Zamil Industrial Investment Co. | الزامل للصناعة

ZAMIL INDUSTRIAL INVESTMENT COMPANY (ZAMIL INDUSTRIAL) AND ITS SUBSIDIARIES (A Listed Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 AND INDEPENDENT AUDITORS' REPORT

Table of contents	Page

Building a better working world

Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
Adeer Tower, 15th Floor
Prince Turki Bin Abdulaziz Street, Al Khobar Corniche
P.O. Box 3795
Al Khobar 31952
Kingdom of Saudi Arabia
Head Office – Riyadh

C.R. No. 2051058792

Tel: +966 13 840 4600
Fax: +966 13 882 0087

ey.ksa@sa.ey.com
ey.com

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS TO SHAREHOLDERS OF ZAMIL INDUSTRIAL INVESTMENT COMPANY (A SAUDI JOINT STOCK COMPANY)

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matter
Impairment of accounts receivable The Group has gross accounts receivable of SR 2,297.26 million as at 31 December 2023 against which the Group has recorded a provision for expected credit losses amounting to SR 439.6 million. Assessment of provision for expected credit losses is highly subjective due to the significant judgement, estimates and assumptions applied by the management in determining the expected losses. The management is required to determine an expected loss rate against its outstanding accounts receivables based on the Group's historical credit loss experience adjusted with forward-looking information. The assessment of the correlation between historical observed loss rates, forecast economic conditions and expected future cash flows is a significant estimate. Given the judgements particularly related to the calculation of expected credit losses we considered this area as a key audit matter. Refer to note 22 of the accompanying financial statements for further details.	In order to assess the appropriateness of the management's judgment and estimates, following procedures were performed: • We evaluated the appropriateness of significant judgements and assumptions used in the estimates made by the management. • We analysed the accounting policies and assessed the methodology developed to calculate the expected loss rate. • We checked the mathematical accuracy of the model and recalculated expected losses on a sample basis. • We analysed the results of expected credit loss model performed by the Group. Tested the accounts receivable aging and other source data used in assessment on a sample basis. • Assessed the adequacy of the Group's disclosure regarding expected credit losses of accounts receivable and the management's assessment of the credit risk and their responses to such risks.

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS
TO SHAREHOLDERS OF ZAMIL INDUSTRIAL INVESTMENT COMPANY
(A SAUDI JOINT STOCK COMPANY) (Continued)

Key Audit Matters (continued)

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td> Revenue recognition of long-term contracts
One of the Group's significant revenue stream is long-term contracts. The Group recognises revenue from long-term contracts using percentage of completion method. The determination of the percentage of completion requires significant management judgement and estimates such as assessment of costs incurred over total cost of the project and the process for identification of loss making contracts. The revenues and costs related to a project include estimates, as the project scope may change and the total costs of a project depend on various factors including estimation of material and labour costs.
Refer to notes 2 and 6 of the accompanying financial statements for the accounting policy and other related information related to revenue from long-term contracts.
The recoverability of contract assets related to long-term contracts is therefore based on management's evaluation and best estimate of the ultimate realisation of these balances.
Considering the above, revenue recognition from construction contracts has been determined as a key audit matter. </td>
<td> Our audit procedures in relation to revenue recognition of long-term contracts included:

Reviewed the Group's estimation process (including the approval of project budget, monitoring of project costs and activities, and management's review and customer's approval of projects stage of completion and milestones achieved) used in determining the amounts of revenue and costs recognized in the consolidated financial statements.
On a sample basis, reviewed the contractual terms and work status of the customer contracts, along with discussion with management and checked that contract revenue was recognized according to the percentage of completion of each project measured by the stage of completion of physical activities.
Performed analytical procedures to compare revenue and gross margin with those reported in prior periods for identifying significant fluctuations and obtaining explanations from management about such fluctuations.
Reviewed the estimation of contract costs, on a sample basis, arising from contract modification and analysed current on-going negotiations and settlements that may impair the profitability of such contracts as well as the collectability of significant contracts by reference to the recent credit review assessment of each customer prepared by management.
Assessed the recoverability of contract assets by considering if work is physically certified and progress billings have been raised since the year-end.
Assessed the adequacy of the disclosures in assessing the areas of judgement and estimation uncertainties involving revenue recognition and work executed in excess of billings.
</td></tr>
</table>

Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matter
Uncertain Zakat Provision During 2020, the Zakat, Tax and Customs Authority ("ZATCA") issued the zakat assessments for the years from 2014 to 2018 with an additional liability of SR 229 million. The Group had filed an appeal against the assessments. The Group's management believes that the available provision is sufficient for any zakat liability that may arise on finalization of these assessments. The accounting for this uncertain zakat provisions comprises significant judgement by the management mainly in the areas whether to recognize this uncertain position as a contingent liability or as a provision. Given the high level of management's judgement we considered this area to be important for our audit. Refer to note 35 of the accompanying financial statements for further details.	We performed the following procedures in relation to the additional assessed zakat liability; • Evaluated this zakat case by evaluating the report issued by the ZATCA. • Gained the understanding of the process management followed to assess the impact of the assessment. • Evaluated the zakat opinion of management's experts obtained by the Group on the respective case. • Evaluated the reasonableness of management's assessment for the accounting of the uncertain zakat provision in the light of zakat regulations, recent practices of ZATCA and merits of the appeals filed with the ZATCA against the assessments raised. • Evaluated the updates on this case during the year by reviewing the correspondences between the Group and ZATCA. • Assessed the appropriateness of the disclosure made in relation to the additional liability for the zakat assessed and the status of the related appeal.

Other information included in the Group's 2023 Annual Report

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

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as the 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, the Board of Directors 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 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.

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 the Management.

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Building a better working world

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS TO SHAREHOLDERS OF ZAMIL INDUSTRIAL INVESTMENT COMPANY (A SAUDI JOINT STOCK COMPANY) (Continued)

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

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

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

for Ernst & Young Professional Services

Marwan S. AlAfaliq
Certified Public Accountant
License No. 422

Al Khobar: 25 Ramadhan 1445H
4 April 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023 SR'000	2022 SR'000
CONTINUING OPERATIONS			
REVENUES			
Revenue from contracts with customers	6	**4,673,622**	3,914,271
Finance lease income		**10,805**	11,915
		4,684,427	3,926,186
DIRECT COSTS			
Cost of sales	7	**(3,082,607)**	(2,832,369)
Contracts cost	8	**(1,029,585)**	(542,389)
		(4,112,192)	(3,374,758)
GROSS PROFIT		**572,235**	551,428
EXPENSES			
Selling and distribution	9	**(177,536)**	(175,513)
General and administration	10	**(553,202)**	(417,364)
Write-off of inventory	16	**(162,788)**	-
Impairment of property, plant and equipment	16	**(8,252)**	-
OPERATING LOSS		**(329,543)**	(41,449)
Income from insurance claim, net	16	**183,240**	-
Finance costs	12	**(187,754)**	(109,630)
Other income, net	11	**41,617**	10,688
Share in results of an associate and joint ventures	18	**20,641**	(729)
LOSS BEFORE ZAKAT AND INCOME TAX FROM CONTINUING OPERATIONS		**(271,799)**	(141,120)
Zakat and income tax	35	**(45,938)**	(28,740)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(317,737)**	(169,860)
DISCONTINUED OPERATIONS			
Gain/(loss) after zakat and income tax for the year from discontinued operations	13	**39,329**	(3,801)
NET LOSS FOR THE YEAR		**(278,408)**	(173,661)
ATTRIBUTABLE TO:			
Shareholders of the parent company		**(297,843)**	(178,069)
Non-controlling interests		**19,435**	4,408
		(278,408)	(173,661)
EARNINGS PER SHARE:			
Basic and diluted earnings per share attributable to the shareholders of the parent company	14	**(4.96)**	(2.97)
EARNINGS PER SHARE FOR CONTINUING OPERATIONS:			
Basic and diluted earnings per share attributable to the shareholders of the parent company	14	**(5.62)**	(2.90)

