

**BAWAN COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2025  
WITH INDEPENDENT AUDITOR'S REPORT**

**BAWAN COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

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**ERNST & YOUNG PROFESSIONAL SERVICES (PROFESSIONAL LLC)**  
Paid-Up Capital: ﷲ 5,500,000 (Five Million Five Hundred Thousand Saudi Riyals)

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## **INDEPENDENT AUDITOR'S REPORT To the Shareholders of Bawan Company (A SAUDI JOINT STOCK COMPANY)**

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

We have audited the consolidated financial statements of Bawan 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 2025, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, 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 Opinion**

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia, as applicable to audit of consolidated financial statement of public interest entities. 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.

#### **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.



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**INDEPENDENT AUDITOR’S REPORT**  
**To the Shareholders of Bawan Company**  
**(A Saudi Joint Stock Company) (Continued)**

**Key Audit Matters (Continued)**

Key audit matter	How our audit addressed the key audit matter
<p><b>Recognition of revenue from contracts with customers</b></p> <p>The Group has recognized revenue of SR 4.07 billion for the year ended 31 December 2025 (2024: SR 3.02 billion). This revenue is generated from various segments of the business, with each segment having its unique commercial characteristics, different types of arrangements with customers including delivery / installation terms and return and / or warranty conditions.</p> <p>The Group’s revenue recognition includes both components of:</p> <ul style="list-style-type: none"> <li>• Point in time - when control over goods is transferred to the customer, and</li> <li>• Over time when the goods and / or services are performed and create enforceable rights to payment.</li> </ul> <p>Revenue is a key performance indicator for the Group and the recognition of revenue, specially in over time scenarios, requires significant judgment including when determining the percentage of completion and assessing enforceable rights. Due to the significant risk associated with revenue recognition in accordance with IFRS 15 “Revenue from contracts with customers”, it is considered as a key audit matter.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> <li>- Obtained an understanding of the revenue recognition arrangements for various segments of the business contributing to the Group’s total revenue, including the commercial terms of contracts with customers and relevant internal controls adopted by the Group;</li> <li>- Evaluated the appropriateness of the accounting policies related to revenue recognition of the Group by taking into consideration the requirements of IFRS 15 “Revenue from Contracts with Customers”;</li> <li>- Evaluated management’s assessment of contract terms to determine whether revenue should be recognized over time or at a point in time in accordance with IFRS 15;</li> <li>- Performed analytical review of various revenue streams in each business segment, analyzing the trends in revenue and correlating the same to significant business and commercial considerations / events;</li> <li>- Performed test of details, on a sample basis, of sales transactions, including the review of supporting documentation (customer contracts, invoices, delivery documents, customer acceptances etc.) to ensure that these are recorded appropriately and in the correct accounting period;</li> </ul>



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**INDEPENDENT AUDITOR’S REPORT**  
**To the Shareholders of Bawan Company**  
**(A Saudi Joint Stock Company)(Continued)**

**Key Audit Matters (Continued)**

Key audit matter	How our audit addressed the key audit matter
<p><b>Recognition of revenue from contracts with customers (continued)</b></p> <p><i>Refer to Note 2 to the consolidated financial statements for the material accounting policy, Note 4 for the critical accounting estimates and judgements and Note 25 for the related disclosures.</i></p>	<ul style="list-style-type: none"> <li>- For revenue recognition under over time method, reviewed the key inputs forming part of the percentage of completion and tested, on a sample basis, the underlying information supporting work performed till the reporting date and reviewing whether enforceable rights exist for revenue recognized;</li> <li>- Assessed the appropriateness of revenue recognition for contracts containing delivery, installation, return and / or warranty arrangements and on a sample basis, tested supporting documentation to validate that any adjustments to revenue for these items are properly applied; and</li> <li>- Assessed the adequacy of the relevant disclosures in the consolidated financial statements.</li> </ul>
<p><b>Accounting for business combination and recognition of bargain purchase gain</b></p> <p>During the year ended 31 December 2025, the Group acquired 80% shareholding in Petronash Holdings Limited for a consideration of SR 509.59 million (including contingent consideration) and as a result of the finalization of Purchase Price Allocation (PPA) exercise, recognized a bargain purchase gain of SR 126.45 million.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> <li>- Reviewed the share purchase agreements in relation to the acquisition to obtain an understanding of the transaction and the key terms and timelines;</li> <li>- Evaluated the appropriateness of the accounting treatment for the acquisition, including the purchase consideration based on the contractual agreements and inclusion of results of the newly acquired subsidiary based on timing of transfer of control to the Group;</li> </ul>



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**INDEPENDENT AUDITOR’S REPORT**  
**To the Shareholders of Bawan Company**  
**(A Saudi Joint Stock Company)(Continued)**

**Key Audit Matters (Continued)**

Key audit matter	How our audit addressed the key audit matter
<p><b>Accounting for business combination and recognition of bargain purchase gain (continued)</b></p> <p>Undertaking a PPA exercise requires management to determine the fair value of the assets and liabilities acquired and to identify intangible assets as part of the acquisition. Measuring fair value of identified tangible assets and identifying and measuring any intangible assets requires exercise of significant judgment and use of assumptions. Further, assessing whether a bargain purchase gain has been appropriately assessed and accounted for also requires thorough analysis of facts related to the acquisition arrangement. For these reasons, the accounting for business combination arrangement arising from the Group’s acquisition of Petronash Holdings Limited is considered a key audit matter.</p> <p><i>Refer to Note 2 to the consolidated financial statements for the material accounting policy, Note 4 for the critical accounting estimates and judgements and Note 32 for the related disclosures.</i></p>	<ul style="list-style-type: none"> <li>- Assessed the valuation for the consideration paid and contingent consideration payable and traced share issuance to the share register;</li> <li>- Assessed the identification and tested the fair valuation of the acquired assets including intangible assets acquired by corroborating with business understanding of Petronash Holdings Limited, its key customer contracts and activities;</li> <li>- Assessed the competence and relevant experience of the experts engaged by management in undertaking the PPA exercise.</li> <li>- Involved our internal specialists in assisting us in reviewing the management’s valuation methodologies and assessing the key assumptions and inputs used in measuring the fair value of the identifiable assets;</li> <li>- Assessed the appropriateness of the recognition of bargain purchase gain including correlation to key terms of the share purchase agreements, evaluation of circumstances associated with the purchase and testing the mathematical accuracy of key PPA computations to arrive at the amount to be recognized as a bargain purchase gain; and</li> <li>- Assessed the adequacy of the related disclosures in the financial statements.</li> </ul>



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**INDEPENDENT AUDITOR’S REPORT  
To the Shareholders of Bawan Company  
(A Saudi Joint Stock Company)(Continued)**

**Key Audit Matters (Continued)**

Key audit matter	How our audit addressed the key audit matter
<p><b>Allowance for expected credit losses</b></p> <p>The gross balance of trade receivables as at 31 December 2025 amounted to SR 1,046.87 million (2024: SR 627.39 million), against which an allowance for expected credit losses (“ECL”) of SR 94.52 million (2024: SR 78.52 million) was maintained.</p> <p>The Group is required to regularly assess the recoverability of its trade receivables. The recoverability of trade receivables was significant to our audit due to the value of trade receivables amount and certain customers aged greater than the credit terms.</p> <p>Assessment of ECL is subjective due to the involvement of significant judgement and assumptions applied by the management in determining the expected losses.</p> <p>We also considered this as a key audit matter given the trade receivables represents 25.0% (2024: 21.1%) of total assets and the judgements and assumptions regarding ECL against trade receivables and the potential impact on the Group's financial statements.</p> <p><i>Refer to Note 2 to the consolidated financial statements for the material accounting policy, Note 4 for the critical accounting estimates and judgements and Note 11 which details the disclosure of ECL against trade receivables.</i></p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> <li>- Obtained an understanding of management’s assessment of ECL against trade receivables including a review of the Group’s accounting policy and methodology for ECL allowance in accordance with the requirements of IFRS 9;</li> <li>- Involved our specialist to assess the reasonableness of significant judgments, estimates and assumptions applied in relation to the requirements of IFRS 9. Particularly, we assessed the Company’s approach regarding assessment of the probability of default and incorporation of forward-looking information in the calculation of ECL, as well as the changes in loss given default parameters;</li> <li>- Evaluated the appropriateness of the Company’s criteria and judgement for the determination of individually impaired receivable;</li> <li>- Tested the completeness and accuracy of data, on a sample basis, supporting the ECL calculations;</li> <li>- Assessed the reasonableness and adequacy of disclosures in the financial statements as required by IFRS 9 (“Financial instruments”) and IFRS 7 (“Financial instruments: Disclosures”); and</li> <li>- In addition, based on a sample basis we tested the existence and collections of the trade receivables. Further, we also verified appropriateness of the trade receivable ageing report.</li> </ul>



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**INDEPENDENT AUDITOR'S REPORT  
To the Shareholders of Bawan Company  
(A Saudi Joint Stock Company)(Continued)**

**Other Matter**

The consolidated financial statements for the year ended 31 December 2024, were audited by another auditor who expressed an unmodified opinion on those statements on 24 March 2025.

**Other information included in The Group's 2025 Annual Report**

Other information consists of the information included in the Group's 2025 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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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 i.e, the Audit Committee is responsible for overseeing the Group's financial reporting process.

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

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



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**INDEPENDENT AUDITOR'S REPORT  
To the Shareholders of Bawan Company  
(A Saudi Joint Stock Company)(Continued)**

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (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.

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.



**INDEPENDENT AUDITOR'S REPORT**  
**To the Shareholders of Bawan Company**  
**(A Saudi Joint Stock Company)(Continued)**

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)**

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

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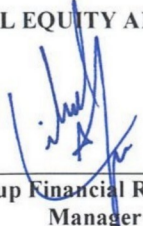
Waleed G. Tawfiq  
Certified Public Accountant  
License No. (437)




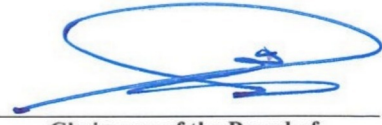
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5 April 2026

**BAWAN COMPANY**  
(A SAUDI JOINT STOCK COMPANY)  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT YEAR ENDED DECEMBER 31, 2025**  
(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

	Note	December 31, 2025	December 31, 2024
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	800,653	701,532
Right-of-use assets	6.1	72,633	23,288
Goodwill	7	4,397	4,397
Intangible assets	8	321,535	5,716
Due from a related party	19.1	49,377	-
Other assets	11.2	14,178	1,634
<b>Total non-current assets</b>		<b>1,262,773</b>	<b>736,567</b>
<b>Current assets</b>			
Inventories	9	993,461	781,539
Spare parts		34,154	32,357
Financial assets at fair value through profit or loss (FVTPL)	10	-	2,226
Trade receivables and other current assets	11	1,138,854	620,296
Due from a related party - current portion	19.1	18,750	-
Contract assets	12.1	279,431	-
Cash and cash equivalents	13	82,936	424,913
<b>Total current assets</b>		<b>2,547,586</b>	<b>1,861,331</b>
<b>TOTAL ASSETS</b>		<b>3,810,359</b>	<b>2,597,898</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	14	600,000	600,000
Statutory reserve	15.1	69,440	69,440
Other reserves	15.2	(58,746)	(10,915)
Retained earnings		479,346	270,261
Equity attributable to the owners of the Company		1,090,040	928,786
Non-controlling interests (NCI)	22	36,738	32,684
<b>Total equity</b>		<b>1,126,778</b>	<b>961,470</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term borrowing	16	469,065	476,305
Payables to NCI	23	196,255	-
Lease liabilities	6.3	56,465	18,938
Employee defined benefit liabilities	17	105,651	70,884
<b>Total non-current liabilities</b>		<b>827,436</b>	<b>566,127</b>
<b>Current liabilities</b>			
Trade and other payables	18	754,510	565,575
Short-term borrowings	16	781,332	352,407
Payable to NCI – current portion	23	75,000	-
Current portion of long-term borrowings	16	54,708	58,059
Contract liabilities	12.2	140,060	67,564
Current portion of lease liabilities	6.3	14,253	3,493
Zakat and income tax accrual	24.2	35,341	20,957
Dividends payable		941	2,246
<b>Total current liabilities</b>		<b>1,856,145</b>	<b>1,070,301</b>
<b>TOTAL LIABILITIES</b>		<b>2,683,581</b>	<b>1,636,428</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,810,359</b>	<b>2,597,898</b>

  
Group Financial Reporting  
Manager

  
Chief Executive Officer  
(Acting)

  
Chairman of the Board of  
Directors

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

**BAWAN COMPANY**  
(A SAUDI JOINT STOCK COMPANY)  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

	Note	2025	2024 (Restated note 38)
Revenue	19, 25	4,069,650	3,020,204
Cost of revenue	19, 26	<u>(3,515,307)</u>	<u>(2,686,308)</u>
<b>Gross profit</b>		<b>554,343</b>	<b>333,896</b>
Selling and distribution expenses	19, 27	(89,657)	(68,166)
General and administrative expenses	28	(215,480)	(109,054)
Expected credit loss (ECL) allowance on financial assets	11,12.1	(13,695)	(1,584)
Gain on disposal of investments in financial assets at FVTPL	10	2,233	3,486
Fair value gain on investment in financial assets at FVTPL	10	-	2
Bargain purchase gain on business combinations	32.3	126,452	-
Other income	29	<u>1,824</u>	<u>6,114</u>
<b>Profit before finance costs, zakat and income tax</b>		<b>366,020</b>	<b>164,694</b>
Finance costs	30	<u>(112,711)</u>	<u>(37,257)</u>
<b>Profit before zakat and income tax</b>		<b>253,309</b>	<b>127,437</b>
Zakat and income tax	24.1	<u>(47,304)</u>	<u>(15,631)</u>
<b>Profit for the year</b>		<b>206,005</b>	<b>111,806</b>
<b>Other comprehensive (loss) / income</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Re-measurement (loss) / gain on employee defined benefit liabilities	17.2	(10,008)	796
<i>Item that may be reclassified to profit or loss:</i>			
Foreign currency translation differences		<u>(2,606)</u>	-
<b>Other comprehensive (loss) / income for the year</b>		<b>(12,614)</b>	<b>796</b>
<b>Total comprehensive income for the year</b>		<b>193,391</b>	<b>112,602</b>
<b>Profit / (loss) for the year attributable to:</b>			
Ordinary shareholders of the Company		218,299	106,032
Non-controlling interests	22	<u>(12,294)</u>	<u>5,774</u>
		<b>206,005</b>	<b>111,806</b>
<b>Total comprehensive income / (loss) for the year attributable to:</b>			
Ordinary shareholders of the Company		206,999	106,773
Non-controlling interests		<u>(13,608)</u>	<u>5,829</u>
		<b>193,391</b>	<b>112,602</b>

