted to SR 644.8 million of which SR 250 million is payable in cash and the rest amounting to SR 394.8 million is payable either in cash or in-kind by way of newly issued shares of the parent Company. Further, on the acquisition date 1 October 2023, RSI and the shareholders of First Fix "Original Shareholders" have entered into a shareholder's agreement (SHA). As part of the SHA, RSI has granted a "Put Option" to the Original shareholders to require RSI to purchase all of the remaining shares held by the Original Shareholders (Option Shares). Such Put Option is exercisable as per terms of agreement by serving a Put Option to RSI after expiry of a tenure defined in the agreement and subject to certain conditions. Further, the agreement grants RSI a "Call Option" to purchase Option Shares by serving a Call Option notice if Put option lapses based on the terms specified and subject to certain conditions as defined in the agreement. The consideration for put options and call options is based on the mechanism as defined in the agreement which is partially payable in cash and the rest either through cash or in shares (or combination of both). The "Put Option" and "Call Option" agreed in the SHA meets the definition of derivative. As at the date of the acquisition, an exercise to determine the fair valuation of the derivative arising out of the options was not performed. The Company's management believe that, based on the available information, the conditions required to be met for the "Put Option" may not be met and the options will lapse. As per the on-going assessment performed by management, subsequent to the reporting date, the shareholders of First Fix, both RSI and Original Shareholders through their representation on the Board of Directors of First Fix have passed a resolution to submit an application with the Capital Market Authority (CMA) to have a portion of Original shareholder's shares listed on Saudi Stock Exchange "Tadawul" in accordance with the SHA and have also resolved to appoint the required consultants to complete the process. As per SHA, in the event of successful completion of an IPO, the SHA is terminated and accordingly, the "Put Option" and "Call Option" will no longer exist. Accordingly, the management believes that as it is highly unlikely that the options will be exercised by either party, therefore, the derivatives have not been valued and recognized. Furthermore, subsequent to the reporting date, the parties have amended the SHA and terminated the clause relates to the put and call options, "ab initio" (i.e. terminated from the date of signing the SHA). Hence, no liability exists related to the Put Option and Call Option.

The acquisition has been accounted for using the acquisition method under IFRS 3 – Business Combinations (the "Standard") with the Group being the acquirer and First Fix being the acquiree. At the time of initial recognition, the Group has accounted for the acquisition based on the provisional fair values of the acquired assets and liabilities. As of 30 September 2024, the Group consulted with an external consultant and completed the purchase price allocation ("PPA") to net assets acquired within measurement period of one year after the date of acquisition in which the Group identified and measured the identifiable assets and liabilities assumed as of the acquisition date in accordance with the requirements of IFRS 3, Business Combination. Following adjustments to book value of net assets have been recorded by the Group at the date of acquisition:

- Net uplift of other intangible assets with define useful life by SR 404.2 million;
- Decrease of goodwill by SR 206.1 million: and
- Increase of minority interest by SR 198.1 million.

Subsequent to the purchase price allocation completed as mentioned above, the management identified error with respect of certain financial assets of First Fix measured at fair value on the date of acquisition (refer note 40). Correction of these resulted in following adjustments to the value of the net assets identified during the purchase price allocation.

- Decrease of retention receivables, trade receivables and contracts by SR 20.5 million.
- Increase of goodwill by SR 10.5 million.
- Decrease of minority interest by SR 10 million.

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

The Group has elected to measure the non-controlling interests in the acquiree at at the proportionate share of the acquiree's identifiable net assets.

Key assumptions used in the fair value computation of the intangible assets as follows:

Valuation approach

The "Multi-period Excess Earnings Method", an income- based valuation approach, to value the "customer relationship" and "order backlog".

Discount rates

The determination of a suitable discount rate to be used to estimate an intangible asset's fair value requires additional consideration as compared to those used when selecting a discount rate to estimate the business enterprise valuation. The discount rate should reflect the risks associate with the intangible asset's individual cash flow assumptions. Accordingly, assigned discount rate is relative to nature of the respective intangible assets (i.e. based on the certainty of the projected level of future earnings). The Specialist has considered a discount rate of 16% for the customer relationship and 15% for the order backlog based on assessment of riskiness perceived by the intangible asset by adding a premium of 2% and 1% to the WACC, respectively.