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	***2023*** ***SR'000***	*2022* *SR'000*
NET LOSS FOR THE YEAR		**(278,408)**	(173,661)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Foreign currency differences on translation of foreign operations		**(9,663)**	(30,479)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**(9,663)**	(30,479)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Net (loss) /gains on equity instruments at fair value through other comprehensive income	19	**(1,701)**	6,762
Remeasurement (loss)/gain on employees' defined benefit liabilities	30	**(9,872)**	6,027
Share in other comprehensive (loss) / income of an associate		**(658)**	579
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods		**(12,231)**	13,368
Other comprehensive loss for the year		**(21,894)**	(17,111)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(300,302)**	(190,772)
ATTRIBUTABLE TO:			
Shareholders of the parent company		**(319,080)**	(195,841)
Non-controlling interests		**18,778**	5,069
		(300,302)	(190,772)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Notes	2023 SR'000	2022 SR'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	**692,971**	738,547
Right-of-use assets	17	**31,660**	57,987
Investments in an associate and joint ventures	18	**89,228**	63,312
Equity instruments at FVOCI	19	**57,420**	59,121
Net investments in finance lease	20	**212,142**	240,073
Amount due from a joint venture		**10,324**	-
Deferred tax assets, net	35	**9,201**	7,395
TOTAL NON-CURRENT ASSETS		**1,102,946**	1,166,435
CURRENT ASSETS			
Inventories	21	**1,371,235**	1,696,360
Accounts receivable	22	**1,891,347**	1,770,372
Contract assets	23	**698,506**	712,301
Advances, prepayments and other receivables	24	**359,457**	312,295
Current portion of net investment in finance lease	20	**27,930**	26,772
Short term deposits		**193,094**	-
Cash and cash equivalents	25	**427,813**	304,055
		4,969,382	4,822,155
Asset held for sale	13	**-**	18,437
TOTAL CURRENT ASSETS		**4,969,382**	4,840,592
TOTAL ASSETS		**6,072,328**	6,007,027
EQUITY AND LIABILITIES			
EQUITY			
Share capital	26	**600,000**	600,000
Statutory reserve	27	**10,747**	180,000
(Accumulated losses)/retained earnings		**(109,810)**	28,653
Foreign currency translation reserve		**(70,370)**	(60,707)
Fair value of equity instrument at FVOCI		**21,236**	22,937
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		**451,803**	770,883
NON-CONTROLLING INTERESTS	28	**195,753**	176,975
TOTAL EQUITY		**647,556**	947,858
NON-CURRENT LIABILITIES			
Term loans	29	**1,150**	13,862
Employees' defined benefit liabilities	30	**250,209**	224,856
Lease liabilities	17	**22,534**	44,934
Deferred tax liability, net	35	**6,389**	6,593
TOTAL NON-CURRENT LIABILITIES		**280,282**	290,245
CURRENT LIABILITIES			
Accounts payable	31	**499,732**	438,644
Accruals and provisions	32	**673,188**	602,018
Short term loans	33	**2,316,022**	2,826,598
Current portion of term loans	29	**10,851**	14,145
Current portion of lease liabilities	17	**4,567**	7,974
Contract liabilities	34	**1,548,043**	821,636
Zakat and income tax provision	35	**92,087**	57,909
TOTAL CURRENT LIABILITIES		**5,144,490**	4,768,924
TOTAL LIABILITIES		**5,424,772**	5,059,169
TOTAL EQUITY AND LIABILITIES		**6,072,328**	6,007,027

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributed to shareholders of the parent company							
	Share capital	*Statutory reserve*	*(Accumulated losses) /retained earnings*	*Foreign currency translation reserve*	*Fair value of equity instrument at FVOCI*	*Total*	*Non-controlling interests*	*Total equity*
	SR '000	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*
Balance at 1 January 2022	600,000	180,000	200,777	(30,228)	16,175	966,724	182,900	1,149,624
Net (loss) profit for the year	-	-	(178,069)	-	-	(178,069)	4,408	(173,661)
Other comprehensive income (loss)	-	-	5,945	(30,479)	6,762	(17,772)	661	(17,111)
Total comprehensive income (loss)	-	-	(172,124)	(30,479)	6,762	(195,841)	5,069	(190,772)
Acquisition of non-controlling interest	-	-	-	-	-	-	(7,564)	(7,564)
Dividend	-	-	-	-	-	-	(3,430)	(3,430)
Balance at 31 December 2022	600,000	180,000	28,653	(60,707)	22,937	770,883	176,975	947,858
Net (loss) profit for the year	-	-	(297,843)	-	-	(297,843)	19,435	(278,408)
Other comprehensive loss	-	-	(9,873)	(9,663)	(1,701)	(21,237)	(657)	(21,894)
Total comprehensive (loss) income	-	-	(307,716)	(9,663)	(1,701)	(319,080)	18,778	(300,302)
Absorption of losses against statutory reserve (note 27)	-	(169,253)	169,253	-	-	-	-	-
Balance at 31 December 2023	**600,000**	**10,747**	**(109,810)**	**(70,370)**	**21,236**	**451,803**	**195,753**	**647,556**

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements.

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

	Notes	2023 SR'000	2022 SR'000
OPERATING ACTIVITIES			
Loss before zakat and income tax from continuing operations		**(271,799)**	(141,120)
Profit/(loss) before zakat and income tax from discontinued operations		**39,329**	(3,801)
Loss before zakat and income tax		**(232,470)**	(144,921)
Adjustments to reconcile loss before zakat and income tax to net cash flows:			
Depreciation of property, plant and equipment	15	**83,860**	88,362
Impairment of property, plant and equipment	15	**8,252**	-
Depreciation of right-of-use assets	17	**6,377**	10,415
Reversal of impairment loss on property, plant and equipment		**(22,056)**	-
Provision for employees' defined benefit liabilities	30	**26,855**	29,570
Finance costs	12 & 13	**188,527**	111,588
Dividend from equity instruments at FVOCI		**(1,516)**	(818)
Gain on disposal of property, plant and equipment	11	**(26,339)**	(59)
Share in results of associate and joint ventures		**(20,641)**	729
Gain from disposal of investment in an associate	11	**-**	(1,072)
Write-off of inventory	16	**162,788**	-
Gain on derecognition of leases		**(3,170)**	(249)
		170,467	93,545
Working capital adjustments:			
Inventories		**162,337**	(261,012)
Accounts receivable		**(120,975)**	103,347
Contract assets		**13,795**	(56,904)
Advances, prepayments and other receivables		**(44,945)**	(74,558)
Net investment in finance lease		**26,773**	25,661
Accounts payable		**64,080**	(40,851)
Accruals and provisions		**71,170**	(10,024)
Contract liabilities		**726,407**	81,824
Cash from (used in) operations		**1,069,109**	(138,972)
Financial charges paid		**(176,165)**	(101,739)
Zakat and income tax paid		**(13,292)**	(19,409)
Employees' defined benefit liabilities paid		**(23,639)**	(33,906)
Net cash from (used in) operating activities		**856,013**	(294,026)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	15	**(80,799)**	(31,027)
Proceeds from disposal of property, plant and equipment		**82,882**	913
Proceeds from disposal of investment in an associate	11	**-**	1,072
Short term deposits		**(193,094)**	-
Acquisition of non-controlling interest		**-**	(7,564)
Dividend from equity instruments at FVOCI		**1,516**	28,620
Net cash used in investing activities		**(189,495)**	(7,986)
FINANCING ACTIVITIES			
Net movement in short term loans		**(510,576)**	391,229
Net movement in term loans		**(16,142)**	(19,508)
Payments against lease liabilities	17	**(7,860)**	(18,781)
Dividend paid to non-controlling interests		**-**	(3,430)
Net cash (used in) from financing activities		**(534,578)**	349,510
NET INCREASE IN CASH AND CASH EQUIVALENTS		**131,940**	47,498

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements

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

	Notes	***2023***	*2022*
		SR'000	*SR'000*
Cash and cash equivalents at the beginning of the year		**304,055**	280,461
Movement in foreign currency translation reserve, net		**(8,182)**	(23,904)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	25	**427,813**	304,055

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements

1 CORPORATE INFORMATION

Zamil Industrial Investment Company ("the Company") ("Parent Company") was converted to a Saudi Joint Stock Company in accordance with the Ministerial Resolution number 407 dated 14 Rabi' I 1419 H (corresponding to 9 July 1998). Prior to that the Company was operating as a limited liability company under the name of Zamil Steel Buildings Company Limited.