**BAWAN COMPANY**  
 (A SAUDI JOINT STOCK COMPANY)  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
 (Continued)  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
 (ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

	Note	2025	2024 (Restated note 38)
<b>Earnings per share for profit attributable to the ordinary shareholders of the Company</b>			
Basic and diluted	31	3.64	1.77

  
 \_\_\_\_\_  
**Group Financial Reporting  
 Manager**

  
 \_\_\_\_\_  
**Chief Executive Officer  
 (Acting)**

  
 \_\_\_\_\_  
**Chairman of the Board of  
 Directors**


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

**BAWAN COMPANY**  
(A SAUDI JOINT STOCK COMPANY)  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**AS AT YEAR ENDED DECEMBER 31, 2025**  
(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

	Share capital	Statutory reserve	Other reserves	Retained earnings	Equity Attributable to the owners of the Company	Non-controlling interests	Total equity
<b>January 1, 2025</b>	600,000	69,440	(10,915)	270,261	928,786	32,684	961,470
Profit / (loss) for the year	-	-	-	218,299	218,299	(12,294)	206,005
Other comprehensive loss for the year	-	-	(2,086)	(9,214)	(11,300)	(1,314)	(12,614)
Total comprehensive income / (loss) for the year	-	-	(2,086)	209,085	206,999	(13,608)	193,391
Non-controlling interest recognized on newly acquired subsidiary (note 32)	-	-	-	-	-	106,900	106,900
Liability against NCI put option recognized against other reserves (note 15.2)	-	-	(132,153)	-	(132,153)	-	(132,153)
Classification of NCI put option reserve (note 15.2)	-	-	86,408	-	86,408	(86,408)	-
<b>Transactions with owners:</b>							
Dividends	-	-	-	-	-	(2,830)	(2,830)
<b>December 31, 2025</b>	<b>600,000</b>	<b>69,440</b>	<b>(58,746)</b>	<b>479,346</b>	<b>1,090,040</b>	<b>36,738</b>	<b>1,126,778</b>
January 1, 2024	600,000	66,525	-	253,403	919,928	40,890	960,818
Profit for the year	-	-	-	106,032	106,032	5,774	111,806
Other comprehensive loss for the year	-	-	-	741	741	55	796
Total comprehensive income for the year	-	-	-	106,773	106,773	5,829	112,602
Transfer to statutory reserve (note 15)	-	2,915	-	(2,915)	-	-	-
Derecognition of non-controlling interest on disposal of a subsidiary (note 15.2)	-	-	(10,915)	-	(10,915)	(9,085)	(20,000)
<b>Transactions with owners:</b>							
Dividends (note 39)	-	-	-	(87,000)	(87,000)	(4,950)	(91,950)
December 31, 2024	600,000	69,440	(10,915)	270,261	928,786	32,684	961,470

  
Group Financial Reporting Manager

  
Chief Executive Officer (Acting)

  
Chairman of the Board of Directors

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

**BAWAN COMPANY**  
(A SAUDI JOINT STOCK COMPANY)  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

	2025	2024
<b>Cash flows from operating activities</b>		
Profit before zakat and income tax	253,309	127,437
<i>Adjustments for:</i>		
Depreciation and amortization	209,593	63,543
ECL allowance on financial assets	13,695	1,584
Inventory written down during the year	-	551
Employees' end-of-service benefits cost	10,203	7,880
Intangible assets written off	8	-
Property, plant and equipment written off	136	-
Finance costs	112,711	37,257
Fair value gain on financial assets at FVTPL	-	(2)
Gain on disposal of financial assets at FVTPL	(2,233)	(3,486)
Bargain purchase gain on business combinations	(126,452)	-
Gain on derecognition / remeasurement of right-of-use assets and lease liabilities	(795)	(258)
Provision for warranty	1,761	93
Gain on disposal of property, plant and equipment	(2,792)	(1,268)
<i>Operating cash flows before movements in working capital</i>	469,144	233,331
<i>Changes in working capital</i>		
Inventories	(53)	344
Spare parts	(1,797)	(2,906)
Trade and other receivables	(205,399)	(8,933)
Contract assets	77,000	-
Trade and other payables	7,841	(33,250)
Contract liabilities	(8,831)	5,814
<i>Cash generated from operations</i>	337,905	194,400
Finance costs paid	(107,265)	(31,523)
Zakat and income tax paid	(58,675)	(19,697)
Employee defined benefit liabilities paid	(11,677)	(8,220)
<b>Net cash generated from operating activities</b>	<b>160,288</b>	<b>134,960</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(85,405)	(87,769)
Purchase of intangible assets	(4,364)	(2,645)
Purchase of financial assets at FVTPL	(16,508)	(17,149)
Proceeds from disposal of financial assets at FVTPL	20,967	19,044
Proceeds from disposal of property, plant and equipment	16,775	1,683
Payment for acquisition of subsidiary, net of cash acquired	(158,360)	-
Payment of purchase consideration, against acquisition of a subsidiary	(75,000)	-
Purchase of additional shares in subsidiaries from non-controlling interests	-	(20,000)
<b>Net cash used in investing activities</b>	<b>(301,895)</b>	<b>(106,836)</b>
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	1,967,646	806,525
Repayment of short-term borrowings	(2,066,091)	(743,773)
Proceeds from long-term borrowings	121,035	421,050
Repayment of long-term borrowings	(128,354)	(23,433)
Repayment of lease liabilities	(12,816)	(3,725)
Due from a related party, net	(75,000)	-
Dividends paid	-	(87,007)
Dividends paid to non-controlling interests	(4,135)	(4,436)
<b>Net cash (generated from) / used in financing activities</b>	<b>(197,715)</b>	<b>365,201</b>

**BAWAN COMPANY**  
 (A SAUDI JOINT STOCK COMPANY)  
**CONSOLIDATED STATEMENT OF CASH FLOWS** (Continued)  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
 (ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

	2025	2024
<b>Net changes in cash and cash equivalents</b>	<b>(339,322)</b>	393,325
Cash and cash equivalents at the beginning of the year	30,543	31,588
Less: change in restricted bank balance (note 13)	394,370	(394,370)
Foreign currency translation differences	(2,655)	-
<b>Cash and cash equivalents at the end of the year</b>	<b>82,936</b>	30,543

**Supplemental cash flow information** (refer note 36.1)

 <hr style="width: 100%;"/> <p><b>Group Financial Reporting Manager</b></p>	 <hr style="width: 100%;"/> <p><b>Chief Executive Officer (Acting)</b></p>	 <hr style="width: 100%;"/> <p><b>Chairman of the Board of Directors</b></p>
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The accompanying notes form an integral part of these consolidated financial statements.

**BAWAN COMPANY**

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2025**

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

**1. GENERAL INFORMATION**

Bawan Company (“Bawan”, the “Company”) is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration number 1010033032 dated 9 Shawwal 1400H (corresponding to August 20, 1980G) and its unified registration number is 7001401467. The Company’s shares are traded on the Saudi Stock Exchange (Tadawul). The Company’s financial year ends on 31 December every year.

The Company’s registered office is located at King Fahad Road, P.O. Box 25533, Riyadh, Kingdom of Saudi Arabia (“Saudi Arabia”).

The Group is mainly engaged in the manufacturing of metal and steel works, wooden pallets, plywood panels, boards and all work of carpentry and decorations, electrical transformers, packaged and unit substations and production of flexible packaging and insulation products, engineering items used in oil and gas sector and provision of related services.

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

Subsidiary	Principal activity	Location	Effective percentage of ownership	
			2025	2024
<b>Bawan Engineering Industries Company (“Bawan Engineering”)</b>	Wholesale and retail of electrical products	KSA	100	100
<i>Subsidiaries of Bawan Engineering along with its ownership are as follows:</i>				
- United Transformers Electric Company-Saudi (“Utec-Saudi”) (note 1.1)	Manufacturing of electrical products	KSA	90	90
- United Technology of Electric Substations & Switchgears Company (“USSG”) (note 1.1)	-Same as above-	KSA	90	90
<b>Bawan Wood Industries Company (“Bawan Wood”)</b>	Manufacturing of wood products	KSA	95	95
<i>Subsidiaries of Bawan Wood along with its ownership are as follows:</i>				
- Al-Raya Wood Works Establishment-UAE	-Same as above-	UAE	95	95
- Al-Raya Company for Wood Works-Kuwait	-Same as above-	Kuwait	95	95
- Inma Pallets Company Limited (“Inma Pallets”)	-Same as above-	KSA	95	95
- United Lines Logistics Services Company Limited (“ULLS”)	Logistic services	KSA	95	95
<b>Bawan Metal Industries Company (“Bawan Metal”)</b>	Manufacturing of metal products	KSA	100	100
<b>Arnon Plastic Industries Company (“Arnon”)</b>	Manufacturing of plastic packaging and insulation products	KSA	100	100
<b>United Company for Wood and Metal Products (“United Wood and Metal”)</b>	Manufacturing of wood / metal products	KSA	95	95

**BAWAN COMPANY**

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2025**

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

**1. GENERAL INFORMATION (Continued)**

<b>Subsidiary</b>	<b>Principal activity</b>	<b>Location</b>	<b>Effective percentage of ownership</b>	
<b>Petronash Holding SPV Limited</b> <b>(“Petronash SPV”) (note 1.2)</b> <i>Subsidiary of Petronash SPV is as follows:</i>	Intermediate holding company	UAE	<b>80</b>	-
- Petronash Holding Limited (“Petronash Holding”)	Intermediate holding company	UAE	<b>80</b>	-
<i>Subsidiaries of Petronash Holding are as follows:</i>				
- Petronash FZE	Manufacturing oil and gas equipment	UAE	<b>80</b>	-
- Petronash Engineering Services Private Limited	-Same as above-	India	<b>80</b>	-
- Petronash SPC	-Same as above-	Oman	<b>80</b>	-
- Petronash Arabia Co. Limited	-Same as above-	KSA	<b>80</b>	-
- Petronash Oil Field and Services Sole Proprietorship LLC	-Same as above-	UAE	<b>80</b>	-
- Petronash Qatar SPV Limited	-Same as above-	Cayman Islands	<b>80</b>	-
- Petronash Oil and Gas Services & Trading LLC. (note 1.3)	-Same as above-	Qatar	<b>80</b>	-
- DTS SPV Limited	-Same as above-	Cayman Islands	<b>80</b>	-
- Dynamic Solutions Arabia for Consulting and Research Factory Company Limited	-Same as above-	KSA	<b>80</b>	-

- 1.1 On 1 Sha’ban 1445 corresponding to February 2, 2024, the Group announced that effective from January 1, 2024, one of its subsidiaries, Bawan Engineering, signed an agreement to acquire additional 4.5% shareholding in Utec-Saudi and USSG against total consideration of SR 20 million. During the year ended 2024 Bawan Engineering acquired control of this additional shareholding. The purchase was accounted for as an equity transaction with owners, with no impact on the consolidated statement of profit or loss for the year ended 2024. The difference of SR 10.92 million between the carrying value of non-controlling interests (determined based on financial statements of subsidiaries as of December 31, 2023) and purchase consideration was recorded under equity as ‘Reserve for acquisition of additional shares in subsidiaries’ under other reserves.
- 1.2 On February 13, 2025, the Group acquired a controlling shareholding in Petronash Holding SPV Limited along with its subsidiaries (note 32).
- 1.3 In accordance with Federal Law effective in Qatar, while Petronash Holding Limited Owns 49% of equity interest, according to the shareholders agreement it holds 100% of economic and beneficial rights and has the right to control the business, resulting in consolidation of this investment as a wholly owned subsidiary.

**BAWAN COMPANY**

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED DECEMBER 31, 2025**

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

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**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES****2.1 Basis of preparation**

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

The consolidated financial statements have been prepared under the historical cost convention except where IFRS requires other measurement basis as disclosed in the applicable accounting policies in note 2 of these consolidated financial statements.

**2.2 Fair value measurement**

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

**Valuation techniques**

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

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

**BAWAN COMPANY**

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED DECEMBER 31, 2025**(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

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**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)****2.3 Basis of consolidation**

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

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

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

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

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

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

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

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

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

**BAWAN COMPANY**  
(A SAUDI JOINT STOCK COMPANY)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

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**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)**

**2.3 Basis of consolidation (Continued)**

*Changes in the Group's ownership interests in existing subsidiaries*

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

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

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

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

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

**2.4 Goodwill**

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

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

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

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

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

**BAWAN COMPANY**

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED DECEMBER 31, 2025**

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

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**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)****2.5 Business combinations**

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

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

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

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

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

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

**BAWAN COMPANY**

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**FOR THE YEAR ENDED DECEMBER 31, 2025**

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

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**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)**

**2.6 Foreign currency translation**

*(i) Functional and presentation currency*

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

For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. On disposal of a foreign operation, any gain or loss that arises is transferred from consolidated statement of financial position to the consolidated statement of profit or loss and other comprehensive income.

*(ii) Transactions and balances*

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

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

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

*(iii) Group companies*

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

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

**BAWAN COMPANY**

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED DECEMBER 31, 2025**

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

**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)****2.7 Revenue recognition**

Revenue is recognized in the consolidated statement of profit or loss and other comprehensive income to the extent that it is probable that the economic future benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably. Revenue shall be measured at the fair value of the consideration received or receivable, considering contractually defined terms of payment and excluding taxes or duty.

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

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

- (a) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- (b) The Group performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) The Group 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.

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.

The Group assesses 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.

For contracts where the over time criteria are met, the Group measures progress through the cost to complete method (input method) as it best depicts the transfer of control of products and services under each performance obligation. For contracts where over time criteria are not met, the Group recognizes the revenue at point in time upon transfer of control to the customers.

When the Group satisfy 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.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assess their revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group have concluded that it is acting as a principal in all of its revenue arrangements.

Variations which are in the nature of extension of existing scope of work are accounted for using cumulative catch-up adjustments to the cost to complete method of revenue recognition. Variation orders which require the addition of distinct goods and services to the scope at discounted prices are accounted for prospectively and variation orders which require the addition of distinct goods and services to the scope at standalone selling prices are accounted for as new contracts with the customers. A loss is recognized in the consolidated statement of comprehensive income when the expected contract costs exceed the total anticipated contract revenue.