The break-up of net assets of subsidiary acquired as at 1 October 2023 is presented below:

	Provisional value	*Reassessed fair value (note 40)*	*Restated fair value (note 40)*
	SR '000	***SR '000***	***SR '000***
Assets			
Property and equipment	36,141	36,141	36,141
Intangible assets	-	404,200	404,200
Right-of-use asset	15,235	15,235	15,235
Retention receivables	285,093	285,093	264,607
Deferred tax assets	1,185	1,185	1,185
Contract assets	161,774	161,774	161,774
Prepayments and other receivables	505,974	505,974	505,974
Trade receivables	140,904	140,904	140,904
Due from related parties	4,132	4,132	4,132
Cash and cash equivalents	120,862	120,862	120,862
	1,271,300	1,675,500	1,655,014
Liabilities			
Employee benefit obligations	(34,351)	(34,351)	(34,351)
Lease liabilities, non-current	(5,806)	(5,806)	(5,806)
Trade payables	(262,875)	(262,875)	(262,875)
Accruals and other liabilities	(153,502)	(153,502)	(153,502)
Contract liabilities	(321,780)	(321,780)	(321,780)
Lease liabilities, current	(8,016)	(8,016)	(8,016)
Provision for zakat	(9,667)	(9,667)	(9,667)
Income tax payable	(1,768)	(1,768)	(1,768)
	(797,765)	(797,765)	(797,765)
Total identifiable net assets at fair value	473,535	877,735	857,249
Non-controlling interest measured at fair value	(232,032)	(430,090)	(420,052)
Goodwill arising on acquisition (note 15)	403,296	197,154	207,602
Purchase consideration transferred	644,799	644,799	644,799

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

Assets acquired and liabilities assumed

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

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

The goodwill of SR 207 million comprises the value of expected synergies arising from the acquisition, which is not separately recognised. Goodwill is allocated entirely to the construction segment.

Net cash flow on acquisition

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

	SR '000
Purchase consideration	
Cash paid	**250,000**
Deferred consideration	**394,799**
Total consideration	**644,799**
Analysis of cash flows on acquisition:	
Transaction costs of the acquisition (included in cash flows from operating activities)	**1,154**
Net cash acquired with the subsidiary (included in cash flows from investing activities)	**120,862**
	122,016

39 DISCONTINUED OPERATIONS

During 2023, the Board of Directors of the Company formally discussed the plan to exit the paints and related service business segment of the Group (Premier Paints Company ("PPC")). Accordingly, the management has evaluated the letter of intents received from the buyers and a potential buyer in this respect has been identified and the negotiations were at advance stage. Accordingly, PPC was classified as a disposal group held for sale and as a discontinued operation. Subsequent to the reporting date, the Group signed sale and purchase agreement with the buyer and the transaction expecting to be completed after meting the conditions as per the agreement signed. With PPC being classified as discontinued operations, the paints and related services segment is no longer presented in the segment note. The results of PPC for the year ended 31 December are presented below:

	2024	*2023*
	SR '000	*SR '000*
Revenues	**1,800**	4,031
Cost of revenues	**(6,958)**	(8,000)
Selling and distribution expenses	**-**	(1,491)
General and administration	**(1,149)**	(2,940)
Operating loss	**(6,307)**	(8,400)
Finance costs	**(6,360)**	(5,059)
Other income, net	**17**	12
Income tax	**(1)**	-
Zakat	**(218)**	-
Total comprehensive loss from discontinued operation	**(12,869)**	(13,447)

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

	2024	*2023*
	SR '000	*SR '000*
Assets		
Property, plant and equipment	**630**	1,538
Right-of-use assets	**641**	691
Inventories	**-**	1,395
Trade receivables	**2,402**	2,382
Prepayments and other receivables	**-**	83
Cash and cash equivalents	**434**	421
Assets held for sale	**4,107**	6,510
Liabilities		
Employees' defined benefit liabilities	**(1,844)**	(1,655)
Trade payables	**(13,254)**	(14,482)
Accruals and other current liabilities	**(5,889)**	(3,764)
Short-term interest bearing loans and borrowings	**-**	(2,403)
Lease liabilities	**(731)**	(769)
Zakat and income tax payable	**(1,057)**	(839)
Liabilities directly associated with assets held for sale	**(22,775)**	(23,912)
Net liabilities directly associated with disposal group	**(18,668)**	(17,402)