The registered address of the Company is street 11, 1st Industrial District, P.O Box 32234, Dammam, Kingdom of Saudi Arabia. The Company is registered in the Kingdom of Saudi Arabia under Commercial Registration number 2050004215 dated 19 Ramadan 1396H (corresponding to 14 September 1976) with the following branch in the Kingdom of Saudi Arabia:

Commercial registration number	*Date*	*Location*
2050099363	8 Jumada' II 1435H	Dammam

The Company has investment in the following subsidiaries:

Name of subsidiaries	*Country of incorporation*	*Effective ownership percentage*	
		2023	*2022*
- Zamil Steel Holding Company Limited	Saudi Arabia	**100%**	100%
- Zamil Steel Pre-Engineered Buildings Company Limited	Saudi Arabia	**100%**	100%
- Zamil Structural Steel Company Limited	Saudi Arabia	**100%**	100%
- Zamil Towers & Galvanizing Company	Saudi Arabia	**100%**	100%
- Zamil Process Equipment Company Limited	Saudi Arabia	**100%**	100%
- Building Component Solutions Company Limited	Saudi Arabia	**100%**	100%
- Zamil Steel Construction Company Limited	Saudi Arabia	**100%**	100%
- Zamil Inspection & Maintenance of Industrial Projects Company Limited	Saudi Arabia	**100%**	100%
- Metallic Construction and Contracting Company Limited	Egypt	**100%**	100%
- Zamil Air Conditioners Holding Company Limited	Saudi Arabia	**100%**	100%
- Zamil Air Conditioners & Home Appliances Company Limited	Saudi Arabia	**100%**	100%
- Zamil Central Air Conditioners Company Limited	Saudi Arabia	**100%**	100%
- Zamil Air Conditioning & Refrigeration Services Company Limited	Saudi Arabia	**100%**	100%
- Ikhtebar Company Limited	Saudi Arabia	**100%**	100%
- Eastern District Cooling Company Limited	Saudi Arabia	**100%**	100%
- Zamil Energy Services Company Limited	Saudi Arabia	**100%**	100%
- Zamil Air Conditioning and Refrigeration Services Company W.L.L	Bahrain	**100%**	100%
- Arabian Stonewool Insulation Company	Saudi Arabia	**100%**	100%
- Second Insulation Company Limited	Saudi Arabia	**100%**	100%
- Saudi Preinsulated Pipes Industries	Saudi Arabia	**51%**	51%
- Gulf Insulation Group	Saudi Arabia	**51%**	51%
- Zamil Steel Building Company	Egypt	**100%**	100%
- Zamil Steel Buildings (Shanghai) Company Limited	China	**100%**	100%
- Zamil Steel Buildings India Private Limited	India	**100%**	100%
- Zamil Steel Engineering India Private Limited	India	**100%**	100%
- Zamil Industrial Investment Company	UAE	**100%**	100%
- Zamil Steel Industries Abu Dhabi (LLC)	UAE	**100%**	100%
- Zamil Structural Steel Company	Egypt	**100%**	100%
- Zamil Construction India Private Limited	India	**100%**	100%
- Zamil Information Technology Global Private Limited	India	**100%**	100%
- Zamil Higher Institute for Industrial Training	Saudi Arabia	**100%**	100%
- Zamil Air Conditioners India Private Limited	India	**100%**	100%
- Saudi Central Energy Company Limited	Saudi Arabia	**100%**	100%
- Zamil Industrial Investment Company Asia Pte. Limited	Singapore	**100%**	100%
- Zamil Steel Buildings Vietnam Company Limited	Vietnam	**100%**	100%

1 CORPORATE INFORMATION (continued)

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in design and engineering, manufacturing and fabrication of construction materials, pre-engineering steel buildings, steel structures, air conditions and climate control systems for commercial, industrial and residential applications, telecom and broadcasting towers, process equipment, fiberglass, rockwool and engineering plastic foam insulation, and solar power projects.
The consolidated financial statements of the Group as of 31 December 2023 were authorised for issuance in accordance with the Board of Directors' resolution on 28 March 2024 (corresponding to 18 Ramadhan1445H).

2 MATERIAL ACCOUNTING POLICY INFORMATION

Basis of preparation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").
The Group has prepared these consolidated financial statements on the basis that it will continue to operate as a going concern.

Basis of measurement

These consolidated financial statements are prepared using historical cost convention except for the remeasurement of equity instruments at fair value through other comprehensive income, using the accrual basis of accounting.
These consolidated financial statements are presented in Saudi Riyals ("SR") which is also the functional currency of the Group. All values are rounded to the nearest thousands ("SR '000"), except when otherwise indicated.

Basis of consolidation

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

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

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group 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 intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.
If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in consolidated statement of profit or loss. Any investment retained is recognised at fair value.

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Basis of consolidation (continued)

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

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

a) Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

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

The Group provides normal warranty provisions for general repairs for one to five years on its certain products, in line with industry practice. A liability for potential warranty claims is recognised at the time the product is sold. The Group does not provide any extended warranties or maintenance contracts to its customers.

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

b) Rendering of services

The Group provides installation, maintenance and engineering services that are either sold separately or bundled together with the sale of equipment to a customer. These services can be obtained from other providers and do not significantly customise or modify the equipment.

Contracts for bundled sales of equipment and related services are comprised of two performance obligations because the promises to transfer equipment and provide maintenance or installation services are capable of being distinct and separately identifiable. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the equipment and maintenance or installation services.

The Group recognises revenue from above services at a point in time, generally upon completion of the service or delivery of the equipment.

c) Revenue from long-term contracts

The Group has determined that for its long-term contracts for turnkey projects in its steel and air conditioner segments and for made-to-order equipment in its steel segment, the customer controls all of the work in progress as the project progresses and equipment is manufactured. This is because under those contracts the works are performed and equipment are made to a customer's specification and if a contract is terminated by the customer, then the Group is entitled to reimbursement of the costs incurred to date, including a reasonable margin.

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Revenue recognition (continued)

c) Revenue from long-term contracts (continued)

At the time of entering into a contract, the Group identifies the performance obligations attached to each contract. For this purpose, the Group evaluates the contractual terms and its customary business practices to identify whether there are distinct performance obligations within each contract. The Group determines the transaction price of each contract in order to identify the transaction price of each aforementioned performance obligations as the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to a customer. Having determined the transaction price of the contract, the Group allocates the transaction price to each performance obligation.

The Group recognises revenue upon the satisfaction of performance obligations attached to contracts, which occurs when service obligations mentioned in the contract are met and accepted by the customer in form of acceptance of works completed. The Group recognises revenue from such long-term contracts over time, using an input method to measure progress towards complete satisfaction of the performance obligation by reference to the percentage of completion method. In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue multiplied by the actual completion rate based on the proportion of total contract costs incurred to date and the estimated cost to complete.

The Group receives advances from customers for its long-term projects. Generally, such advances are not significant to the contract consideration and received in the normal course of business at the start of the project. The Group does not adjust the promised amount of consideration for the effects of a significant financing component as the Group has determined that such advances are received for reasons other than financing the projects. These advances are adjusted against progress billings raised to the customer in accordance with the terms of the contract.

The value of work completed but not billed at the date of consolidated statement of financial position is classified as "contract assets" under current assets in the consolidated statement of financial position. Amounts billed in excess of work completed and advances received at the consolidated statement of financial position date is classified as "contract liabilities" under current liabilities in the consolidated statement of financial position. Invoices are issued according to contractual terms and are usually payable within 30 to 180 days.

Cost to obtain a contract

The Group pays sales commission to its employees and sales agents for certain contracts for sales of goods and services. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions because the amortisation period of the asset that the Group otherwise would have used is one year or less.

Finance income

Finance income, including income arising from finance leases and other financial instruments, is recognised using the effective interest method.

Contract balances

Contract assets

A contract asset is initially recognised for revenue earned from installation services because the receipt of consideration is conditional on successful completion of the installation. Upon completion of the installation and acceptance by the customer, the amount recognised as contract assets is reclassified to trade receivables.

Accounts receivables

A receivable represents the Group’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets.

Contract liabilities

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

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Expenses

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

Foreign currencies

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

Transaction and balances

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

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

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

Group companies

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

Property, plant and equipment/depreciation

Construction in progress, property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives.

Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in consolidated statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

- Buildings	20 to 40 years
- Machinery	5 to 20 years
- Furniture, fixtures and equipment	3 to 5 years
- Motor vehicles	3 years

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Property, plant and equipment/depreciation (continued)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognised. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Leases

Group as lessee

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

Right-of-use assets

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

- Plots of land 5 to 30 years
- Buildings 3 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

Short-term leases and leases of low-value assets

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

Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated. Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within control.

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Borrowing costs

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

Investments in an associate and joint ventures

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

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

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

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

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

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

Net investment in finance lease

Where the Group determines an arrangement to be or to contain a lease and where the Group transfers substantially all the risks and benefits incidental to ownership of the leased item, the arrangement is considered as a finance lease. A finance lease is presented as net investment in finance lease and is recognised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments received are apportioned between finance income and the reduction of the net investment in finance lease so as to achieve a constant rate of commission on the remaining balance of the asset.

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification, as described below:

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- 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.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade and certain other receivables.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

2 MATERIAL ACCOUNTING POLICY INFORMATION(continued)

Financial assets (continued)

Derecognition

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for its financial assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Business combination and goodwill

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

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

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

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Business combination and goodwill (continued)

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

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

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

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the consolidated statement of profit or loss.

Impairment of non-financial assets

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

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

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

Impairment losses of continuing operations are recognised in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset.

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

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill at each reporting date.