The Group combines two or more contracts entered into at or near the same time with the same customer and account for the contracts as a single contract if one or more of the following criteria are met:

- Two or more contracts entered into at or near the same time with the same customer are negotiated as a package with a single commercial objective.
- The amount of consideration to be paid in one contract depends on the price or performance of the other contract: or
- The goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

## **BAWAN COMPANY**

(A SAUDI JOINT STOCK COMPANY)

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**FOR THE YEAR ENDED DECEMBER 31, 2025**

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

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## **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)**

### **2.7 Revenue recognition (Continued)**

If the above criteria is met, the arrangements are combined and accounted for as a single arrangement for revenue recognition.

Pre-contract cost of obtaining a contract with a customer is recognized as an asset if those costs are expected to be recovered.

Revenue is recognized in the consolidated statement of profit or loss and other comprehensive income to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and the revenue and costs, if applicable, can be measured reliably.

The Group provides warranties to customers with assurance that the related product will function as the parties intended because it complies with agreed-upon specifications. The Group does not provide warranties as a service, in addition to the assurance that the product complies with agreed-upon specifications in its contracts with customers. As such, the Group expects that such warranties will be assurance-type warranties which will continue to be accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The Group recognizes revenue from the following major sources:

- Sale of various manufactured goods;
- Contract revenue from sale of equipment;
- Sale of spare parts; and
- Rendering of services.

#### *Sales of various manufactured goods*

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

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

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

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

#### *Contract revenue from sale of equipment*

The Group is involved in the manufacturing and sale of equipment used in the oil and gas industries. These equipment are highly specialized in nature and are built to order based upon the requirements from customers. The Group's performance obligations include sale of equipment, installation, testing and commissioning at site and contain distinct goods and services. However, these are not distinct in the context of the contract because the customer cannot benefit from the individual good or service on its own neither can the good or services be used with other readily available resources and the goods and services are highly interrelated and are not considered distinct within the context of the contract. Therefore, the contracts are considered to be a single performance obligation. The Group evaluates each equipment manufacturing contract to determine whether revenue should be recognized over time or at a point in time. For contracts where performance does not create an asset with an alternative use to the Group and the Group has an enforceable contractual right to payment for performance completed to date, revenue is recognized over time. For other equipment contracts that do not meet these criteria, revenue is recognized at a point in time upon transfer of control to the customer. For contracts where revenue is recognized over time, the Group uses the input method to measure progress towards complete satisfaction of performance obligations.

**BAWAN COMPANY**

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**FOR THE YEAR ENDED DECEMBER 31, 2025**

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

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**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)**

**2.7 Revenue recognition (Continued)**

Sale of spare parts

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. The Group's contracts with customers for the sale of spare parts generally include one performance obligation. The Group concluded that revenue from the sale of spare parts should be recognized at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Rendering of services

Revenue from rendering of services is recognized when the services have been performed and rendered which is at a point in time considering the fact that these services are short term in nature. There are no services contracts that are bundled with the manufacturing of equipment.

Contract assets

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

The revenue recognized at the measurement of progress using input based on the actual cost, after deducting the progress payments received or receivable from the customers, is presented within the contract assets line item in the balance sheet as work in progress.

The amounts recognized as work in progress are adjusted for any expected credit loss allowance using the probability of default of the counter party. Contract assets are subject to impairment assessment.

Contract liabilities

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

Where the payments received or receivable for any contract exceed revenue recognized, the excess is presented as contract liabilities in the consolidated statement of financial position.

**2.8 Costs and expenses**

*(i) Costs of revenue*

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

*(ii) Selling and distribution expenses*

Selling and distribution expenses principally consist of costs incurred in the distribution and selling of the Group's products.

*(iii) General and administrative expenses*

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

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**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)****2.9 Employee benefits**

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

*Short-term employee benefits*

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

*Employee defined benefit liabilities*

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

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

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

*Retirement benefits*

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

**2.10 Borrowing costs**

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

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

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

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**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)****2.11 Zakat and taxes***(i) Zakat and income tax***Companies with only Saudi shareholders**

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

**Mixed companies with foreign shareholders**

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

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

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

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

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

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

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

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

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

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

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**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)**

**2.11 Zakat and taxes (Continued)**

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

*(ii) Withholding tax*

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

*(iii) Value added tax*

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

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

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**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)****2.12 Property, plant and equipment**

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

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

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

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

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

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

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

**2.13 Leases**

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

*i) Lease liabilities*

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

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

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

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

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**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)****2.13 Leases (Continued)***i) Lease liabilities (continued)*

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

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

*ii) Right-of-use assets*

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

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

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

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

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

*Lease term*

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

*Short-term and low value leases*

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

**2.14 Other intangible assets**

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

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**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)****2.14 Other intangible assets (Continued)**

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

	<u>Percentage (%)</u>
Software	20
Customer relationships	10
Customer backlog	~ 50 *
Trade name	10
Prototypes	20

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

\* Customer backlog is amortized based on actual revenue earned on contracts to which this asset relates to, linked to satisfaction of performance obligations (note 2.14.1).

**2.14.1 Intangible assets acquired in business combinations**

Intangible assets acquired in a business combination are recognized separately from goodwill when they meet the definition of an intangible asset under IAS 38 *Intangible Assets*, are either separable or arise from contractual or other legal rights, and their fair value can be measured reliably. Such assets are initially measured at fair value at the acquisition date in accordance with IFRS 3 *Business Combinations*.

Customer relationships

The customer relationships intangible asset represents the fair value of existing customer relationships acquired as part of a business combination, measured initially at acquisition-date fair value using the multi-period excess earnings (MEEM) method. The asset captures the value attributable to the expected future economic benefits arising from the Group's ongoing relationships with the acquired entity's existing customer base, taking into account historical customer attrition patterns and the probability of repeat business.

Customer relationships are amortized on a straight-line basis over their estimated useful life, which reflects management's best estimate of the period over which the relationships are expected to generate net cash inflows for the Group, having regard to historical attrition rates, contractual terms, and industry experience. Management has determined that the straight-line method represents the most appropriate reflection of the pattern in which the economic benefits of the asset are consumed, as the customer base is expected to diminish at a broadly even rate over the useful life of the asset.

The amortization period and method are reviewed at each reporting date and adjusted prospectively if appropriate. Customer relationships are tested for impairment whenever there is an indication that the asset may be impaired, in accordance with IAS 36 Impairment of Assets.

Order backlog

The order backlog intangible asset represents the fair value of unfulfilled contractual obligations and firm orders acquired as part of a business combination. The asset is measured initially at its acquisition-date fair value determined using the MEEM method.

The order backlog intangible asset is amortized over its useful life, which corresponds to the period over which the underlying contracts are expected to be fulfilled. Amortization is recognized on a basis that reflects the pattern in which the economic benefits embodied in the asset are consumed by the Group. Management has determined that this pattern is best approximated by the profile of revenue recognition of the underlying contracts, as the economic benefits of the backlog are realized progressively as performance obligations are satisfied and revenue is recognized in accordance with IFRS 15 *Revenue from Contracts with Customers*. Accordingly, amortization in each reporting period is determined in proportion to the revenue recognized from the relevant contracts during that period relative to the total expected revenue from those contracts at the acquisition date.

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## **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)**

### **2.14 Other intangible assets (Continued)**

Based on management's assessment of the expected contract performance cycle and the anticipated timeline for fulfilment of the acquired backlog, the order backlog intangible asset is estimated to be fully amortized over a period of approximately two years from the acquisition date. The actual amortization in any given period may vary from a straight-line profile, as the charge follows the pattern of revenue recognized from the underlying contracts, which is dependent on the stage of completion and the timing of satisfaction of performance obligations under each contract.

The amortization method and useful life are reviewed at each reporting date and adjusted prospectively if the expected pattern of consumption of future economic benefits has changed. The asset is tested for impairment whenever there is an indication that it may be impaired, in accordance with IAS 36 *Impairment of Assets*.

#### Trade name

The trade name intangible asset represents the fair value of the brand and trade name acquired as part of a business combination, measured initially at acquisition-date fair value using the relief-from-royalty method. This method estimates the present value of the hypothetical royalty payments that the Group is relieved from making as a result of owning the trade name, applied to projected revenues attributable to the brand.

The trade name is amortized on a straight-line basis over its estimated useful life, being the period over which the trade name is expected to contribute to the Group's future cash flows. Management has determined that the straight-line method appropriately reflects the pattern of consumption of the economic benefits embodied in the asset, as the brand value is expected to be realized at a broadly uniform rate over its useful life.

The amortization period and method for finite-lived trade names are reviewed at each reporting date and adjusted prospectively if appropriate. Finite-lived trade names are tested for impairment whenever there is an indication that the asset may be impaired.

### **2.15 Impairment of non-financial assets**

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

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

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

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**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)****2.16 Inventories and spare parts**

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

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

Spare parts are consumable inventory that cannot be capitalized as property, plant and equipment as per the requirement of applicable standards. Cost is determined on the weighted average cost method. An allowance for obsolete and slow-moving items, if any, is estimated at each reporting date.

**2.17 Financial instruments***a) Initial recognition and measurement of financial instruments*

The Group initially recognizes financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument.

Where the trade receivables do not have a significant financing component, initial measurement is at their transaction price, which is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

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

***Business model assessment***

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

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

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

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**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)**

**2.17 Financial instruments (Continued)**

*b) Financial assets - subsequent classification and measurement*

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

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

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

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

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

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

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

*c) Impairment of financial assets*

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

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

*d) Write-off policy*

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

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

*e) Financial liabilities - subsequent classification and measurement*

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

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

*f) Cash and cash equivalents*

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

*g) Offsetting of financial instruments*

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

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**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)****2.18 Borrowings**

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

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

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

**2.19 Provisions**

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

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

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

**Warranties**

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

**2.20 Contingencies**

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

**2.21 Dividends**

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

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### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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## **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)**

### **2.22 Segmental reporting**

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

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

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

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

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

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

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

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

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

### **2.24 Non-Controlling Interest (NCI) put option**

When a put option is granted to a non-controlling interest (NCI) shareholder in a subsidiary, the Group assesses whether it has a present ownership interest in the shares held by the NCI. If the Group concludes that it has a present ownership interest, the arrangement is accounted for as the acquisition of those shares, and a financial liability is recognized for the NCI and NCI put option based on the expected exercise price of the put option.

If the Group determines that the Group does not have the present ownership interest in the shares held by the NCI, the Group accounts for the put option in accordance with the partial recognition of NCI approach. Under this approach, the NCI is initially recognized in equity at the date of acquisition, representing its ownership interest in the subsidiary. While the NCI put option remains unexercised, the carrying amount of the NCI is updated at each reporting date to reflect its share of the subsidiary's profit or loss, other comprehensive income (OCI) and dividends declared during the reporting period. Further, at each reporting date, financial liability is recognized at the present value of the amount payable upon exercise of the NCI put option. The NCI is derecognized as if it has been acquired, and any difference between the carrying amount of the NCI and the remeasured financial liability is recognized directly in equity under "NCI put option reserve."

If the NCI put option is exercised, the same treatment is applied up to the date of exercise and the financial liability recognized at that date is extinguished against payment of the exercise price.

If the NCI put option expires unexercised, the accounting position is unwound such that the NCI is re-recognized at the amount it would have been as if the put option had never been granted (measured initially at the date of the business combination and adjusted for subsequent allocations of profit or loss, OCI and other changes in equity attributable to the NCI). The financial liability is derecognized, against the "NCI put option reserve."

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**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

**Standards issued but not yet effective.**

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

**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.

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

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

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, are 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 Company is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements. The initial expected material impacts on Group's consolidated financial statements are, as follows:

- Rental income, change in fair value from investment properties will be classified in the investing category within the statement of profit or loss.
- Foreign exchange difference will be classified in the category where the related income and expense form the item giving rise to the foreign exchange difference.
- New disclosure will be added: (a) management-defined performance measures; (b) specified expense by nature if expenses are presented by function in the operating category of the statement of profit or loss; and (c) a reconciliation for each line item in the statement of profit or loss between the restated amounts presented applying IFRS 18 and the amounts previously presented applying IAS 1.
- Interest received and interest paid will be classified in the investing activities and financing activities, respectively, on the statement of cash flows.

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

As the Group's equity instruments are publicly traded, it is not eligible to elect to apply IFRS 19.

**Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7**

In May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date' and the introduction of an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

The Amendments are effective for annual periods starting on or after 1 January 2026 with early adoption permitted for classification of financial assets and related disclosures only. The Company does not anticipate that the amendments will have a material effect on the Group's consolidated financial statements

**Annual Improvements to IFRS Accounting Standards - Volume 11**

In July 2024, the IASB issued nine narrow scope amendments as part of its periodic maintenance of IFRS accounting standards. The amendments include clarifications, simplifications, corrections or changes to improve consistency in IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial Instruments: Disclosure and its accompanying Guidance on implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements and IAS 7 Statements of Cash Flows.

The amendments will be effective for reporting periods beginning on or after 1 January 2026. Earlier application is permitted and must be disclosed.

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

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**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)****Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7**

In December 2024, the IASB issued Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity. The amendments apply only to contracts that reference nature-dependent electricity, the amendments:

- Clarify the application of the 'own-use' requirements for in-scope contracts
- Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts
- Add new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flow.

The amendments will take effect for annual reporting periods starting on or after 1 January 2026. Early adoption is allowed, but it must be disclosed. The amendments concerning the own-use exception are to be applied retrospectively, while the hedge accounting amendments should be applied prospectively to new hedging relationships designated from the initial application date. Additionally, the IFRS 7 disclosure amendments must be implemented alongside the IFRS 9 amendments. If an entity does not restate comparative information, it cannot present comparative disclosures.

The Group does not expect that the amendments will have a material impact on its consolidated financial statements.

**New and amended standards and interpretations**

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2025 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**Lack of exchangeability – Amendments to IAS 21**

For annual reporting periods beginning on or after 1 January 2025, Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates specifies 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 did not have a material impact on the Group's consolidated financial statements.

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**4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

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

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

**4.1 Critical judgements in applying accounting policies**

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

**a) Revenue recognition**

The Group is involved in the manufacturing and sale of specialized equipment for the oil and gas industry under long-term contracts, as well as the sale of manufactured goods, spare parts and rendering of services. Revenue is recognized in accordance with IFRS 15 *Revenue from Contracts with Customers* either over time or at a point in time, depending on whether certain criteria prescribed by the standard are met.