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

40 Restatement of comparative information

During the year, management has reassessed the accounting treatment and presentation of certain transactions and balances recorded in the consolidated financial statements of the Group to determine if such transactions and balances have been accounted for and presented appropriately under IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). This exercise has resulted in the restatement of certain financial statement line items in the comparative amounts reported in the prior year to conform with the accounting treatment and presentation for the current year. Whilst there have been restatements within cash flows from operating activities in the statement of cash flows, there was no impact on net cash generated from operating activities, investing activity or financing activities.

As explained in note 38, effective 1 October 2023, the Group acquired a subsidiary which is accounted for using the acquisition method under IFRS 3 – Business Combination. As of 30 September 2024, the Group consulted with an external consultant and completed the purchase price allocation ("PPA") to net assets acquired within measurement period of one year after the date of acquisition in which the Group identified and measured the identifiable assets and liabilities assumed as of the acquisition date in accordance with the requirements of IFRS 3, Business Combination. Subsequent to the purchase price allocation completed, the subsidiary's management identified error with respect of certain financial assets of the subsidiary. Correction of these, has also resulted in restatement of fair value determined on the date of acquisition. In addition, the management identified, certain classes of assets and liabilities in the statement of financial position had not historically been appropriately presented as required by IFRS Accounting Standards as endorsed in the Kingdom of Saudi Arabia and consequently, the Group corrected these by restating comparative financial information.
Whilst there have been restatements within cash flows from operating activities in the statement of cash flows, there was no impact on net cash generated from operating activities, investing activity or financing activities.

Restatement – 1

(a) During the year, the Group's management performed a reassessment of their models for expected credit losses (ECL) on 'Trade receivables', 'Contract assets' and 'Retention receivables' in accordance with IFRS 9. This exercise resulted in restatement due to additional impairment on these respective financial statement line items which were previously excluded from the ECL computation. The error has been retrospectively corrected by recalculating the expected credit loss on the outstanding balances of financial assets based on information available at the time the prior year financial statements were prepared. The restatement had an impact on the statement of profit or loss and other comprehensive income, statement of changes in equity, and the statement of cash flows in the comparative period as summarised in the table below. As these restatements pertain to a subsidiary acquired during 2023, the restatement had no impact on the balances reported as of 1 January 2023.

(b) The impact of the above restatement as of 1 October 2023 (i.e. date of the acquisition of the subsidiary) have been adjusted with the goodwill and non-controlling interest as the fair value of the assets acquired were not corrected adjusted withing the remeasurement period under IFRS 3 – Business Combination". Accordingly, the correction of error has resulted in restatement of goodwill and non-controlling interest recognized withing the measurement period of one year after the date of acquisition (refer note 38).

Restatement – 2

During the year, management conducted an exercise and concluded that certain classes of assets and liabilities in the statement of financial position had not historically been appropriately presented as required by IAS 1 "Presentation of Financial Statements". and IFRS 5 "Non-current assets held for sale and discontinued operations". Consequently, the Group corrected these by restating each of the impacted financial statement line items for the prior periods as summarised in the tables below. These restatements did not impact (i) the reported results for the year ended 31 December 2023; (ii) the reported equity as at that date; and (iii) the reported equity as at 1 January 2023.

40 Restatement of comparative information (continued)

The details of each restatement has been explained below with the related financial impact in the tables that

a. Reclassification of the current and non-current portions for 'Retentions receivables' after the reassessment by management based on the expected completion dates of projects, resulted in increase of non-current portion of the retention receivables by SR 68 million with corresponding decrease in current portion of retention receivables.

b. Certain approved Interim Payment Certificates ("IPCs") were identified that were not invoiced as at reporting date. Since there were no outstanding performance obligations on these IPCs, they should have been presented within 'Trade receivables' as unbilled rather than being presented within 'Contract assets' and 'Contract liabilities'. This was therefore corrected in accordance with the requirements of IFRS 15 resulted in increase of trade receivables and contract liabilities by SR 57.4 million and SR 28.4 million respectively and decrease of contract assets by SR 28.9 million.

c. Reclassification of the current and non-current portions for 'Retentions payables' after the reassessment by management based on the contractual payment dates as per the terms of the payment with the suppliers resulted in increase of non-current portion of retention payable by SR 28.7 million with the corresponding decrease in current portion of retention payable.

d. The Group reassessed the classification of liabilities directly associated with the assets held for sales in accordance with IFRS 5 and related eliminations. Based on this assessment, noted a payable balance incorrectly classified under liabilities directly associated with the assets held for trading instead of trade payable. Accordingly, SR 80 million has been reclassified from liabilities directly associated with the assets held for sales to trade payables.