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

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Inventories

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

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

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

Withholding tax

The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia, as required under Saudi Arabian Income Tax Law.

Cash and cash equivalents

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

Statutory reserve

In accordance with the Company‘s by-laws, the Company must transfer 10% of its profit for the year to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, lease liabilities and term loan.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Derecognition

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

Offsetting of financial instruments

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

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Employees' defined benefit liabilities

The Group operates a non-funded employee end-of-service benefit plan, which is classified as defined benefit obligation under IAS 19 'Employee Benefits'. A defined benefit plan is a plan which is not a defined contribution plan. The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets at that date. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting estimated future cash outflows using market yields at the end of the reporting period of high quality corporate bonds that have terms to maturity approximating to the estimated term of the post employment benefit obligations. Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognized in equity through other comprehensive income in the period in which they arise.

Provisions

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

Contingencies

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

Zakat and income tax

Zakat and income tax

Zakat is provided for the Company and for subsidiaries operate inside the Kingdom of Saudi Arabia in accordance with Regulations of the Zakat, Tax and Customs Authority (the "ZATCA") prevailing in the Kingdom of Saudi Arabia. Income tax is provided for in accordance with fiscal regulations in which the Company’s subsidiaries operate. Provision for zakat and income tax is charged to the consolidated statement of profit or loss.

Deferred tax

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

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

The Group offsets deferred tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Value-Added Tax ("VAT")

Revenues, expenses and assets are recognised net of the amount of VAT, except for:

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

The net amount of VAT recoverable from or payable to the tax authority is classified as an asset or a liability, respectively, in the statement of consolidated financial position.

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

Fair value measurement

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

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

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

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

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

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

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows and other relevant factors. Cost is considered to be the fair value where there is no reliable fair value information available for such investments.

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Non-current assets held for sale and discontinued operations

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

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

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

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

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of profit or loss.

3 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

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

Capital management	Note 40
Financial risk management objectives and policies	Note 39
Sensitivity analyses disclosures	Note 39

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 and in any future periods affected.

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

Impairment of non-financial assets

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

3 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (continued)

Valuation of defined benefit obligations

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

Impairment of accounts receivables, contract assets and net investment in finance lease

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

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

The assessment of the correlation between historical observed loss rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual loss in the future.

Zakat and income tax

At each reporting date, the Group is required to estimate zakat base and the income tax provision which is based on the Group's understanding of zakat and income tax regulations prevailing in the Kingdom of Saudi Arabia. The zakat and income tax regulations in Saudi Arabia are subject to different interpretations and the assessments to be raised by the ZATCA could be different from the declarations filed by the Company.

Estimated cost to complete

At each reporting date, the Group is required to estimate costs to complete on fixed-price contracts. Estimating costs to complete on such contracts requires the Group to make estimates of future costs to be incurred, based on work to be performed beyond the reporting date. This estimate will impact contract revenues, contract costs and contract assets. Project costs to complete estimate is based on the managements best estimates at the reporting date after considering all the available and known factors.

Leases - Estimating the incremental borrowing rate

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

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

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

3 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (continued)

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

After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Fair value measurement of financial instruments

When the fair values of financial assets recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Useful lives of property, plant and equipment

The management determines the estimated useful lives of its equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for uncertain liabilities including warranty provisions involve management's best estimate of whether cash outflows are probable.

4 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 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 Insurance Contracts

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

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

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

Definition of Accounting Estimates - Amendments to IAS 8

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

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

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

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

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

4 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

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

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

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

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

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

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity’s exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

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

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

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

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

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

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

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

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

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

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity’s right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

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

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

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

6 REVENUE FROM CONTRACTS WITH CUSTOMERS

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	2023	*2022*
	SR '000	*SR '000*
Sale of goods	**3,262,433**	2,931,154
Revenue from long-term contracts	**1,091,052**	656,607
Rendering of services	**320,137**	326,510
Total revenue from contracts with customers	**4,673,622**	3,914,271

Contract balances

Group's contract balances comprise of the following:

	2023	*2022*
	SR '000	*SR '000*
Accounts receivable (note 22)	**1,891,347**	1,770,372
Contract assets (note 23)	**698,506**	712,301
Contract liabilities (note 34)	**1,548,043**	821,636

Accounts receivable are non-interest bearing and are generally on terms of 30 to 180 days.

Contract assets are initially recognised for revenue earned from its long-term contracts in its steel and air conditioner segment as receipt of consideration that is conditional on successful completion of obligations mentioned in the contract and accepted by the customer in form of acceptance of works completed. Upon completion of contract obligation and acceptance by the customer, the amounts recognised as contract assets are reclassified to accounts receivable.

Contract liabilities include advances received from customer and billings in excess of value of work executed against its long-term contracts.

7 COST OF SALES

	2023	*2022*
	SR'000	*SR'000*
Cost of inventories recognised as expense	**1,911,034**	1,841,519
Employees' and labour costs	**495,594**	469,428
Sub-contracting costs	**256,442**	76,931
Depreciation (note 15)	**55,867**	56,881
Depreciation of right-of-use assets (note 17)	**3,841**	7,180
Others direct costs	**359,829**	380,430
	3,082,607	2,832,369

8 CONTRACTS COST

	2023	*2022*
	SR'000	*SR'000*
Cost of project materials	**539,927**	235,462
Employees' and labour costs	**239,051**	144,924
Sub-contracting costs	**186,266**	127,153
Depreciation (note 15)	**6,863**	7,071
Others direct costs	**57,478**	27,779
	1,029,585	542,389

9 SELLING AND DISTRIBUTION EXPENSES

	2023	2022
	SR'000	*SR'000*
Employees' costs	**91,796**	85,578
Transportation	**31,343**	27,121
Warranties	**15,495**	27,432
Rent and utilities	**9,960**	8,757
Advertising and sales promotion	**9,055**	7,292
Depreciation (note 15)	**2,863**	3,673
Business travel	**2,419**	2,058
Depreciation of right-of-use assets (note 17)	**127**	180
Others	**14,478**	13,422
	177,536	175,513

10 GENERAL AND ADMINISTRATION EXPENSES

	2023	2022
	SR'000	*SR'000*
Employees' costs	**269,248**	237,890
Allowance for expected credit losses (notes 22 and 23)	**157,094**	72,294
Communication and IT services	**30,535**	26,197
Depreciation (note 15)	**18,267**	20,737
Professional and legal fees*	**10,849**	10,876
Rent and utilities	**7,425**	7,594
Business travel	**4,577**	3,313
Repairs and maintenance	**3,241**	3,074
Depreciation of right-of-use assets (note 17)	**1,446**	498
Others	**50,520**	34,891
	553,202	417,364

*Professional and legal fees includes the auditor's fee for the statutory audit and review of the Group's consolidated financial statements (inlcuding financial statement of certain subsidiaries) for the period ended 31 December 2023 amounted to SR 2.52 million. Auditor's fee for the provision of other services is amounted to SR 1.07 million.

11 OTHER INCOME, NET

	2023	2022
	SR'000	*SR'000*
Write back of balances and advances	**15,086**	-
Gain on disposal of property, plant and equipment	**10,670**	59
Gain from disposal of investment in an associate	**-**	1,072
Foreign currency exchange (loss) /gain	**(1,380)**	8,433
Others	**17,241**	1,124
	41,617	10,688

12 FINANCE COSTS

	2023	*2022*
	SR'000	*SR'000*
Interest on debts and borrowings	**176,148**	101,731
Interest cost on employees' defined benefit obligation (note 30)	**10,041**	6,085
Interest on lease liabilities (note 17)	**1,415**	1,547
Amortisation of loan upfront fees (note 29)	**150**	267
	187,754	109,630

Finance costs amounting to SR 773 thousand (2022: SR 1.96 million) related to discontinued operations is shown separately under note 13.

13 DISCONTINUED OPERATIONS

During the prior year, the executive management had decided to discontinue the operations of certain subsidiaries. The results of these operations have been classified as discontinued operations in the consolidated statement of profit or loss. The results of the discontinued operations for the year are presented below:

	2023	*2022*
	SR'000	*SR'000*
Revenues	**-**	-
Expenses	**(2,336)**	(1,843)
Operating loss	**(2,336)**	(1,843)
Profit on disposal of property,plant & equipment	**15,669**	-
Gain on derecognition of lease	**3,161**	-
Other income, net	**1,552**	-
Reversal of impairment loss on asset held for sale	**22,056**	-
Finance costs:		
Employees' defined benefit liabilities (note 30)	**(7)**	(8)
Lease liability (note 17)	**(766)**	(1,950)
	(773)	(1,958)
Profit /(loss) for the year from discontinued operations	**39,329**	(3,801)
Amount included in other comprehensive income:		
Remeasurement (loss) / gain on employees' defined benefit liabilities	**(18)**	27
The net cash flows generated from discontinued operations are as follows:		
Operating	**(54,054)**	7,267
Investing	**56,161**	-
Financing	**(1,793)**	(7,038)
Net cash inflow	**314**	229

During the previous year, the management had entered into a sale and purchase agreement to sell its building that was constructed on a leasehold land for a consideration of SR 56 million. During the year, the Company had obtained the sale consideration in full. The legal formalities for transfer of leasehold rights from the Company to the buyer has completed during the year.