Management exercises significant judgment in determining whether performance obligations under the Group's equipment manufacturing contracts are satisfied over time or at a point in time. This assessment requires management to evaluate, for each contract, whether:

- (a) the Group's performance creates an asset with no alternative use to the Group, considering both contractual restrictions and practical limitations on the Group's ability to readily redirect the asset to another customer; and
- (b) the Group has an enforceable right to payment for performance completed to date, including a reasonable profit margin, at all times throughout the duration of the contract, including in the event of termination by the customer for reasons other than the Group's failure to perform.

Where both conditions are met, revenue is recognized over time using the input method (cost-to-complete), which itself requires management to estimate total contract costs at each reporting date to measure the progress towards complete satisfaction of the performance obligation. Where these conditions are not met, management concludes that revenue is to be recognized at a point in time upon transfer of control to the customer.

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**4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)**

**4.1 Critical judgements in applying accounting policies (Continued)**

**b) Going concern**

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

**c) Assessment of control over subsidiaries**

Subsidiaries are all equity investments over which the Group has control over. Management considers that it controls an investee when the Group:

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

The determination about whether the Group has power depends on the way decisions about the relevant activities are made and the rights the Group has, over the investees.

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**4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)**

**4.2 Key sources of estimation uncertainty**

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

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

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

**b) Impairment of trade and other receivables**

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

**c) Employee defined benefit liabilities**

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

**d) Contingencies**

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events. (note 20)

**e) Cost to complete the contracts with customers**

The Group recognizes revenue from certain equipment manufacturing contracts over time using the input method (cost-to-complete), whereby the stage of completion is determined by reference to the proportion of contract costs incurred to date relative to the estimated total costs to complete the contract. This method requires management to make significant estimates of the total costs expected to be incurred to fulfil each performance obligation.

The estimation of total contract costs involves the exercise of considerable judgment and requires management to make assumptions with respect to, among other things:

(a) the cost of raw materials and components, including the impact of price volatility and availability of specialized materials sourced;

(b) the extent of labor effort required to complete the remaining scope of work, including the assessment of productivity levels and the allocation of engineering and technical personnel;

(c) subcontractor costs where elements of the scope are performed by third parties, including the assessment of the adequacy of subcontractor quotations and the likelihood of cost overruns; and

(d) the estimated costs of installation, testing and commissioning at site, which are dependent on field conditions, logistical considerations and client-site readiness;

These estimates are reviewed by management at each reporting date and are revised where circumstances indicate that the previous estimate is no longer appropriate. Revisions to estimated total contract costs are accounted for on a cumulative catch-up basis, with the effect of the change in estimate recognized in the consolidated statement of profit or loss in the period in which the revision is identified.

Where it becomes probable that total contract costs will exceed total contract revenue, the expected loss is recognized immediately as an expense in the consolidated statement of profit or loss, irrespective of the stage of completion of the contract.

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**4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)**

**4.2 Key sources of estimation uncertainty (Continued)**

**e) Cost to complete the contracts with customers (Continued)**

The carrying amount of contract assets recognized in respect of equipment manufacturing contracts at the reporting date was SR 209.14 million (December 31, 2024: SR Nil). Due to the inherent estimation uncertainty involved, actual outcomes may differ from the estimates made at the reporting date, which could result in material adjustments to the revenue and profit recognized from these contracts within the next financial year.

**f) Zakat and tax accrual**

The Group's current zakat and tax accrual of SR 35.34 million relates to management's assessment of the amount of zakat accrued on open zakat positions where the liabilities remain to be agreed with the ZATCA. Due to the uncertainty associated with such zakat items, it is possible that, on finalization of open zakat and tax assessments at a future date, the final outcome may differ significantly. Note 24 describes the status of zakat assessments.

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**5. PROPERTY, PLANT AND EQUIPMENT**

	<b>Land</b>	<b>Building and leasehold improvement</b>	<b>Plant and machinery</b>	<b>Vehicles</b>	<b>Furniture, fixtures and office equipment</b>	<b>Tools</b>	<b>Capital work - in - progress (CWIP)</b>	<b>Total</b>
<b><u>Cost</u></b>								
January 1, 2025	90,126	413,490	781,291	55,592	51,957	15,068	69,666	1,477,190
Acquisition through business combinations (note 32)	<b>16,332</b>	<b>80,221</b>	<b>45,613</b>	<b>4,140</b>	<b>17,105</b>	-	<b>26,404</b>	<b>189,815</b>
Additions during the year	-	<b>3,266</b>	<b>14,830</b>	<b>1,126</b>	<b>3,898</b>	<b>1,127</b>	<b>65,491</b>	<b>89,738</b>
Transfers from CWIP	<b>163</b>	<b>60,902</b>	<b>45,996</b>	-	<b>3,299</b>	<b>991</b>	<b>(111,351)</b>	-
Transfer to intangible assets (note 8)	-	-	<b>(2,160)</b>	-	-	-	<b>(2,330)</b>	<b>(4,490)</b>
Disposals	-	<b>(14,188)</b>	<b>(2,748)</b>	<b>(1,841)</b>	<b>(1,104)</b>	<b>(10)</b>	-	<b>(19,891)</b>
Written off	-	<b>(128)</b>	<b>(15,256)</b>	-	<b>(3,692)</b>	<b>(922)</b>	-	<b>(19,998)</b>
Foreign currency translation differences	<b>(51)</b>	<b>(479)</b>	<b>(209)</b>	<b>(13)</b>	<b>(166)</b>	-	<b>(78)</b>	<b>(996)</b>
December 31, 2025	<b>106,570</b>	<b>543,084</b>	<b>867,357</b>	<b>59,004</b>	<b>71,297</b>	<b>16,254</b>	<b>47,802</b>	<b>1,711,368</b>
<b><u>Accumulated depreciation and impairment</u></b>								
January 1, 2025	9,574	224,049	445,589	39,826	45,165	11,455	-	775,658
Acquisition through business combinations (note 32)	-	<b>38,282</b>	<b>29,648</b>	<b>3,898</b>	<b>13,648</b>	-	-	<b>85,476</b>
Charge for the year	-	<b>22,594</b>	<b>45,389</b>	<b>3,373</b>	<b>3,902</b>	<b>1,083</b>	-	<b>76,341</b>
Disposals	-	<b>(772)</b>	<b>(2,561)</b>	<b>(1,766)</b>	<b>(799)</b>	<b>(10)</b>	-	<b>(5,908)</b>
Transfer to intangible assets (note 8)	-	-	<b>(430)</b>	-	-	-	-	<b>(430)</b>
Written off	-	<b>(128)</b>	<b>(15,152)</b>	-	<b>(3,670)</b>	<b>(912)</b>	-	<b>(19,862)</b>
Foreign currency translation differences	-	<b>(259)</b>	<b>(146)</b>	<b>(12)</b>	<b>(143)</b>	-	-	<b>(560)</b>
December 31, 2025	<b>9,574</b>	<b>283,766</b>	<b>502,337</b>	<b>45,319</b>	<b>58,103</b>	<b>11,616</b>	-	<b>910,715</b>
<b><u>Net book value</u></b>								
December 31, 2025	<b>96,996</b>	<b>259,318</b>	<b>365,020</b>	<b>13,685</b>	<b>13,194</b>	<b>4,638</b>	<b>47,802</b>	<b>800,653</b>

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**5. PROPERTY, PLANT AND EQUIPMENT (Continued)**

	<b>Land</b>	<b>Building and leasehold improvement</b>	<b>Plant and machinery</b>	<b>Vehicles</b>	<b>Furniture, fixtures and office equipment</b>	<b>Tools</b>	<b>Capital work - in - progress (CWIP)</b>	<b>Total</b>
<b><u>Cost</u></b>								
January 1, 2024	90,126	390,709	757,820	50,310	47,733	13,600	57,223	1,407,521
Additions during the year	-	2,912	12,099	6,662	2,095	1,445	66,887	92,100
Transfers from CWIP	-	22,217	26,411	-	2,748	23	(51,399)	-
Transfers to intangible assets (note 8)	-	-	-	-	-	-	(3,045)	(3,045)
Disposals	-	(2,348)	(15,039)	(1,380)	(619)	-	-	(19,386)
December 31, 2024	90,126	413,490	781,291	55,592	51,957	15,068	69,666	1,477,190
<b><u>Accumulated depreciation and impairment</u></b>								
January 1, 2024	9,574	208,716	424,146	37,720	43,925	10,979	-	735,060
Charge for the year	-	17,680	36,399	3,158	1,856	476	-	59,569
Disposals	-	(2,347)	(14,956)	(1,052)	(616)	-	-	(18,971)
December 31, 2024	9,574	224,049	445,589	39,826	45,165	11,455	-	775,658
<b><u>Net book value</u></b>								
December 31, 2024	80,552	189,441	335,702	15,766	6,792	3,613	69,666	701,532

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

Finance costs amounting to SR 4.33 million (2024: SR 4.33 million) were capitalized in CWIP during the year ended December 31, 2025.

Additions via acquisition through business combination were acquired as part of the acquisition of a subsidiary (see note 32), and have been measured at fair value at the acquisition date in accordance with IFRSs as endorsed in the Kingdom of Saudi Arabia.

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**5. PROPERTY, PLANT AND EQUIPMENT (Continued)**

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

	<b>Note</b>	<b>2025</b>	2024
Cost of revenue	26	<b>63,327</b>	51,205
Selling and distribution expenses	27	<b>2,417</b>	2,235
General and administrative expenses	28	<b>8,512</b>	6,129
Capitalized under work in progress against customer contracts		<b>2,085</b>	-
		<b>76,341</b>	59,569

**6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

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

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

	<b>Note</b>	<b>2025</b>	2024
January 1		<b>23,288</b>	28,376
Acquisition through business combinations	32	<b>45,430</b>	-
Additions during the year		<b>18,250</b>	852
Remeasurement / Derecognition of right-of-use assets, net		<b>1,028</b>	(2,029)
Depreciation on right-of-use assets	6.2	<b>(14,907)</b>	(3,911)
Foreign currency translation differences		<b>(456)</b>	-
December 31		<b>72,633</b>	23,288

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

	<b>Note</b>	<b>2025</b>	2024
Depreciation on right-of-use assets	26	<b>14,907</b>	3,911
Accretion of finance costs under lease liabilities	30	<b>4,190</b>	1,122
		<b>19,097</b>	5,033

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

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

	<b>2025</b>	2024
Non-current portion of lease liabilities	<b>56,465</b>	18,938
Current portion of lease liabilities	<b>14,253</b>	3,493
	<b>70,718</b>	22,431

The future minimum lease payments have been discounted, using an effective interest rate ranging from 2.5% to 8.75% per annum (2024: ranging from 2.5% to 7%), to their present values.

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

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

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**7. GOODWILL**

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

	<u>2025</u>	<u>2024</u>
Arnon	<b>4,066</b>	4,066
Inma Pallets	<b>331</b>	331
	<u><b>4,397</b></u>	<u>4,397</u>

The Group performed its annual impairment tests as at December 31, 2025. The recoverable amounts of the above cash generating units were determined using a value-in-use calculation which incorporates cash flow projections for a five-year period based on budgets approved by the management. A discount rate of 9.5% per annum (2024: 8% per annum) is used to discount the future cash flows to present value.

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**8. INTANGIBLE ASSETS**

	Note	Software	Acquired Customer relationships	Acquired Contract order backlog	Acquired Trade name	Prototypes	Intangibles under development	Total
<b>Cost</b>								
January 1, 2025		7,324	11,727	-	6,190	-	5,666	30,907
Acquisition through business combinations	32	5,845	210,658	180,564	33,856	-	-	430,923
Additions	8.1	317	-	-	-	225	3,822	4,364
Transfer from property, plant and equipment	5	2,191	-	-	-	1,404	895	4,490
Transfers		-	-	-	-	5,666	(5,666)	-
Written off		(687)	-	-	-	-	-	(687)
Foreign currency translation differences		(42)	(658)	(564)	(106)	-	-	(1,370)
December 31, 2025		14,948	221,727	180,000	39,940	7,295	4,717	468,627
<b>Accumulated amortization</b>								
January 1, 2025		7,274	11,727	-	6,190	-	-	25,191
Acquisition through business combinations	32	3,903	-	-	-	-	-	3,903
Amortization	8.2	804	18,379	95,018	2,954	1,190	-	118,345
Transfer from PPE		430	-	-	-	-	-	430
Written off		(679)	-	-	-	-	-	(679)
Foreign currency translation differences		(74)	(4)	(19)	(1)	-	-	(98)
December 31, 2025		11,658	30,102	94,999	9,143	1,190	-	147,092
<b>Net book value</b>								
December 31, 2025		3,290	191,625	85,001	30,797	6,105	4,717	321,535

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**8. INTANGIBLE ASSETS (Continued)**

	<b>Note</b>	<b>Software</b>	<b>Acquired Customer relationships</b>	<b>Acquired Trade name</b>	<b>Intangibles under development</b>	<b>Total</b>
<b>Cost</b>						
January 1, 2024		7,300	11,727	6,190	-	25,217
Additions	8.1	24	-	-	2,621	2,645
Transfer from property, plant and equipment	5	-	-	-	3,045	3,045
December 31, 2024		7,324	11,727	6,190	5,666	30,907
<b>Accumulated amortization</b>						
January 1, 2024		7,211	11,727	6,190	-	25,128
Amortization	8.2	63	-	-	-	63
December 31, 2024		7,274	11,727	6,190	-	25,191
<b>Net book value</b>						
<b>December 31, 2024</b>		50	-	-	5,666	5,716

8.1 Intangible assets under development as of December 31, 2025 represents costs incurred for development of certain prototypes, which are expected to be completed in 2026.