Restatement – 3

During the year, management conducted an exercise and concluded that certain bank charges and impairment loss in the statement of comprehensive income had not been appropriately presented as required by IAS 1 “Presentation of Financial Statements”. Consequently, the Group corrected these by reclassifying SR 4.7 million of project related bank charges from ‘Finance costs’ and SR 23.1 million of impairment loss to cost of revenue.

The impact of the above restatements are as follows:

40 Restatement of comparative information (continued)

40.1 Effect on the statement of financial position as at 31 December 2023

	Previously reported	*Reassessment (note 38)*	*2023 Reassessed*	**Restatement - 1 (b)**	*2023 Revised*	**Restatement - 1 (a)**	**Restatement - 2**	**Restated**
	SR'000	***SR'000***	***SR'000***	***SR'000***	***SR'000***	***SR'000***	***SR'000***	***SR'000***
ASSETS								
NON-CURRENT ASSETS								
Intangible assets and goodwill	405,145	173,690	578,835	10,449	589,284	-	-	589,284
Retention receivables	334,127	-	334,127	(7,900)	326,227	(615)	(68,122)	257,490
CURRENT ASSETS								
Contract assets	363,012	-	363,012	(8,831)	354,181	3,385	(28,967)	328,599
Trade receivables	271,683	-	271,683	(3,755)	267,928	(3,672)	125,484	389,740
EQUITY AND LIABILITIES								
EQUITY								
Accumulated losses	(206,845)	(12,428)	(219,273)	-	(219,273)	(460)	-	(219,733)
NON-CONTROLLING INTERESTS	244,155	186,118	430,273	(10,037)	420,236	(442)	-	419,794
NON-CURRENT LIABILITY								
Non- current portion of retention payable	-	-	-	-	-	-	28,736	28,736
CURRENT LIABILITIES								
Trade payables	360,665	-	360,665	-	360,665	-	80,056	440,721
Accruals and other current liabilities	377,740	-	377,740	-	377,740	-	(28,736)	349,004
Contract liabilities	322,274	-	322,274	-	322,274	-	28,395	350,669
Liabilities directly associated with the assets held for sale	103,968	-	103,968	-	103,968	-	(80,056)	23,912

40.2 Effect on the statement of profit or loss and other comprehensive income for the year ended 31 December 2023

	Previously reported	*Reassesment*	*2023 Reassessed*	**Restatement - 1 (b)**	*2023 Revised*	**Restatement- 1 (a)**	**Restatement- 3**	**Restated**
	SR'000	***SR'000***	***SR'000***	***SR'000***	***SR'000***	***SR'000***	***SR'000***	***SR'000***
CONTINUING OPERATIONS								
Cost of revenues	(1,241,149)	-	(1,241,149)	-	(1,241,149)	-	(27,741)	(1,268,890)
General and administration	(60,742)	(24,369)	(85,111)	-	(85,111)	-	-	(85,111)
Allowance for expected credit losses, net	(6,704)	-	(6,704)	-	(6,704)	(902)	-	(7,606)
Finance costs	(17,087)	-	(17,087)	-	(17,087)	-	4,694	(12,393)

41 SUBSEQUENT EVENTS

As stated in note 38, subsequent to the reporting date, on 9 April 2025, the parties have mutually agreed to retrospectively terminate a call and put option included in the original shareholders' agreement dated 1 October 2023 and terminated the clause related to the Put Option and Call Option "ab initio" i.e. terminated from the date of signing the SHA. Hence, no liability exists related to the Put Option and Call Option.

In the opinion of the Group's management, there have been no subsequent events since the year ended 31 December 2024 that would have a material impact on the consolidated financial position of the Group as reflected in these consolidated financial statements.