During the year ended 31 December 2023, the impairment losses that was previously recognised amounting to SR 22.06 million was reversed and gain on sale of building amounting to SR 15.67 million was recognised in the profit or loss. As the Company had completed the process for transfer of leasehold rights to the buyer, the Company derecognized the right-of use asset and the related lease liability amounting to SR 28.4 million and SR 31.5 million respectively and net gain of SR 3.1 million was recognised in the profit or loss.

14 EARNINGS PER SHARE

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

	2023	*2022*
Net loss for the year attributable to the shareholders of the parent company (SR '000):		
Continuing operations	**(337,172)**	(174,268)
Discontinued operations	**39,329**	(3,801)
	(297,843)	(178,069)
Weighted average number of outstanding shares during the year (share *'000*)	**60,000**	60,000
Earning per share	***SR***	*SR*
Basic and diluted earnings per share attributable to the shareholders of the parent company	**(4.96)**	(2.97)
Earning per share for continuing operations		
Basic and diluted earnings per share attributable to the shareholders of the parent company	**(5.62)**	(2.90)

15 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	*Buildings*	*Machinery*	*Furniture, fixtures and equipment*	*Motor vehicles*	*Capital work-in-progress*	*Total*
	SR '000	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*
Cost:							
At 1 January 2022	97,111	825,461	1,502,685	233,146	103,588	1,864	2,763,855
Additions	-	4,229	12,366	5,280	2,135	7,017	31,027
Transfer	-	459	2,334	1,197	153	(4,143)	-
Disposals	-	(3,248)	(17,788)	(419)	(394)	-	(21,849)
Foreign currency translation	(845)	(6,244)	(8,653)	(5,955)	(833)	(466)	(22,996)
At 31 December 2022	96,266	820,657	1,490,944	233,249	104,649	4,272	2,750,037
Additions	-	4,662	39,113	8,542	5,348	23,134	80,799
Transfer	-	(28)	26,591	(13,789)	4,293	(17,067)	-
Disposals	-	(52,515)	(123,461)	(17,810)	(1,896)	(12)	(195,694)
Foreign currency translation	(292)	(1,410)	(1,822)	(1,394)	(271)	(285)	(5,474)
At 31 December 2023	**95,974**	**771,366**	**1,431,365**	**208,798**	**112,123**	**10,042**	**2,629,668**
Depreciation and impairment:							
At 1 January 2022	-	502,745	1,155,734	203,858	96,665	-	1,959,002
Charge for the year	-	27,520	46,345	10,438	4,059	-	88,362
Disposals	-	(2,364)	(17,619)	(630)	(382)	-	(20,995)
Foreign currency translation	-	(2,589)	(6,434)	(5,118)	(738)	-	(14,879)
At 31 December 2022	-	525,312	1,178,026	208,548	99,604	-	2,011,490
Charge for the year	-	26,120	44,030	9,402	4,308	-	83,860
Impairment	-	1,537	5,991	724	-	-	8,252
Transfer	-	2,074	12,382	(15,230)	774	-	-
Disposals	-	(33,265)	(110,509)	(17,719)	(1,897)	-	(163,390)
Foreign currency translation	-	(601)	(1,427)	(1,239)	(248)	-	(3,515)
At 31 December 2023	**-**	**521,177**	**1,128,493**	**184,486**	**102,541**	**-**	**1,936,697**
Net book amounts:							
At 31 December 2023	**95,974**	**250,189**	**302,872**	**24,312**	**9,582**	**10,042**	**692,971**
At 31 December 2022	96,266	295,345	312,918	24,701	5,045	4,272	738,547

15 PROPERTY, PLANT AND EQUIPMENT (continued)

15.1 During the year, Zamil Higher Institute for Industrial Training Company, a subsidiary, sold building that constructed on leasehold land with a net book value of SR 12.7 million for a consideration of SR 24 million and the resulting gain on sale amounting to SR 11.3 million was recorded in the profit or loss. The legal formalities for transfer of leasehold rights to the buyer is completed.

15.2 The majority of the buildings are constructed on plots of land leased from The Saudi Industrial Property Authority (MODON) in Riyadh and Dammam for periods range from 4 to 25 years with various commencing dates from 2010. The Group has right to renew these lease agreements.

15.3 Property, plant and equipment amounting to SR nil million (2022: SR 5.5 million) net book value are mortgaged as a security against the loans obtained from the financial institutions. (notes 29 and 33).

Also refer note 16 for details of impairment loss on property,plant and equipment damaged by fire.

16 FIRE INCIDENT AND INSURANCE CLAIM

On 3 March 2023 (corresponding to 11 Sha'ban 1444H), one of the factory of Zamil Air Conditioners and Home Appliances Company, a subsidiary, was damaged by fire. During the year, the Group has made an assessment of the loss caused by the fire incident to the property, plant and equipment and recorded an impairment loss of SR 8.2 million and inventories damaged by fire amounting to SR 162.8 million was written off. The Group filed a claim with the insurance company and the total claim amount, that was accepted and acknowledged by the insurance company amounted to SR 183 million (net of insurance expenses), was recognised in statement of profit or loss as the Company has an unconditional right to receive the amount in full from the insurance company. The total insurance claim receivable as of yearend amounted to SR 121.1 million. Subsequent to the year end, the Group received SR 50 million from the insurance company. The management expects the remaining amount to be settled within 2024 and accordingly, same has been classified as current assets and disclosed under "Advances, prepayments and other receivables".

17 LEASES

The Group has lease contracts for plots of land and buildings used in its operations. Leases of plots of land and buildings generally have lease terms between 5 and 20 years. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios.

The Group also has certain leases with lease terms of 12 months or with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Plots of land	*Buildings*	*Total*
	SR '000	*SR '000*	*SR '000*
As at 1 January 2022	68,988	2,348	71,336
Derecognition	(2,934)	-	(2,934)
Depreciation expense	(8,067)	(2,348)	(10,415)
As at 31 December 2022	57,987	-	57,987
Additions	9,388	-	9,388
Derecognition	(29,338)	-	(29,338)
Depreciation expense	(6,377)	-	(6,377)
As at 31 December 2023	**31,660**	**-**	**31,660**

17 LEASES (continued)

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

	2023 SR'000	*2022 SR'000*
At the beginning of the year	**52,908**	71,375
Interest expense	**2,181**	3,497
Additions	**12,380**	-
Derecognition	**(32,508)**	(3,183)
Payments	**(7,860)**	(18,781)
At the end of the year	**27,101**	52,908

	2023 SR'000	*2022 SR'000*
Analysed as:		
Current	**4,567**	7,974
Non-current	**22,534**	44,934
	27,101	52,908

The maturity analysis of lease liabilities are disclosed in note 39.

The following are the amounts recognised in consolidated statement of profit or loss:

	2023 SR'000	*2022 SR'000*
Depreciation expense of right-of-use assets	**6,377**	10,415
Interest expense on lease liabilities	**2,181**	3,497
Expense relating to short-term leases	**1,708**	1,118
Gain on derecognition of leases	**3,170**	249
Total amount recognised in consolidated statement of profit or loss	**13,436**	15,279

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

18 INVESTMENTS IN AN ASSOCIATE AND JOINT VENTURES

Carrying values of the Group's share for investment in an associate and joint ventures were as follows:

	Effective ownership percentage			
	2023	*2022*	***2023***	*2022*
			SR'000	*SR'000*
Associate				
Rabiah Nasser and Zamil Concrete Industries Company Limited - Saudi Arabia ("RANCO") (note 18.1)	**50%**	50%	**67,428**	58,819
			67,428	58,819
Joint ventures				
Perma Pipe Gulf Arabia Industry Company Limited (note 18.2)	**20.4%**	-	**17,995**	**-**
Middle East Air Conditioners Company Limited (note 18.3)	**51%**	51%	**3,805**	4,493
			21,800	4,493
			89,228	63,312

Movement of the investment in an associate and joint ventures

	2023 SR'000			*2022 SR'000*		
	Associate	***Joint ventures***	***Total***	***Associate***	***Joint ventures***	***Total***
As at 1 January	58,819	4,493	63,312	85,144	6,120	91,264
Capital contribution	-	5,933	5,933	-	-	-
Share in results - profit or loss	9,267	11,374	20,641	898	(1,627)	(729)
Share in results - OCI	(658)	-	(658)	579	-	579
Dividend	-	-	-	(27,802)	-	(27,802)
As at 31 December	67,428	21,800	89,228	58,819	4,493	63,312

18 INVESTMENTS IN AN ASSOCIATE AND JOINT VENTURES (continued)

The following table illustrates the summarised financial information of the Group's investment in an associate:

	2023	*2022*
	SR'000	*SR'000*
Summarised statement of financial position of an associate		
Current assets	**224,652**	227,537
Non-current assets	**148,291**	143,149
Current liabilities	**(190,618)**	(196,346)
Non-current liabilities	**(47,471)**	(56,703)
Net assets	**134,854**	117,637
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets	**67,428**	58,819
Group's carrying amount of the investment	**67,428**	58,819

RANCO's banker had provided guarantees to various third parties, amounting to SR 84.31 million (2022: SR 66 million).