8.2 Amortization charge on intangible assets for the year has been allocated as follows:

	<b>Note</b>	<b>2025</b>	<b>2024</b>
Cost of revenue	26	96,216	-
General and administrative expenses	28	22,129	63
		<b>118,345</b>	<b>63</b>

**9. INVENTORIES**

		<b>2025</b>	<b>2024</b>
Raw materials		539,043	453,231
Finished goods		196,593	232,673
Work-in-process		197,611	52,092
Goods in transit		43,111	39,150
Consumables		17,103	4,393
		<b>993,461</b>	<b>781,539</b>
	<b>Note</b>	<b>2025</b>	<b>2024</b>
Cost of inventories recognized as expense during the year	26	2,835,324	2,386,175
Carrying value of inventories held at net realizable value		-	10,746
Inventory written down during the year		-	551

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

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

	<u>2025</u>	<u>2024</u>
January 1	2,226	633
Additions	16,508	17,149
Changes in fair value	-	2
Disposals	(18,734)	(15,558)
December 31	<u>-</u>	<u>2,226</u>

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

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

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

	<u>2025</u>	<u>2024</u>
Gain on disposal of financial assets at FVTPL	2,233	3,486
Fair value gain on financial assets at FVTPL	-	2
	<u>2,233</u>	<u>3,488</u>

The closing balance as of December 31, 2024 includes SR 1.59 million representing advances paid for purchase of investments at fair value through profit or loss. Shares had been allotted as at year end December 31, 2024, however, transfer was completed during the current year when Initial Public Offerings (IPOs) were closed and price had already been locked at the time of IPO allotment.

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**11. TRADE AND OTHER RECEIVABLES**

	<b>Note</b>	<b>2025</b>	2024
Trade receivables			
Third parties		<b>947,983</b>	541,515
Related parties	19	<b>85,911</b>	80,662
Retention receivables		<b>12,978</b>	5,215
		<b>1,046,872</b>	627,392
Less: ECL allowance		<b>(94,518)</b>	(78,523)
		<b>952,354</b>	548,869
Consideration receivable on disposal of subsidiary	11.1	-	19,428
Advances to suppliers		<b>87,145</b>	22,618
Due from related parties	19	<b>38,790</b>	601
Guarantee margins against performance of contracts with customers – current portion		<b>28,927</b>	-
Prepaid expenses and other assets		<b>15,276</b>	9,694
Value added tax		<b>7,546</b>	8,562
Amounts due from employees		<b>4,530</b>	5,730
Other receivables		<b>4,286</b>	4,794
		<b>1,138,854</b>	620,296

The Group defines the default for each category of debtor based on delay in payment beyond the allowed average credit limit unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. No interest is charged on outstanding trade receivables.

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

	<b>2025</b>	2024
January 1	<b>78,523</b>	77,608
Acquisition through business combinations (note 32)	<b>4,863</b>	-
Charge for the year	<b>11,529</b>	1,584
Written-off	<b>(380)</b>	(669)
Foreign currency translation differences	<b>(17)</b>	-
December 31	<b>94,518</b>	78,523

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**11. TRADE AND OTHER RECEIVABLES (Continued)**

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

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

<b>2025</b>	<b>Current</b>	<b>1-90</b>	<b>91-180</b>	<b>181-272</b>	<b>273-365</b>	<b>366-455</b>	<b>456-545</b>	<b>&gt; 545</b>	<b>Total</b>
Gross trade receivables	700,127	169,540	43,022	33,654	16,602	4,711	1,988	77,228	1,046,872
Less: ECL allowance	(1,687)	(1,690)	(3,743)	(3,715)	(5,330)	(1,179)	(866)	(76,308)	(94,518)
Net trade receivables	698,440	167,850	39,279	29,939	11,272	3,532	1,122	920	952,354
<b>Average loss rates (%)</b>	<b>0.24</b>	<b>1</b>	<b>8.70</b>	<b>11.04</b>	<b>32.10</b>	<b>25.03</b>	<b>43.56</b>	<b>98.81</b>	<b>9.03</b>
<b>2024</b>	<b>Current</b>	<b>1-90</b>	<b>91-180</b>	<b>181-272</b>	<b>273-365</b>	<b>366-455</b>	<b>456-545</b>	<b>&gt;545</b>	<b>Total</b>
Gross trade receivables	464,119	67,716	6,403	4,588	1,674	1,954	677	80,261	627,392
Less: ECL allowance	(264)	(808)	(128)	(300)	(283)	(157)	(582)	(76,001)	(78,523)
Net trade receivables	463,855	66,908	6,275	4,288	1,391	1,797	95	4,260	548,869
<b>Average loss rates (%)</b>	<b>0.06</b>	<b>1.19</b>	<b>2</b>	<b>6.54</b>	<b>16.91</b>	<b>8.03</b>	<b>85.97</b>	<b>94.69</b>	<b>12.52</b>

11.1 Consideration receivables as of December 31, 2024 represents receivable on disposal of a subsidiary, Bina Industrial Investment Holding Company (“Bina Holding”). During the year ended December 31, 2025, this balance has been completely collected.

11.2 Other assets includes following;

	<b>2025</b>	<b>2024</b>
Guarantee margins against performance of contracts with customers	12,971	-
Others	1,207	1,634
	<b>14,178</b>	<b>1,634</b>

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**12. CONTRACT BALANCES**

## 12.1 Contract balances, net

Contract balances represent the net position arising from the timing differences between revenue recognized and amounts billed to customers under contracts with customers, and comprise contract assets and contract liabilities.

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

Contract liabilities represent amounts billed to customers in excess of revenue recognized as at the reporting date. Contract liabilities are recognized when the entity receives consideration, or when the right to consideration is unconditional, in advance of satisfying the related performance obligations. Contract liabilities are recognized as revenue when the entity fulfils its performance obligations under the contract.

Movement in contract balances is as follows:

	<b>Note</b>	<b>2025</b>	<b>2024</b>
January 1		-	-
Acquisition through business combinations, net	32	<b>275,104</b>	-
Revenue recognized during the year		<b>957,942</b>	-
Billings during the year		<b>(1,020,890)</b>	-
ECL charge for the year		<b>(2,166)</b>	-
Foreign currency translation differences		<b>(847)</b>	-
December 31		<b>209,143</b>	-

The above balance of contract balances is net off the ECL provision against contract assets. The following table shows the movement in the ECL that been recognized for contract assets:

	<b>2025</b>	<b>2024</b>
January 1	-	-
Acquisition through business combinations	<b>885</b>	-
Charge for the year	<b>2,166</b>	-
Foreign currency translation differences	<b>(3)</b>	-
December 31	<b>3,048</b>	-

These contract balances have been presented in consolidated statement of financial position as follows:

	<b>2025</b>	<b>2024</b>
Revenue in excess of billings (Contract assets)	<b>279,431</b>	-
Billings in excess of revenue (Contract liabilities)	<b>(70,288)</b>	-
	<b>209,143</b>	-

## 12.2 Contract liabilities

	<b>2025</b>	<b>2024</b>
Billings in excess of revenue	<b>70,288</b>	-
Advances from customers	<b>69,772</b>	67,564
	<b>140,060</b>	67,564

The transaction price allocated to unsatisfied performance obligations at December 31, 2025 amounted to SR 140.1 million (December 31, 2024: SR 67.56 million) which comprise 68.86 million against revenue contracts with customers (December 31, 2024: Nil) and SR 69.77 million against of sales of goods (December 31, 2024: SR 67.56 million).

Management expects that a significant portion of the contract liabilities of SR 128.08 million (December 31, 2024: SR 67.56 million) will be recognized as revenue in the next financial year.

Contract liabilities of SR 55.27 million (December 31, 2024: 55.61 million) raised in prior year were recognized as revenue in the current year. All of this amount related to the sale of goods. There was no revenue recognized in the current reporting year that related to performance obligations which were satisfied in prior year.

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**13. CASH AND CASH EQUIVALENTS**

	<u>2025</u>	<u>2024</u>
Cash at bank	<b>81,144</b>	423,616
Cash in hand	<b>1,792</b>	1,297
	<b><u>82,936</u></b>	<u>424,913</u>

At reporting date, cash and cash equivalents for the purpose of consolidated statement of cash flows are as follows:

	<u>2025</u>	<u>2024</u>
Cash at banks	<b>81,144</b>	423,616
Less: restricted bank balances	-	(394,370)
	<b>81,144</b>	29,246
Cash on hand	<b>1,792</b>	1,297
Cash and cash equivalents	<b><u>82,936</u></b>	<u>30,543</u>

As at December 31, 2024, the Group held restricted cash balances of SR 394 million (USD 105 million) in an escrow account pursuant to the Share Purchase Agreement (SPA) executed for the acquisition of a subsidiary. Of this amount, SR 300 million (USD 80 million) related to the payment against acquisition of 80% shares in the subsidiary, while the remaining SR 94 million (USD 25 million) related to a loan given by the Group to a related party on completion of closing conditions described in the SPA. These escrowed funds were legally restricted for the specific purposes outlined in the SPA and were not available for general use by the Group. The acquisition and related transactions were completed during the year on February 12, 2025 and these amounts were disbursed from the escrow accounts.

Cash at banks represent balances with local banks with a sound credit rating. Furthermore, these balances bear no interest. The carrying amount of these assets is approximately equal to their fair value.

**14. SHARE CAPITAL**

The Company had 60 million authorized, issued and fully paid ordinary shares with a nominal value of SR 10 per share as at December 31, 2025 and 2024 amounting to total share capital of SR 600 million as at December 31, 2025 and 2024.

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**15. EQUITY RESERVES****15.1 Statutory reserve**

In accordance with the previously applicable Saudi Arabian Regulations for Companies and the Company's by-laws, the Company had established a statutory reserve by the appropriation of 10% of its annual net profit, until such reserve equals 30% of the share capital. The reserve was not available for dividend distribution. During the year ended December 31, 2024, the Company amended its by-laws to comply with the provisions of the new Company's Regulations. Under the new by-laws of the Company, no statutory reserve is required. Accordingly, the Company allocated 10% of profit to statutory reserve till March 31, 2024 and after the update in the Company's by-laws no further profit has been allocated to the statutory reserve.

**15.2 Other reserves**

Other reserves as of December 31, includes the following:

	Note	2025	2024
Reserve for acquisition of additional shares in subsidiaries	15.2.1	(10,915)	(10,915)
Foreign currency translation reserve	15.2.2	(2,086)	-
NCI put option reserve	15.2.3	(45,745)	-
		<u>(58,746)</u>	<u>(10,915)</u>

Movement in other reserves during the year is as follows:

	Reserve for acquisition of additional shares in subsidiaries	Foreign currency translation reserve	NCI put option reserve	Total
<b>December 31, 2025</b>				
Opening balance	(10,915)	-	-	(10,915)
Foreign currency translation differences for the year	-	(2,086)	-	(2,086)
Liability against NCI put option recognized against reserve (note 23.3)	-	-	(132,153)	(132,153)
Classification of NCI put option reserve (note 23.3)	-	-	86,408	86,408
	<u>(10,915)</u>	<u>(2,086)</u>	<u>(45,745)</u>	<u>(58,746)</u>

	Reserve for acquisition of additional shares in subsidiaries	Foreign currency translation reserve	NCI put option reserve	Total
<b>December 31, 2024</b>				
Opening balance	-	-	-	-
Reserve created on acquisition of additional shares in subsidiaries	(10,915)	-	-	(10,915)
	<u>(10,915)</u>	<u>-</u>	<u>-</u>	<u>(10,915)</u>

15.2.1 On 1 Sha'ban 1445 corresponding to February 2, 2024, the Group announced that effective from January 1, 2024, one of its subsidiaries, Bawan Engineering, signed an agreement to acquire additional 4.5% shareholding in Utec-Saudi and USSG against total consideration of SR 20 million. During the nine months period ended September 30, 2024 Bawan Engineering acquired control of this additional shareholding. The purchase was accounted for as an equity transaction with owners, with no impact on the consolidated statement of profit or loss for the year ended December 31, 2024. The difference of SR 10.92 million between the carrying value of non-controlling interests (determined based on financial statements of subsidiaries as of December 31, 2023) and purchase consideration was recorded under equity as 'Reserve for acquisition of additional shares in subsidiaries'.

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**15. EQUITY RESERVES (Continued)**

**15.2 Other reserves (Continued)**

15.2.2 This represents the foreign currency translation difference on consolidation of foreign subsidiaries.

15.2.3 As mentioned in note 32 to these consolidated financial statements, as part of the acquisition of an 80% interest in Petronash, Share Purchase Agreement (SPA) and Shareholders' Agreement (SHA) includes a put option granted to the non-controlling interest shareholder (NCI), representing the remaining 20% ownership. Based on the valuation method and payment structure defined in the SPA and SHA, the put option allows the NCI to sell its interest to Bawan following the release of Petronash's audited financial statements for financial year 2027. However, if the NCI does not exercise the put option, Bawan is required to mandatorily acquire the remaining 20% interest following the release of audited financial statements for the financial year 2028.

Based on an analysis of the contractual terms and economic substance, the Group has determined that while Bawan has control over 80% shares of Petronash Holding SPV Limited, it does not have a present ownership interest and control of the remaining 20% shares held by the NCI. Accordingly, the Group has adopted the partial recognition of NCI approach to account for the put option. Under this approach, the NCI is recognized in equity at proportionate share in the net assets of Petronash at the date of acquisition. Subsequently at each reporting period, the carrying value of NCI is derecognized as if it was acquired at that date and recognizes financial liability at the present value of the estimated amount payable if the put option is exercised. Any difference between the present value of put option liability and the carrying value of NCI is recognized directly in equity under "NCI put option reserve" under other reserves in equity. This approach is considered to best reflect the economic substance of the transaction and the continuing rights of the NCI.

Further, during the year ended December 31, 2025, the Company and Petronash Global Limited (PGL) executed a variation deed to the original SPA and SHA, which revoked the previously permitted dividend to PGL related to pre-acquisition period. This amendment resulted in an increase in the overall net assets of Petronash as of the acquisition date. Consequently, the allocation of net assets at the acquisition date between Bawan and PGL was revised.

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**16. BORROWINGS**

16.1 Borrowings consist of the following:

	Current	Non-current	Total
<b>2025</b>			
Short-term borrowings	781,332	-	781,332
<b>Long-term borrowings</b>			
Term loans payable to banks	38,723	412,815	451,538
SIDF loans	15,985	56,250	72,235
	54,708	469,065	523,773
	<b>836,040</b>	<b>469,065</b>	<b>1,305,105</b>
	Current	Non-current	Total
<b>2024</b>			
Short-term borrowings	352,407	-	352,407
<b>Long-term borrowings</b>			
Term loans payable to banks	20,559	476,305	496,864
SIDF loans	37,500	-	37,500
	58,059	476,305	534,364
	410,466	476,305	886,771

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

	Short term borrowings	Long term borrowings	Total
January 1, 2025	352,407	534,364	886,771
Acquisition through business combinations (note 32)	532,448	-	532,448
Receipts	2,020,111	154,226	2,174,337
Repayments	(2,121,981)	(164,817)	(2,286,798)
Foreign currency translation differences	(1,653)	-	(1,653)
<b>December 31, 2025</b>	<b>781,332</b>	<b>523,773</b>	<b>1,305,105</b>
January 1, 2024	289,016	130,401	419,417
Receipts	827,513	432,690	1,260,203
Repayments	(764,122)	(28,727)	(792,849)
<b>December 31, 2024</b>	<b>352,407</b>	<b>534,364</b>	<b>886,771</b>

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**16. BORROWINGS (Continued)****16.3 Short-term borrowings**

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

**16.4 Term loans payable to banks**

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

**16.5 Saudi Industrial Development Fund (SIDF) loans**

The Group has obtained a loan from SIDF for the construction and expansion of its plastic segment plants. This loan is guaranteed by promissory notes and corporate guarantees of the Group.

**16.6 Bank loan for the purchase of subsidiary**

During the year ended 31 December 2024, the Group obtained a bank loan amounting to SR 393.75 million from a local bank for the purchase of subsidiary (note 32). The loan is repayable in 16 equal semi-annual payments with last payment due in April 2032. The loan carries interest at prevailing market rates and is secured by promissory note and corporate guarantees of the Group.

During the current year, the Group obtained an additional loan of SR 48.8 million to partially fund the first earn-out payment related to the acquisition of a subsidiary (note 32). The loan is repayable in 14 equal semi-annual payments with last payment due in September 2033. The loan carries interest at prevailing market rates and is secured by promissory note and corporate guarantees of the Group.

**16.7** Certain borrowings require the maintenance of debt covenants. As of December 31, 2025, the newly acquired subsidiary is in breach of some of its debt covenants for certain short-term borrowings. Subsequent to the year end, subsidiary obtained the waiver letter from the bank.

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**17. EMPLOYEE DEFINED BENEFIT LIABILITIES**

## 17.1 Defined contribution plan

The Group makes contributions for a defined contribution retirement benefit plan to the General Organization for Social Insurance in respect of its Saudi employees. The total amount expensed during the year in respect of this plan was SR 9.92 million (December 31, 2024: SR 6.09 million).

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

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

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

	<u>Note</u>	<u>2025</u>	<u>2024</u>
January 1		<b>70,884</b>	68,940
Acquisition through business combinations	32	<b>21,682</b>	-
Current service cost		<b>10,203</b>	7,880
Interest cost	30	<b>4,620</b>	3,080
Total amount recognised in profit or loss		<b>14,823</b>	10,960
Payments		<b>(11,677)</b>	(8,220)
(Gain) / loss attributable to the re-measurements of actuarial assumptions		<b>10,008</b>	(796)
Foreign currency translation differences		<b>(69)</b>	-
December 31		<b>105,651</b>	70,884

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

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**17. EMPLOYEE DEFINED BENEFIT LIABILITIES (Continued)**

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

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

	<u>2025</u>	<u>2024</u>
Discount rate	<b>4.70%</b>	5.25%
Average rate of salary increase	<b>3.6%</b>	3.00%
Rate of employee turnover	<b>Moderate</b>	Moderate
Mortality rates (WHO)	<b>SA19-75%</b>	SA19-75%

The weighted average duration of the defined benefit obligation of the Group is 6.59 years (2024: 6.05 years).

## 17.3 Sensitivity analysis

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

	<u>2025</u>	<u>2024</u>
Increase in discount rate by 0.5%	<b>(3,666)</b>	(1,928)
Decrease in discount rate by 0.5%	<b>3,187</b>	2,043
Increase in rate of salary increase by 0.5%	<b>2,351</b>	2,049
Decrease in rate of salary increase by 0.5%	<b>(2,908)</b>	(1,950)

## 17.4 Maturity profile of expected undiscounted payments is as follows;

	<u>2025</u>	<u>2024</u>
Within 1 year	<b>12,040</b>	7,898
2-5 years	<b>57,290</b>	44,860
Above 5 years	<b>70,473</b>	46,154
	<b><u>139,803</u></b>	<u>98,912</u>

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**18. TRADE AND OTHER PAYABLES**

	<b>Note</b>	<b>2025</b>	<b>2024</b>
Trade payables			
Third parties		<b>553,861</b>	492,315
Related parties	19	<b>1,452</b>	3,107
		<b>555,313</b>	495,422
Employee related accruals		<b>59,673</b>	31,070
Accrued commission		<b>754</b>	689
Board and committee members compensation	19	<b>2,811</b>	2,817
Value added tax payable		<b>24,043</b>	6,291
Warranty provisions	18.1	<b>4,934</b>	3,523
Other payables and accruals		<b>106,982</b>	25,763
		<b>754,510</b>	565,575

18.1 The movement in the warranty provision is as follows:

	<b>2025</b>	<b>2024</b>
January 1	<b>3,523</b>	3,703
Acquisition during the year	<b>979</b>	-
Raised during the year	<b>1,761</b>	93
Utilized during the year	<b>(1,326)</b>	(273)
Foreign currency translation differences	<b>(3)</b>	-
December 31	<b>4,934</b>	3,523

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**19. RELATED PARTIES TRANSACTIONS AND BALANCES**

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

<u>Name</u>	<u>Relationship</u>
Al Fozan Group of Companies	Shareholder / Affiliate
Al Muhaidib Group of Companies	Shareholder / Affiliate
WTC Investment Pty. Limited (Australia)	Affiliate
Petronash Global Limited	Affiliate

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

<u>Nature of transactions</u>	<u>Note</u>	<u>2025</u>	<u>2024</u>
Revenue		<b>218,401</b>	259,820
Purchases		<b>2,352</b>	20,139
Royalties	27	<b>1,400</b>	1,297
Purchase of additional shares in subsidiaries		-	20,000
Management fee and commission paid		<b>713</b>	493
Board and committee members' compensation	28	<b>2,856</b>	2,927
Loan to a related party		<b>93,796</b>	-
Payment against first earn out against newly acquired subsidiary		<b>75,000</b>	-

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

<u></u>	<u>Note</u>	<u>2025</u>	<u>2024</u>
Loan due from a related party	19.1	<b>68,127</b>	-
Trade receivables	11	<b>85,911</b>	80,662
Non-trade receivables	11	<b>38,790</b>	601
Trade payables	18	<b>1,452</b>	3,107
Board and committee members compensation payable	18	<b>2,811</b>	2,817

The amounts outstanding with related parties are unsecured. However, appropriate ECL allowance has been provided for in the current year in respect of amounts due from related parties. As per practice these usually settled in cash.

During the year, short-term and long-term employment benefits to the Company's key management personnel amounted to SR 6.17 million (December 31, 2024: SR 6.97 million). Key management personnel include directors and key executives at the Group level.

**19.1 Due from a related party**

<u></u>	<u>2025</u>	<u>2024</u>
Loan provided during the year by a subsidiary	<b>93,750</b>	-
Present value adjustment on initial recognition	<b>(10,495)</b>	-
Repaid during the year	<b>(18,750)</b>	-
Unwinding during the year	<b>3,622</b>	-
	<b>68,127</b>	-
	<b>2025</b>	<b>2024</b>
Current portion	<b>18,750</b>	-
Non current portion	<b>49,377</b>	-
	<b>68,127</b>	-

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**20. CAPITAL COMMITMENTS AND CONTINGENCIES**

As at December 31, 2025 Group had capital commitments of SR 43.96 million (December 31, 2024: SR 415.80 million). This includes commitments against acquisition of a subsidiary Nil (December 31, 2024 SR 394.37 million)

The Group had the following contingencies as at December 31:

	<u>2025</u>	<u>2024</u>
Letters of credit	<b>133,680</b>	91,114
Letters of guarantees	<b>637,784</b>	603,293

**21. SEGMENT INFORMATION**

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

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

- **Metal and Wood**      The segment is engaged in the production of wooden pallets, plywood panels and boards, medium and high density coated in decoration paper, platforms, wooden bowls and boxes, premade hangars and steel buildings and forming and bending rebars, general contracting (repair, demolition, rebuilding, construction) of residential, commercial and public buildings, educational recreational and health facilities, maintenance, operation and installation of equipment, devices and electrical and electronic systems, aluminum works, iron and wood doors and their installation, electrical extension works, carpentry, painting, drawing on iron and wood, roads, bridges and street works and all acts of carpentry and decorations.
- **Plastic**      The principal activities of the segment are the production of plates and polystyrene foam, packaging and insulation slices from polyethylene foam, soft colored polyvinyl chloride sheets, rigid colored and non-colored Polyvinyl Chloride sheets, soft and hard Polyvinyl Chloride sheets padded by polystyrene and parts for vacuum fans, transparent containers of PET polyethylene, polyethylene bottles, PET preforms and their covers.
- **Electrical**      The principal activities of the segment are wholesale and retail of electric transformers, voltage stabilizers, battery chargers, welding caustics, electric substations, electric station equipment and voltage transformers, trading and distribution, import and export, testing and inspection services, goods and commodities clearance and double-weight services in addition to acquiring shares in other companies.
- **Oil and gas equipment (note 32)**      The principal activities of this segment include providing engineered solutions to the oil and gas industry, primarily through the manufacturing of modular wellsite packages, chemical injection skids and wellhead control panels. The segment operates through manufacturing facilities located in the Kingdom of Saudi Arabia, United Arab Emirates, India, and Qatar.
- **Other**      The other segment is a residual segment and primarily comprises the Bawan Company and associated corporate-level activities, including those of intermediate holding entities within the Group.

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**21. SEGMENT INFORMATION (Continued)**

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

	<b>Oil and Gas equipment</b>	<b>Metal and Wood</b>	<b>Electrical</b>	<b>Plastic</b>	<b>Other</b>	<b>Total</b>
<b><u>December 31, 2025</u></b>						
Total revenue	1,002,075	1,809,077	854,122	404,376	-	4,069,650
Depreciation and amortization	18,454	21,639	13,836	31,576	124,088	209,593
Finance costs	36,496	4,623	13,945	21,553	36,094	112,711
Zakat and income tax	18,010	7,198	9,246	650	12,200	47,304
Profit / (loss) for the year	159,454	35,653	61,537	22,853	(73,492)	206,005
* EBITDA	232,414	69,113	98,564	76,632	(27,562)	449,161
Total assets	1,673,606	785,452	640,771	679,876	30,654	3,810,359
Total liabilities	833,973	385,310	367,353	431,255	665,690	2,683,581
<b><u>For the year ended December 31, 2025</u></b>						
Segment revenues	1,002,075	1,809,077	854,122	404,376	-	4,069,650
Intersegment revenues	-	-	-	-	-	-
External revenues	1,002,075	1,809,077	854,122	404,376	-	4,069,650
<b><u>December 31, 2025</u></b>						
Segment assets	1,673,606	785,452	647,801	679,876	207,723	3,994,458
Consolidation adjustments	-	-	(7,030)	-	(177,069)	(184,099)
Total assets	1,673,606	785,452	640,771	679,876	30,654	3,810,359
Segment liabilities	908,973	400,064	367,353	432,216	665,690	2,774,296
Consolidation adjustments	(75,000)	(14,754)	-	(961)	-	(90,715)
Total liabilities	833,973	385,310	367,353	431,255	665,690	2,683,581

\* While calculating EBITDA, bargain purchase gain of SR 126.45 million has been added back to the profit for the year due as it is non-cash item.

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**21. SEGMENT INFORMATION (Continued)**

	<b>Oil and Gas equipment</b>	<b>Metal and Wood</b>	<b>Electrical</b>	<b>Plastic</b>	<b>Other</b>	<b>Total</b>
<b><u>December 31, 2024</u></b>						
Total revenue	-	1,995,414	647,122	377,668	-	3,020,204
Depreciation and amortization	-	22,465	8,749	29,333	2,996	63,543
Finance costs	-	4,790	11,467	17,351	3,649	37,257
Zakat and income tax	-	8,784	9,096	(249)	(2,000)	15,631
Profit / (loss) for the year	-	55,592	51,867	24,148	(19,801)	111,806
EBITDA	-	91,632	81,179	70,583	(15,156)	228,238
Total assets	-	918,688	602,172	631,341	445,697	2,597,898
Total liabilities	-	453,227	386,598	384,687	411,916	1,636,428
<b><u>For the year ended December 31, 2024</u></b>						
Segment revenues	-	1,995,414	647,122	377,668	-	3,020,204
Intersegment revenues	-	-	-	-	-	-
External revenues	-	1,995,414	647,122	377,668	-	3,020,204
<b><u>December 31, 2024</u></b>						
Segment assets	-	918,947	609,508	631,341	521,821	2,681,617
Consolidation adjustments	-	(259)	(7,336)	-	(76,124)	(83,719)
Total assets	-	918,688	602,172	631,341	445,697	2,597,898
Segment liabilities	-	510,456	386,648	405,586	411,916	1,714,606
Consolidation adjustments	-	(57,229)	(50)	(20,899)	-	(78,178)
Total liabilities	-	453,227	386,598	384,687	411,916	1,636,428

**Geographic information**

The geographic information analysis of the Group's revenue and non-current assets by the Company's country of domicile and other countries. In presenting the geographic information, segment revenue is based on the geographic location of customers and segment assets are based on the geographic location of the assets.

	<b>Oil and Gas equipment</b>	<b>Metal and Wood</b>	<b>Electrical</b>	<b>Plastic</b>	<b>Other</b>	<b>Total</b>
<b><u>For the year ended December 31, 2025</u></b>						
<b>Revenue</b>						
Kingdom of Saudi Arabia	829,460	1,809,077	854,122	404,376	-	3,897,035
United Arab Emirates	123,379	-	-	-	-	123,379
Other Countries	49,236	-	-	-	-	49,236
	<b>1,002,075</b>	<b>1,809,077</b>	<b>854,122</b>	<b>404,376</b>	<b>-</b>	<b>4,069,650</b>
<b><u>December 31, 2025</u></b>						
<b>Non-current assets</b>						
Kingdom of Saudi Arabia	70,523	198,028	122,800	417,080	19,944	828,375
United Arab Emirates	19,023	-	-	-	401,458	420,481
Other Countries	13,917	-	-	-	-	13,917
	<b>103,463</b>	<b>198,028</b>	<b>122,800</b>	<b>417,080</b>	<b>421,402</b>	<b>1,262,773</b>

Segment revenues reported above represent revenue generated from both external customers and related parties. There were no significant inter-segment revenues during the year ended December 31, 2025 and 2024. Two customers contributed 10% or more of the Group's revenue during the year ended December 31, 2025 (December 31, 2024: one customer).