The tables below provide the summarised financial information of an associate of the Group. The information disclosed reflects the amounts presented in the financial statements of the associate and not Group's share of those amounts.

	2023	*2022*
	SR'000	*SR'000*
Summarised statement of profit or loss and other comprehensive income of an associate		
Revenue	**289,955**	164,048
Operating profit	**26,456**	5,252
Net profit for the year	**18,531**	1,796
Other comprehensive (loss)/income	**(1,315)**	1,159
Total comprehensive income for the year	**17,216**	2,955
Group's share of total comprehensive income	**8,609**	1,478

18 INVESTMENTS IN AN ASSOCIATE AND JOINT VENTURES (continued)

The tables below provide the summarised financial information of material joint venture of the Group. The information disclosed reflects the amounts presented in the financial statements of the joint venture and not Group's share of those amounts.

Summarised statement of financial position for joint venture

	2023	*2022*
	SR'000	*SR'000*
Current assets	**90,739**	-
Non-current assets	**38,967**	-
Current liabilities	**(56,715)**	-
Non-current liabilities	**(29,790)**	-
Net assets	**43,201**	-
Proportion of the Group's ownership	**20.4%**	
Group's effective share of net assets	**9,177**	-
Group's effective carrying amount of the investment	**9,177**	-

Summarised statement of comprehensive income for joint venture

	2023	*2022*
	SR'000	*SR'000*
Revenues	**86,144**	-
Cost of sales	**(51,106)**	-
Selling and distribution expenses	**(990)**	-
General and administrative expenses	**(3,003)**	-
Other income	**272**	-
Finance cost	**(83)**	-
Profit before zakat and income tax	**31,234**	-
Zakat	**(431)**	-
Income tax	**(4,396)**	-
Total comprehensive income for the year	**26,407**	-
Group's share of total comprehensive income for the year	**6,152**	-

18.1 Rabiah Nasser and Zamil Concrete Industries Company Ltd ("RANCO") which is registered in Saudi Arabia and engaged in the production of concrete products, asphalt and polystyrene.

18.2 During the year, Gulf Insulation Group, a subsidiary of Zamil Industrial Investment Company had entered into a joint venture agreement with Perma Pipe Saudi Arabia LLC for manufacturing of pre-insulated pipes and related products in the Kingdom of Saudi Arabia. The legal formalities in connection with formation has been completed and the joint venture has commenced its operations.

During the year, the Group had contributed certain plant and equipments to the joint venture company with a net book value of SR 17.9 million and has recorded the loss amounting to SR 1.69 million. The Group has also recorded share of results in joint venture for the period amounting to SR 12.06 million. As at reporting date, the Group's carrying value of investment in joint venture is amounted to SR 17.9 million.

18.3 Middle East Air Conditioners Company Limited is registered in Kingdom of Saudi Arabia and is engaged in sale of air conditioners.

19 EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Percentage of ownership		***2023***	*2022*
	2023	*2022*	***SR'000***	*SR'000*
Kinan International For Real Estate Development Company	**2.11%**	2.11%	**57,420**	59,121

19 EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

Reconciliation of fair value of unquoted equity shares classified as equity instruments at fair value through other comprehensive income (FVOCI) is as follows:

	2023	*2022*
	SR '000	*SR '000*
At the beginning of the year	**59,121**	52,359
Remeasurements recognised in consolidated statement of comprehensive income	**(1,701)**	6,762
At the end of the year	**57,420**	59,121

Kinan International For Real Estate Development Company Limited, a company which is registered in Saudi Arabia and is engaged in real estate activities.

20 NET INVESTMENT IN FINANCE LEASE

Eastern District Cooling Company ("EDCC"), a subsidiary, entered into an energy performance contract during 2008 with Saudi Iron and Steel Company ("Hadeed") for a period of 20 years. As per the terms stipulated in the agreement it is agreed to design, construct, operate and maintain a District Cooling Plant (DCP) at the premises of Hadeed. At the end of the contract term all the rights, title and interest in the DCP will be transferred to Hadeed for an all-inclusive lump sum payment of SR 53.3 million. During 2013, the construction of DCS was completed and it was transferred to Hadeed under finance lease agreement on 1 April 2013.

The net investment in finance lease and the future minimum lease payments are as follows:

a) Net investment in finance lease consists of:

	2023	*2022*
	SR'000	*SR'000*
Gross investments in finance lease (see (b) below)	**278,747**	316,325
Less: Unearned finance income	**(38,675)**	(49,480)
	240,072	266,845

	2023	*2022*
	SR'000	*SR'000*
Analysed as:		
Net investment in finance lease, current	**27,930**	26,772
Net investment in finance lease, non-current	**212,142**	240,073
	240,072	266,845

b) The future minimum lease payments to be received consists of:

	2023	*2022*
	SR'000	*SR'000*
Within one year	**37,578**	37,578
After one year but not more than five years	**187,888**	187,888
More than five years	**53,281**	90,859
	278,747	316,325

21 INVENTORIES

	2023	*2022*
	SR'000	*SR'000*
Raw materials	**919,953**	1,148,911
Finished goods	**365,480**	437,583
Work in progress	**83,046**	164,762
Goods in transit	**68,942**	22,372
Spares	**60,086**	61,821
	1,497,507	1,835,449
Less: allowance for slow moving and obsolete inventory	**(126,272)**	(139,089)
	1,371,235	1,696,360

During the year, the Group has writen off the inventories amounting to SR 162.8 million that was damaged by the fire incident.

22 ACCOUNTS RECEIVABLE

	2023	*2022*
	SR'000	*SR'000*
Trade accounts receivable	**1,983,069**	1,789,754
Retentions receivable	**314,199**	280,432
	2,297,268	2,070,186
Less: allowance for expected credit losses	**(439,672)**	(339,303)
	1,857,596	1,730,883
Receivables from related parties (note 36)	**33,751**	39,489
	1,891,347	1,770,372

During the year, Zamil Air Conditioning & Refrigeration Services Company Limited, a subsidiary of the parent company, received a notice for immediate termination of a contract from a customer (contractor) mainly due to project delays and violation of certain technical specification as per contract. The Company rejected the termination notice on grounds that the termination notice was not served in line with the contractual terms, failure to provide proper technical design, lack of clarity in the scope of work and time.

The Company filed a legal case against the contractor in the Court for settlement of the amount due to the Company. The Court appointed an external independent expert to review and assess the value of the work executed by the Company and the same is in progress.

As of the end of the reporting period, the total due from customer amounted to SR 127.8 million, which includes SR 51 million billed to the customer, retention receivables of SR 8.7 million and a value of work executed of SR 68.1 million. Based on the management assessment and considering the contractual rights confirmed by the management's legal advisor, the management believe that the amounts due from customer are expected to be fully recoverable.

For terms and conditions related to related parties receivables, refer to note 36.

Trade receivables are non-interest bearing and are generally on terms of 30 to 180 days. Movement in the allowance for expected credit losses of trade receivables is as follows:

	2023	*2022*
	SR'000	*SR'000*
At the beginning of the year	**339,303**	412,039
Allowance for expected credit losses - continuing operations	**111,749**	44,285
Written-off during the year	**(9,908)**	(111,141)
Exchange differences	**(1,472)**	(5,880)
At the end of the year	**439,672**	339,303

Information about the credit exposures on accounts receivable is disclosed in note 39.

23 CONTRACT ASSETS

	2023	*2022*
	SR'000	*SR'000*
Value of the work executed to date	**629,252**	615,640
Unbilled revenues	**69,254**	96,661
	698,506	712,301

	2023	*2022*
	SR'000	*SR'000*
Value of the work executed to date	**3,123,691**	2,887,581
Less: Amounts received and receivable as progress billings	**(2,423,868)**	(2,246,716)
	699,823	640,865
Less: allowance for expected credit losses	**(70,571)**	(25,225)
	629,252	615,640

Also refer note 22 for details of termination of a contract from customer.
Information about the credit exposures on contract assets is disclosed in note 39.