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**22. NON-CONTROLLING INTERESTS**

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

Subsidiary	Percentage of Non-controlling interest		Accumulated non-controlling interests		Profit / (loss) attributable to non-controlling interests	
	2025	2024	2025	2024	2025	2024
Utec Saudi (note 23.1)	10%	10%	15,113	14,476	880	61
USSG (note 23.1)	10%	10%	7,985	3,637	4,493	2,834
Bawan Wood and subsidiaries (Bawan Wood)	5%	5%	10,500	11,166	1,636	2,076
United Wood and Metal	5%	5%	3,140	3,405	356	803
Petronash Holding SPV Limited and subsidiaries (Petronash) (note 23.2)	20%	-	-	-	(19,659)	-
			<b>36,738</b>	<b>32,684</b>	<b>(12,294)</b>	<b>5,774</b>

The subsidiaries individually detailed above are incorporated and operate in Saudi Arabia except for Petronash Holding SPV Limited which is incorporated in UAE and operates in UAE, Saudi Arabia and India through its various subsidiaries. Summarized consolidated financial information of the subsidiaries with non-controlling interest is set out below. The summarized consolidated financial information below represents amounts before intragroup eliminations.

Summarized statement of financial position as at December 31, 2025 is as follows:

	Utec Saudi	USSG	Bawan Wood	United wood and Metal	Petronash
Non-current assets	74,095	87,745	64,997	29,584	504,921
Current assets	351,298	254,489	199,069	57,746	1,168,684
Non-current liabilities	27,942	36,356	26,925	12,302	52,126
Current liabilities	197,947	201,376	29,011	11,409	856,847

Summarized statement of profit or loss and other comprehensive income for the year ended December 31, 2025 is as follows:

	Utec Saudi	USSG	Bawan Wood	United Wood and Metal	Petronash
Revenue	416,581	583,509	484,335	100,182	1,002,075
Profit before zakat and income tax	13,044	53,256	37,156	8,333	43,865
Net profit for the year	8,981	50,624	32,716	7,125	25,854
Total comprehensive income for the year	6,542	49,174	31,279	6,695	21,690

Summarized statement of cash flows for the year ended December 31, 2025 is as follows:

	Utec Saudi	USSG	Bawan Wood	United Wood and Metal	Petronash
Cash generated from / (used in) operating activities	27,690	54,502	81,998	13,350	(20,163)
Cash used in investing activities	(5,865)	(9,240)	(4,916)	(521)	(5,365)
Cash used in financing activities	(23,637)	(46,077)	(74,558)	(12,469)	(64,830)

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**22. NON-CONTROLLING INTERESTS (Continued)**

Summarized statement of financial position as at December 31, 2024 is as follows

	<b>Utec Saudi</b>	<b>USSG</b>	<b>Bawan Wood</b>	<b>United Wood and Metal</b>
Non-current assets	62,720	85,191	69,408	32,216
Current assets	322,761	237,839	274,198	58,055
Non-current liabilities	15,069	41,593	27,075	12,004
Current liabilities	177,450	226,108	95,080	9,342

Summarized statement of profit or loss and other comprehensive income for the year ended December 31, 2024 is as follows:

	<b>Utec Saudi</b>	<b>USSG</b>	<b>Bawan Wood</b>	<b>United Wood and Metal</b>
Revenue	389,636	417,097	493,355	115,790
Profit before zakat and income tax	28,967	26,552	47,179	17,369
Net profit for the year	24,309	23,715	41,522	16,069
Total comprehensive income for the year	24,441	23,865	42,007	16,115

Summarized statement of cash flows for the year ended December 31, 2024 is as follows:

	<b>Utec Saudi</b>	<b>USSG</b>	<b>Bawan Wood</b>	<b>United Wood and Metal</b>
Cash generated from operating activities	21,267	(15,505)	98,277	(391)
Cash used in investing activities	(10,705)	(38,596)	(11,547)	(830)
Cash (used in) / generated from financing activities	(7,671)	49,264	(91,213)	(224)

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**23. PAYABLES TO NCI**

Payables to non-controlling interest (NCI) comprise of the following:

	<b>Note</b>	<b>Current portion</b>	<b>Non-current portion</b>	<b>Total</b>
Purchase consideration payable	23.1	<b>75,000</b>	<b>64,102</b>	<b>139,102</b>
Liability against NCI put option	23.2	-	<b>132,153</b>	<b>132,153</b>
		<b>75,000</b>	<b>196,255</b>	<b>271,255</b>

23.1 As mentioned in note 32, on September 8, 2024, the Company announced a binding memorandum of understanding (MOU) to acquire all outstanding shares of Petronash Holding Limited (Petronash) from Petronash Global Limited. The acquisition was valued at USD 175 million (equivalent to approximately SR 656.25 million), contingent on Petronash achieving specific financial targets over three financial years starting from 2024. The Company was required to initially pay USD 80 million (equivalent to approximately SR 300 million) for 80% of Petronash's shares, subject to completion of certain approvals and conditions detailed in the share purchase agreement (SPA). Additionally, the Company will pay Petronash Global Limited up to USD 60 million (equivalent to approximately SR 225 million) if Petronash achieves set financial results over the period of three financial years (2024-2026). Petronash achieved its targeted financial target for financial year 2024 and accordingly, the Company paid first earn out payment amounting to USD 20 million (equivalent to approximately SR 75 million). Movement in purchase consideration payable during the year is as follows:

	<b>Note</b>	<b>2025</b>	<b>2024</b>
January 1		-	-
Recognition of payable on date of business combinations	32	<b>509,591</b>	-
Up front payment		<b>(300,472)</b>	-
Payment of first earn out		<b>(75,000)</b>	-
Unwinding during the year	30	<b>4,983</b>	-
December 31		<b>139,102</b>	-
Current portion		<b>75,000</b>	-
Non-current portion		<b>64,102</b>	-
		<b>139,102</b>	-

23.2 As mentioned in note 32 to these consolidated financial statements, as part of the acquisition of an 80% interest in Petronash, Share Purchase Agreement (SPA) and Shareholders' Agreement (SHA) includes a put option granted to the non-controlling interest shareholder (NCI), representing the remaining 20% ownership. Based on the valuation method and payment structure defined in the SPA and SHA, the put option allows the NCI to sell its interest to Bawan following the release of Petronash's audited financial statements for financial year 2027. However, if the NCI does not exercise the put option, Bawan is required to mandatorily acquire the remaining 20% interest following the release of audited financial statements for the financial year 2028.

Based on an analysis of the contractual terms and economic substance, the Group has determined that while Bawan has control over 80% shares of Petronash Holding SPV Limited, it does not have a present ownership interest and control of the remaining 20% shares held by the NCI. Accordingly, the Group has adopted the partial recognition of NCI approach, to account for the put option. Under this approach, the NCI is recognized in equity at proportionate share in the net assets of Petronash at the date of acquisition. Subsequently at each reporting period, the carrying value of NCI is derecognized as if it was acquired at that date and recognizes financial liability at the present value of the estimated amount payable if the put option is exercised. Accordingly, the Group recognized a financial liability amounting to SR 132.15 million against an estimated amount payable to NCI if put option is exercise.

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**24. ZAKAT AND INCOME TAX**

24.1 Zakat and income tax expense for the year is as follows:

	<b>Note</b>	<b>2025</b>	2024
Zakat	24.3	<b>31,185</b>	14,255
Income tax	24.4	<b>16,119</b>	1,376
		<b>47,304</b>	15,631

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

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

	<b>Note</b>	<b>2025</b>	2024
Zakat payable	24.3	<b>35,076</b>	19,518
Income tax payable	24.4	<b>265</b>	1,439
		<b>35,341</b>	20,957

24.3 Movement in zakat accrual is as follows:

		<b>2025</b>	2024
January 1		<b>19,518</b>	23,561
Acquisition through business combinations	32	<b>2,494</b>	-
Provision for the year		<b>31,185</b>	17,389
Over provision in prior years		-	(3,134)
Provision for the year		<b>31,185</b>	14,255
Payments		<b>(18,113)</b>	(18,298)
Foreign currency translation differences		<b>(8)</b>	
December 31		<b>35,076</b>	19,518

24.4 Movement in income tax accrual is as follows:

		<b>2025</b>	2024
January 1		<b>1,439</b>	1,462
Acquisition through business combinations	32	<b>23,377</b>	-
Provision for the year		<b>16,119</b>	1,376
Payments		<b>(40,562)</b>	(1,399)
Forex		<b>(108)</b>	-
December 31		<b>265</b>	1,439

**24.5 Status of assessments**

The Company and its 100% effectively owned Saudi Arabian subsidiaries submit zakat returns on a combined basis. Other Group subsidiaries submit their zakat and income tax returns independently. Zakat returns for the Company have been filed and paid for all years through to 2024 and zakat certificates have been received.

During 2025, the Company received an initial Zakat assessment for the fiscal year 2024, reflecting an additional Zakat liability of SR 3.8 million. The Company has filed a formal objection against this assessment, which is currently under review by the ZATCA. During the year, the Company recognized the provision of SR 3.8 million against this assessment. The status of the final zakat and income tax assessments of the other Group's subsidiaries is disclosed in their respective financial statements.

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**25. REVENUE**

	<u>2025</u>	<u>2024</u>
Timing of revenue recognition:		
- At a point in time	<b>3,507,388</b>	3,020,204
- Over period of time	<b>562,262</b>	-
	<b><u>4,069,650</u></b>	<b><u>3,020,204</u></b>

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

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

**26. COST OF REVENUE**

	<b>Note</b>	<b>2025</b>	<b>2024</b>
Material costs	9	<b>2,835,324</b>	2,386,175
Employees' salaries and related costs		<b>213,388</b>	125,758
Amortization of intangible assets	8	<b>96,216</b>	-
Depreciation of property, plant and equipment	5	<b>63,327</b>	51,205
Sub-contracting charges		<b>57,623</b>	-
Transportation		<b>50,625</b>	3,087
Freight out		<b>47,156</b>	35,075
Manufacturing expenses		<b>44,511</b>	17,440
Utility expenses		<b>30,339</b>	24,731
Repairs and maintenance		<b>16,340</b>	10,614
Depreciation of right-of-use assets	6	<b>14,041</b>	3,911
Rent		<b>9,317</b>	6,221
Insurance		<b>4,366</b>	5,382
Spare parts consumed		<b>3,179</b>	6,541
Other		<b>29,555</b>	10,168
		<b><u>3,515,307</u></b>	<b><u>2,686,308</u></b>

**27. SELLING AND DISTRIBUTION EXPENSES**

	<b>Note</b>	<b>2025</b>	<b>2024</b>
Employees' salaries and related costs		<b>52,266</b>	41,140
Transportation and shipping		<b>1,099</b>	230
Sales commission		<b>4,900</b>	3,583
Delivery and insurance		<b>3,288</b>	3,463
Repairs and maintenance		<b>3,246</b>	3,291
Advertising		<b>954</b>	1,586
Depreciation of property, plant and equipment	5	<b>2,417</b>	2,235
Royalties	19	<b>1,400</b>	1,297
Rent		<b>4,372</b>	3,691
Exhibition subscriptions		<b>5,700</b>	1,035
Other		<b>10,015</b>	6,615
		<b><u>89,657</u></b>	<b><u>68,166</u></b>

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**28. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>Note</b>	<b>2025</b>	<b>2024</b>
Employees' salaries and related costs		<b>116,210</b>	74,791
Depreciation of property, plant and equipment	5	<b>8,512</b>	6,129
Communication and utilities		<b>5,780</b>	3,271
Insurance		<b>9,675</b>	3,060
Board and committee members' compensation	19	<b>2,856</b>	2,927
Repairs and maintenance		<b>3,179</b>	1,724
Legal and professional charges		<b>22,547</b>	5,431
Travel		<b>4,262</b>	1,571
Rent		<b>1,405</b>	1,204
Amortization of intangible assets	8	<b>22,129</b>	63
Depreciation of right of use assets	6	<b>866</b>	-
Other		<b>18,059</b>	8,883
		<b>215,480</b>	109,054

**29. OTHER INCOME**

	<b>2025</b>	<b>2024</b>
Interest income on consideration receivable on disposal of a subsidiary	<b>414</b>	2,977
Others, net	<b>1,410</b>	3,137
	<b>1,824</b>	6,114

**30. FINANCE COSTS**

	<b>Note</b>	<b>2025</b>	<b>2024</b>
Short-term borrowings		<b>52,465</b>	20,988
Long-term borrowings		<b>28,858</b>	7,309
Employees' defined benefits liabilities	17.2	<b>4,620</b>	3,080
Accretion of finance cost under lease liabilities	6.2	<b>4,190</b>	1,122
Unwinding of purchase consideration payable	23	<b>4,983</b>	-
Unwinding of financial asset (due from a related party), net		<b>6,873</b>	-
Charges against letter of credit and letter of guarantee		<b>7,331</b>	3,893
Others		<b>3,391</b>	865
		<b>112,711</b>	37,257

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**31. EARNINGS PER SHARE**

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

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

	<u>2025</u>	<u>2024</u>
Profit / (loss) for the year attributable to the ordinary shareholders of the Company used in calculating basic and diluted earnings per share:		
From continuing operations	<b>218,299</b>	106,032
From discontinued operations	-	-
	<u><b>218,299</b></u>	<u>106,032</u>
Weighted average number of ordinary shares outstanding during the year	<u><b>60,000</b></u>	<u>60,000</u>
<b>Basic and diluted earnings per share</b>		
- From continuing operations attributable to the ordinary shareholders of the Company	<b>3.64</b>	1.77
- From discontinued operations attributable to the ordinary shareholders of the Company	-	-
Total basic and diluted earnings per share attributable to the ordinary shareholders of the Company	<u><b>3.64</b></u>	<u>1.77</u>

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**32. BUSINESS COMBINATIONS**

32.1 On September 8, 2024, the Company announced a binding memorandum of understanding (MOU) to acquire all outstanding shares of Petronash Holding Limited (Petronash) from Petronash Global Limited. The acquisition was valued at USD 175 million (equivalent to approximately SR 656.25 million), contingent on Petronash achieving specific financial targets over three financial years starting from 2024. The Company was required to initially pay USD 80 million (equivalent to approximately SR 300 million) for 80% of Petronash's shares, subject to completion of certain approvals and conditions detailed in the share purchase agreement (SPA). Additionally, the Company will pay Petronash Global Limited up to USD 60 million (equivalent to approximately SR 225 million) if Petronash achieves set financial results over the period of three financial years (2024-2026). On October 27, 2024, the Company signed the Share Purchase Agreement (SPA) with Petronash Global Limited. For the purpose of acquisition, the Group established a new special purpose vehicle i.e. Petronash Holding SPV Limited. The legal procedures for transferring 80% of the shares of Petronash Holding SPV Limited to Bawan Company were completed during the year ended 31 December 2024. Petronash Global Limited transferred all its shares in Petronash to Petronash Holding SPV Limited on February 12, 2025. Accordingly, the consolidation of the newly acquired subsidiary started from February 13, 2025.