24 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2023	*2022*
	SR'000	*SR'000*
Advances to suppliers	**123,594**	168,245
Insurance claim receivable (note 16)	**121,174**	-
Prepaid expenses	**31,315**	28,280
Other receivables	**83,374**	115,770
	359,457	312,295

25 CASH AND CASH EQUIVALENTS

	2023	*2022*
	SR'000	*SR'000*
Bank balances and cash	**303,476**	270,410
Short-term deposits	**124,337**	33,645
	427,813	304,055

The average interest rate on the short-term deposits during the year was 3.6% to 7.7% per annum (2022: 4.35% to 9% per annum).

26 SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company is divided into 60 million shares (2022: same) of SR 10 each (2022: same).

27 STATUTORY RESERVE

The shareholders of the Parent Company, at their Extraordinary General Assembly, held on 28 September 2023, approved the recommendation of the Board of Directors to use a portion of the statutory reserve to absorb the Parent Company's accumulated losses of SR 169.25 million.

28 MATERIAL PARTIALLY-OWNED SUBSIDIARIES

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

Proportion of equity interest held by non-controlling interests:

Name	*Country of incorporation*	***2023***	*2022*
Gulf Insulation Group	Kingdom of Saudi Arabia	**49%**	49%
Saudi Pre Insulated Pipe Company	Kingdom of Saudi Arabia	**49%**	49%

Accumulated balances of non-controlling interest:

	2023	*2022*
	SR'000	*SR'000*
Gulf Insulation Group	**190,447**	161,710
Saudi Pre Insulated Pipe Company	**5,306**	15,265
	195,753	176,975

Profit allocated to material non-controlling interest:

	2022	*2021*
	SR'000	*SR'000*
Gulf Insulation Group	**21,082**	3,635

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

Summarised statement of profit or loss:

	2023	*2022*
	SR'000	*SR'000*
Revenues	**268,782**	192,791
Cost of sales	**(168,493)**	(134,412)
Other operating expenses	**(64,681)**	(50,745)
Share in results of a joint venture	**12,063**	-
Other (expense) income	**(1,444)**	517
Finance costs	**(4,850)**	(3,394)
Profit before zakat	**41,377**	4,757
Zakat and income tax	**(3,096)**	(1,012)
Net profit for the year	**38,281**	3,745
Other comprehensive (loss) income for the year	**(1,233)**	1,030
Total comprehensive income for the year	**37,048**	4,775
Attributable to non-controlling interests	**21,082**	3,635
Dividends paid to non-controlling interests	**-**	3,430

Summarised statement of financial position:

	2023	*2022*
	SR'000	*SR'000*
Non-current assets	**259,675**	265,389
Investments in a joint venture	**17,995**	-
Current assets	**146,521**	131,987
Non-current liabilities	**(31,013)**	(37,607)
Current liabilities	**(85,329)**	(104,590)
Total equity	**307,849**	255,179
Attributable to:		
Shareholders of the parent company	**117,402**	93,469
Non-controlling interests	**190,447**	161,710

28 MATERIAL PARTIALLY-OWNED SUBSIDIARIES (continued)

Summarised cash flow information for year ended:

	2023	*2022*
	SR'000	*SR'000*
Cash flows from operating activities	**30,806**	11,716
Cash used in investing activities	**(6,230)**	(3,121)
Cash used in financing activities	**(24,858)**	(17,691)
Net decrease in the cash and cash equivalents	**(282)**	(9,096)

29 TERM LOANS

	2023	*2022*
	SR'000	*SR'000*
Term loan	**12,001**	22,657
Saudi Industrial Development Fund ("SIDF")	**-**	5,500
	12,001	28,157
Less: SIDF prepaid financial charges	**-**	(150)
	12,001	28,007
Less: Current portion:		
Term loan	**(10,851)**	(10,645)
Saudi Industrial Development Fund ("SIDF")	**-**	(3,500)
	(10,851)	(14,145)
Non-current portion:		
Term loan	**1,150**	12,012
Saudi Industrial Development Fund ("SIDF")	**-**	1,850
	1,150	13,862

The term loans were obtained by the Group's subsidiaries for working capital and for certain capital expenditures. The loans are repayable in unequal instalments. The loans carry financial charges at prevailing market borrowing rates.

Following are the combined aggregate amounts of future maturities of the term loans:

	SR'000
2024	**10,852**
2025	**598**
2026 and onwards	**551**
	12,001

30 EMPLOYEES' DEFINED BENEFIT LIABILITIES

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its defined benefit obligations at 31 December 2023 and 31 December 2022 in respect of employees' end-of-service benefits payable under relevant local regulations and contractual arrangements. The main actuarial assumptions used to calculate the defined unfunded benefit obligation are as follows:

	2023	*2022*
Discount rate	**4.60%**	4.65%
Expected rate of salary increase		
- short term	**2.50%**	2.50%
- long term	**4.20%**	4.15%

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

	2023	*2022*
	SR'000	*SR'000*
Current service cost	**26,855**	29,570
Interest cost on benefit obligation	**10,048**	6,085
Net benefit expense	**36,903**	35,655

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

	2023	*2022*
	SR'000	*SR'000*
At the beginning of the year	**224,856**	229,134
Net benefit expense	**36,903**	35,655
Benefits paid	**(23,639)**	(33,906)
Advance payments made as at beginning of the year	**2,217**	-
Remeasurement loss/(gain) on employees' defined benefit liabilities	**9,872**	(6,027)
At the end of the year	**250,209**	224,856

Employees' defined benefit obligations due to a reasonable possible change in the significant actuarial assumptions, as at 31 December 2023 and 2022 is, as show below:

	2023	*2022*
	SR'000	*SR'000*
Discount rate:		
0.5% increase	**237,473**	214,032
0.5% decrease	**250,809**	226,127
Future salary increase:		
0.5% increase	**250,203**	224,675
0.5% decrease	**237,990**	215,360

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

30 EMPLOYEES' DEFINED BENEFIT LIABILITIES (continued)

The following payments are expected against the defined benefit liability in future years:

	2023	*2022*
	SR'000	*SR'000*
Within the next 12 months (next annual reporting period)	**35,980**	32,794
Between 2 and 5 years	**150,327**	135,557
Beyond 5 years but less than 10 years	**176,149**	157,934
Total expected payments	**362,456**	326,285

The average duration of the defined benefit plan obligation at the end of the reporting period is 5.39 years (2022: 5.4 years).

31 ACCOUNTS PAYABLE

	2023	*2022*
	SR'000	*SR'000*
Trade accounts payable	**429,127**	384,007
Retentions payable	**28,813**	23,990
Related parties (note 36)	**41,792**	30,647
	499,732	438,644

Trade payables are non-interesting bearing and are normally settled on 30 to 120 days terms. For terms and conditions with related parties, refer to note 36. For explanations on the Group's liquidity risk management processes. Also, refer note 39.

32 ACCRUALS AND PROVISIONS

	2023	*2022*
	SR'000	*SR'000*
Accrued expenses	**535,325**	498,734
Accrued contract costs	**124,955**	93,789
Warranties provision	**12,908**	9,495
	673,188	602,018

33 SHORT TERM LOANS

	2023	*2022*
	SR'000	*SR'000*
Murabaha and tawarruq finances	**2,235,800**	2,745,917
Short term loans - conventional	**80,222**	80,681
	2,316,022	2,826,598

The short term loans, Murabaha and Tawarruq finances were obtained from various local banks to meet the working capital requirements. These loans are secured by promissory notes and assignment of corporate guarantees.These loans carry commission charges at prevailing market borrowing rates. The effective commission rate for the year ended 31 December 2023 is 6.14 % per annum (2022: 3.24% per annum).