As part of the acquisition of an 80% interest, SPA and Shareholders' Agreement (SHA) includes a put option granted to the non-controlling interest shareholder (NCI), representing the remaining 20% ownership. Based on the valuation method and payment structure defined in the SPA and SHA, the put option allows the NCI to sell its interest to Bawan following the release of Petronash's audited financial statements for financial year 2027. However, if the NCI does not exercise the put option, Bawan is required to mandatorily acquire the remaining 20% interest following the release of audited financial statements for the financial year 2028.

Based on an analysis of the contractual terms and economic substance, the Group has determined that while Bawan has control over 80% shares of Petronash Holding SPV Limited, it does not have a present ownership interest in the remaining 20% shares held by the NCI's. Accordingly, the Group has adopted the partial recognition of NCI approach, to account for the put option. Under this approach, the NCI is recognized in equity at proportionate share in the net assets of Petronash Holding SPV Limited at the date of acquisition. Subsequently at each reporting period, the carrying value of NCI is derecognized as if it was acquired at that date and recognizes financial liability at the present value of the estimated amount payable if the put option is exercised. Any difference between the present value of put option liability and the carrying value of NCI is recognized directly in equity under "NCI put option reserve" under other reserves in equity. This approach is considered to best reflect the economic substance of the transaction and the continuing rights of the NCI.

Further, during the year ended December 31, 2025, the Company and Petronash Global Limited (PGL) executed a variation deed to the original SPA and SHA, which revoked the previously permitted dividend to PGL related to pre-acquisition period. This amendment resulted in an increase in the overall net assets of Petronash as of the acquisition date. Consequently, the allocation of net assets at the acquisition date between Bawan and PGL was revised.

32.2 Break up of consideration payable is as follows:

	<b>February 12, 2025</b>
Upfront consideration payable	<b>300,472</b>
Contingent consideration*	<b>209,119</b>
	<b>509,591</b>

\* The contingent consideration has been determined based on the present value of expected future cash outflows relating to the remaining earnouts, payable to Petronash Global Limited for the 80% shares acquired (note 23.1).

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**32. BUSINESS COMBINATIONS (Continued)**

The fair value of assets and liabilities acquired are as follows:

	<b>February 12, 2025</b>
<b>Assets</b>	
Property, plant and equipment	104,339
Right-of-use assets	45,430
Intangible assets	
Software	1,942
Acquired Customer relationships	210,658
Acquired contract order backlog	180,564
Acquired trade name	33,856
Trade and other receivables	339,398
Inventories	211,869
Contract assets	356,431
Cash and cash equivalents	142,112
	<b>1,626,599</b>
<b>Liabilities</b>	
Lease liabilities	42,995
Employee defined benefit liabilities	21,682
Short-term borrowings	532,448
Contract liabilities	81,327
Trade and other payables	179,333
Zakat and income tax payable	25,871
	<b>883,656</b>
<b>Fair values of net assets of subsidiary acquired</b>	<b>742,943</b>
Non-controlling interest	<b>(106,900)</b>
<b>Company's share of fair value of net assets acquired</b>	<b>636,043</b>

32.3 Bargain purchase gain on business combination has been calculated as follows:

	<b>February 12, 2025</b>
Company's share of fair value of net assets acquired	636,043
Total consideration	<b>(509,591)</b>
Bargain purchase gain	<b>126,452</b>

Analysis of bargain purchase gain along with incremental depreciation and amortization on fair value adjustments in intangible and fixed asset recognized is as follows;

	<b>December 31, 2025</b>
Bargain purchase gain recognized at acquisition date	126,452
Amortization of intangibles	<b>(116,352)</b>
Incremental depreciation on property, plant and equipment	<b>(4,151)</b>
Incremental depreciation on right of use assets	<b>(866)</b>
	<b>5,083</b>

**32.4 Acquisition related costs**

Acquisition related costs amounting to SR 3.9 million were incurred during the year ended December 31, 2024 which were charged to consolidated statement of profit or loss and other comprehensive income.

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**33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

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

	<u>2025</u>	<u>2024</u>
<b>Financial assets</b>		
<i>i) Fair value through profit or loss</i>		
Investment in financial assets	-	2,226
<i>ii) Amortized cost</i>		
Cash and cash equivalents	82,936	424,913
Due from a related party	68,127	-
Contract assets	279,431	-
Trade and other receivables	1,037,328	576,548
	<u>1,467,822</u>	<u>1,001,461</u>
	<u>1,467,822</u>	<u>1,003,687</u>
<b>Financial liabilities at amortized cost</b>		
<i>Amortized cost</i>		
Trade and other payables	725,533	555,761
Short-term borrowings	781,332	352,407
Long-term borrowings	523,773	534,364
Lease liabilities	70,718	22,431
Payables to NCI	271,255	-
Dividend payable	941	2,246
	<u>2,373,552</u>	<u>1,467,209</u>

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

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

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**34. FINANCIAL RISK MANAGEMENT**

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

**34.1 Market risk**

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

**(i) Foreign currency risk**

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

**(ii) Interest rate risk**

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

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

**Interest rate sensitivity analysis**

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period. A 50-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher / lower and all other variables were held constant, the Group's profit for the year would have decreased or increased by SR 5.41 million (2024: SR 2.65 million).

**34.2 Credit risk**

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

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**34. FINANCIAL RISK MANAGEMENT (Continued)**

## 34.2 Credit risk (Continued)

Trade receivables

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

The Group performs credit-vetting procedures before granting credit to new customers. These procedures are reviewed and updated on an ongoing basis. There is one customer who comprise more than 10% of the total trade receivables balance in the current year.

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

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

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

Refer to note 11 for the expected credit loss analysis as of December 31, 2025 and 2024.

Due from related parties

The Group has determined that balances with related parties are collectible and fully recoverable and that the related parties have strong financial position and sufficient funds to repay the balances.

Financial instruments and cash deposits

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

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

The maximum exposure to credit risk at the reporting date is as follows:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	<b>82,936</b>	424,913
Due from a related party	<b>68,127</b>	-
Contract assets	<b>279,431</b>	-
Trade and other receivables	<b>1,037,328</b>	576,548
	<b><u>1,467,822</u></b>	<u>1,001,461</u>

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**34. FINANCIAL RISK MANAGEMENT (Continued)****34.3 Liquidity risk**

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

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

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

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

**34.4 Maturity profile of financial liabilities (undiscounted basis)**

	<b>Interest Rate (%)</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Within 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>
<b>2025</b>						
Lease liabilities	2.5 to 8.75	70,718	91,427	18,440	44,155	28,832
Long-term borrowings	6.33 to 8.3	523,773	618,592	58,063	416,636	143,893
Short-term borrowings	4.5 to 7.88	781,332	794,944	794,944	-	-
Purchase consideration payable	5.85	139,102	150,000	75,000	75,000	-
Liability against put option	5.98	132,153	155,023	-	155,023	-
Trade and other payables	Interest free	725,533	725,533	725,533	-	-
Dividend payable	Interest free	941	941	941	-	-
		<b>2,373,552</b>	<b>2,536,460</b>	<b>1,672,921</b>	<b>690,814</b>	<b>172,725</b>
<b>2024</b>						
Lease liabilities	2.5 to 7	22,431	27,748	4,422	12,708	10,618
Long-term borrowings	6.33 to 8.3	534,364	638,629	90,589	366,344	181,696
Short-term borrowings	4.5 to 7.27	352,407	355,263	355,263	-	-
Trade and other payables	Interest free	555,761	555,761	555,761	-	-
Dividend payable	Interest free	2,246	2,246	2,246	-	-
		<b>1,467,209</b>	<b>1,579,647</b>	<b>1,008,281</b>	<b>379,052</b>	<b>192,314</b>

**34.5 Fair values of financial instruments**

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 Group's financial assets consist of cash and cash equivalents, trade receivables, investments at fair value through profit or loss and investments at fair value through other comprehensive income and other receivables, while its financial liabilities consist of borrowings, lease liabilities, and trade and other payables. The fair values of financial instruments are not materially different from their carrying values.

The carrying value of financial assets not measured at fair value have a reasonable approximation to its fair value. All financial liabilities are at amortized cost and their carrying value is a reasonable approximation of fair value.

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**35. CAPITAL MANAGEMENT**

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The primary objective of the Group's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or obtain / repay financing from / to financial institutions.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt is calculated as total of long-term and short-term borrowings. Total capital comprises shareholders' equity as shown in the statement of financial position under share capital and reserves' and net debt (net of cash and cash equivalent).

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the borrowings that define capital structure requirements.

The salient information relating to capital risk management of the Group as of December 31, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Total debt	<b>1,305,105</b>	886,771
Less: cash and bank balances	<b>(82,936)</b>	(424,913)
Net debt	<b>1,222,169</b>	461,858
Total equity	<b>1,126,778</b>	961,470
Total capital employed	<b>2,348,947</b>	1,423,328
Gearing ratio	<b>52.03%</b>	32.45%

**36. SUPPLEMENTARY INFORMATION**

## 36.1 Supplemental cash flow information

	<u>2025</u>	<u>2024</u>
<b>Supplemental schedule of non-cash information</b>		
Derecognition / Remeasurement of right of use assets	<b>1,028</b>	2,029
Derecognition / Remeasurement of lease liabilities	<b>233</b>	2,287
Right-of-use asset and lease liabilities recognized	<b>18,250</b>	852
Transfer from property, plant and equipment to intangible assets	<b>4,060</b>	3,045
Net assets acquired on business combination (note 32)	<b>742,943</b>	-
Finance cost capitalized in property, plant and equipment	<b>4,333</b>	4,331
Trade receivables written off	<b>380</b>	-
Payable to NCI recognized against Put option liability (note 23)	<b>132,152</b>	-
Classification of NCI to other reserves (note 15.2)	<b>(88,828)</b>	-

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**36. SUPPLEMENTARY INFORMATION (Continued)**

36.2 Change in liabilities arising from financing activities for the year ended December 31, 2025 can be broken down as follows:

	As at January 1, 2025	Acquisition through business combination	Cash inflows	Cash outflows	Interest accrued	Interest paid	Other transactions / non-cash transactions / interest	As at December 31, 2025
Borrowings	886,771	532,448	2,088,681	(2,194,445)	85,656	(92,353)	(1,653)	1,305,105
Lease liabilities	22,431	42,995	-	(12,816)	4,190	(4,190)	18,108	70,718
Balance due from a related party	-	-	18,750	(93,750)	-	-	6,873	(68,127)
Dividends to shareholders	532	-	-	-	-	-	-	532
Dividends to non-controlling interests	1,714	-	2,830	(4,135)	-	-	-	409
	<b>911,448</b>	<b>575,443</b>	<b>2,110,261</b>	<b>(2,305,146)</b>	<b>89,846</b>	<b>(96,543)</b>	<b>23,328</b>	<b>1,308,637</b>

36.3 Change in liabilities arising from financing activities for the year ended December 31, 2024 can be broken down as follows:

	As at January 1, 2024	Cash inflows	Cash outflows	Interest accrued	Interest paid	Other transactions / non-cash transactions	As at December 31, 2024
Borrowings	419,417	1,227,575	(767,206)	28,297	(25,643)	4,331	886,771
Lease liabilities	27,591	852	(3,725)	1,122	(1,122)	(2,287)	22,431
Dividends to shareholders	539	87,000	(87,007)	-	-	-	532
Dividends to non-controlling interests	1,200	4,950	(4,436)	-	-	-	1,714
	<b>448,747</b>	<b>1,320,377</b>	<b>(862,374)</b>	<b>29,419</b>	<b>(26,765)</b>	<b>2,044</b>	<b>911,448</b>

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**37. SUBSEQUENT EVENTS**

Subsequent to the reporting date, geopolitical tensions in parts of the Middle East have increased. Public communications from government and regulatory authorities have continued to emphasize the resilience of the economy and the continuation of business operations across key sectors, supported by established business continuity and risk management frameworks.

These developments arose after the reporting period and have therefore been assessed as non-adjusting events in accordance with IAS 10 Events after the Reporting Period. Accordingly, no adjustments have been made to the amounts recognized in the financial statements as at December 31, 2025, which reflect conditions existing at that date.

The Group is currently in the process of assessing potential implications of these events on its operations, financial position and performance. Based on information currently available, including the continuation of core business activities, it is not practicable to reliably estimate the full financial effect of these non-adjusting events on future periods.

**38. COMPARATIVE FIGURES**

During the year, management has reassessed the classification of transportation costs based on the requirements of IFRS 15 'Revenue from contracts with customers' for some entities and identified that the Group has a performance obligation i.e., sale of goods, in addition to a promise to transfer/deliver the goods to its customers. Consequentially, prior year transportation costs amounting to SR 35.1 million, have been reclassified from selling and distribution expenses to cost of revenue to conform with the current year presentation.

Such reclassification changes do not affect previously reported profit, equity, cash flows or items in the statement of financial position. The reclassification in the consolidated statement of profit or loss and other comprehensive income for the December 31, 2024 is summarized below:

	<i>As previously reported</i>	<i>Reclassification</i>	<i>As reported currently</i>
<b><i>December 31, 2024</i></b>			
Cost of revenue	2,651,233	35,075	2,686,308
Gross profit	368,971	(35,075)	333,896
Selling and distribution costs	103,241	(35,075)	68,166

**39. DIVIDENDS**

On February 29, 2024, the Board of Directors of the Company approved the distribution of dividends of SR 0.85 per share amounting to SR 51 million to the shareholders of the Company. On August 4, 2024, the Board of Directors of the Company approved the distribution of dividends of SR 0.60 per share amounting to SR 36 million to the shareholders of the Company.

**40. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements were approved by the Company's Board of Directors on March 30, 2026.