34 CONTRACT LIABILITIES

	2023	*2022*
	SR'000	*SR'000*
Advances from customers	**1,359,231**	721,507
Billings in excess of value of work executed	**188,812**	100,129
	1,548,043	821,636

Billings in excess of value of work executed comprise of following:

	2023	*2022*
	SR'000	*SR'000*
Progress billings received or receivable	**2,450,575**	1,604,196
Less: value of work executed	**(2,261,763)**	(1,504,067)
	188,812	100,129

35 ZAKAT AND INCOME TAX

The major components of zakat and income tax expense in the consolidated statement of profit or loss for the year ended 31 December 2023 and 2022 are as follows:

	2023	*2022*
	SR'000	*SR'000*
Zakat and income tax:		
Current year income tax charge	**15,073**	7,830
Zakat charge	**33,544**	25,233
Deferred tax credit	**(2,679)**	(4,323)
	45,938	28,740

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

	2023	*2022*
	SR '000	*SR '000*
At the beginning of the year	**57,909**	47,329
Current year provision	**48,617**	33,063
Payments during the year	**(13,292)**	(19,409)
Exchange differences	**(1,147)**	(3,074)
At the end of the year	**92,087**	57,909

35.1 Zakat

Charge for the year

The zakat charge consists of:

	2023	*2022*
	SR '000	*SR '000*
Current year provision	**33,544**	25,233

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

35 ZAKAT AND INCOME TAX (continued)

35.1 Zakat (continued)

Status of assessments

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

i) The Company and its wholly owned subsidiaries

During 2020, the Company received a zakat assessment for years 2014 to 2018 from the Zakat, Tax and Customs Authority (ZATCA) with total additional zakat liability amounting to SR 229 million. The Company submitted an objection letter against the mentioned Zakat assessment and ZATCA issued revised assessment in 2021 amounting to SR 225.62 million and Company submitted an escalation letter against the revised assessment to the Tax Violations and Disputes Resolution Committee (TVDRC). The Company submitted an appeal against the TVDRC resolution with Tax Violations and Disputes Appellate Committee (TVDAC). Subsequent to the year end, the TVDAC resolution was issued partially in favour of the Company and the revised assessment is awaited. The Group’s management believes that the available provision is sufficient for any zakat liability that may arise on finalization of these assessments.

Zakat declarations for years 2019 to 2022 have been filed with ZATCA. However, the assessments have not yet been raised by ZATCA.

ii) Partially owned subsidiaries

Saudi Preinsulated Pipes Industries

Zakat assessments have been agreed with the ZATCA up to 2020. The zakat declarations for the years 2020 to year 2022 have been filed with the ZATCA. However, the assessments have not yet been raised by the ZATCA.

Gulf Insulation Group

Zakat and income tax assessments have been agreed with the ZATCA up to 2018. The zakat declarations for the year 2019 to year 2022 have been filed with the ZATCA. However, the assessments have not yet been raised by the ZATCA.

35.2 Income tax

Charge for the year

The income tax charge consists of:

	2023	*2022*
	SR '000	*SR '000*
Current year provision	**15,073**	7,830

Income tax provision is provided for in accordance with fiscal authorities in which the Group’s subsidiaries operate.

Status of assessments

The status of assessment of the major foreign subsidiaries are as follows:

Zamil Air Conditioners India Private Limited

Income tax assessments have been agreed with the Department of Income Tax of India ("the DIT") up to the year ended 31 March 2012. The income tax returns for the years ended 31 March 2013 to 31 March 2023 have been filed with the DIT. However, the final assessments have not yet been raised by the DIT.

Zamil Steel Buildings India Private Limited - India

Income tax assessments have been agreed with the DIT up to the year ended 31 March 2019. The income tax returns for the years ended 31 March 2020 to 31 March 2023 have been filed with the DIT. However, the final assessments have not yet been raised by the DIT.

Zamil Construction India Private Limited

Income tax assessments have been agreed with the DIT up to the year ended 31 March 2022. The income tax returns for the years ended 31 March 2023 have been filed with the DIT. However, the final assessments have not yet been raised by the DIT.

Zamil Information Technology Global Private Limited - India

Income tax assessments have been agreed with the DIT up to the year ended 31 March 2019. The income tax returns of the company for the year ended 31 March 2020 to 31 March 2023 have been filed with the DIT. However, the final assessments have not yet been raised by the DIT for any of the year.

35 ZAKAT AND INCOME TAX (continued)

35.2 Income tax (continued)

Status of assessments (continued)

Zamil Steel Engineering India Private Limited - India

Income tax assessments have been agreed with the DIT up to the year ended 31 March 2023.

Zamil Steel Buildings Vietnam Company Limited

Income tax return & assessments have been agreed with the tax authorities ("the TA") of Vietnam up to the year 2022.

Zamil Structural Steel - S.A.E - Private Free Zone

The subsidiary, was established under the free zone system according to the provision of Investment Guarantees and Incentive Law number 8 of 1997. Accordingly, the subsidiary is exempted from corporate taxes and withholding taxes and these privileges will continue to apply for the lifetime of the subsidiary.

Zamil Steel Buildings Company Egypt - S.A.E

Income tax assessments have been agreed with the Egyptian tax authorities ("the tax authorities") up to the year 2019. The income tax return for the year 2020, 2021 & 2022 has been filed with the tax authorities. However, the final assessments have not yet been raised by tax authorities.

Income tax has been computed based on the management's understanding of the income tax regulations enforced in their respective countries. The income tax regulations are subject to different interpretations, and the assessments to be raised by the tax authorities could be different from the income tax returns filed by the respective subsidiaries.

35.3 Deferred tax

Deferred tax asset

The deferred tax assets relate to foreign subsidiaries in Vietnam, Egypt and India. The Group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the subsidiaries.

The deferred tax asset comprises of timing differences relating to:

	2023	*2022*
	SR'000	*SR'000*
Deferred tax asset		
Provisions	**9,760**	8,018
Total deferred tax assets	**9,760**	8,018
Deferred tax liability		
Accelerated depreciation for tax purposes	**(559)**	(623)
Total deferred tax liability	**(559)**	(623)
Net deferred tax asset	**9,201**	7,395

Reconciliation of deferred tax assets, net was as follows:

	2023	*2022*
	SR '000	*SR '000*
At the beginning of the year	**7,395**	5,163
Charge during the year	**2,475**	3,764
Exchange differences	**(669)**	(1,532)
At the end of the year	**9,201**	7,395

35 ZAKAT AND INCOME TAX (continued)

35.3 Deferred tax (continued)

Deferred tax liability

The deferred tax liability relates to a partially owned Saudi subsidiary with a foreign shareholder. The deferred tax liability comprise of timing differences relating to:

	2023	*2022*
	SR'000	*SR'000*
Deferred tax liability		
Accelerated depreciation for tax purposes	**8,827**	8,682
Total deferred tax liability	**8,827**	8,682

	2023	*2022*
	SR'000	*SR'000*
Deferred tax asset		
Employees' defined benefit liabilities	**-**	780
Allowance for expected credit losses	**1,242**	1,219
Provisions	**1,196**	-
Allowance for slow moving inventories	-	90
Total deferred tax assets	**2,438**	2,089
Net deferred tax liability	**6,389**	6,593

Reconciliation of deferred tax liability, net was as follows:

	2023	*2022*
	SR'000	*SR'000*
At the beginning of the year	**6,593**	7,152
Credit during the year	**(204)**	(559)
At the end of the year	**6,389**	6,593

The Group offsets deferred tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

36 RELATED PARTY TRANSACTIONS AND BALANCES

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

The Group in the normal course of business carries out transactions with various related parties. Amounts due from/to related parties are shown under accounts receivable and accounts payable respectively.

Transactions with related parties included in the consolidated statement of income are as follows:

Relationship and name of related party		*Sales to related parties*	*Purchases from related parties*	*Amounts owed by related parties*	*Amounts owed to related parties*
		SR'000	*SR'000*	*SR'000*	*SR'000*
Entity with significant influence over the Group					
Zamil Group Holding Company	***2023***	**7,398**	**25,779**	**17,617**	**25,221**
	2022	11,363	32,761	17,862	27,715
Arabian Gulf Construction Company	***2023***	**1,655**	**-**	**1,413**	**-**
	2022	190	-	1,183	-

36 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Transactions with related parties included in the consolidated statement of income are as follows:

Relationship and name of related party		*Sales to related parties*	*Purchases from related parties*	*Amounts owed by related parties*	*Amounts owed to related parties*
		SR'000	*SR'000*	*SR'000*	*SR'000*
Joint venture					
Middle East Air Conditioners Company Limited	***2023***	**-**	**-**	**-**	**7,234**
	2022	-	-	205	-
Associates					
Rabiah Nasser & Zamil Concrete Industries Company Limited	***2023***	**1,179**	**-**	**11,264**	**-**
	2022	-	-	16,580	-
ZNA Infra Private Limited - India	***2023***	**-**	**-**	**2,946**	**-**
	2022	-	-	2,946	-
Other related parties	***2023***	**13,319**	**26,565**	**511**	**9,337**
	2022	90	3,213	713	2,932
Total	***2023***	**23,551**	**52,344**	**33,751**	**41,792**
	2022	11,643	35,974	39,489	30,647

Compensation of key management personnel of the Group were as follows:

	2023	*2022*
	SR'000	*SR'000*
Short-term employee benefits	**4,459**	5,067
Post-employment benefits	**338**	490
Total compensation	**4,797**	5,557

The directors' remuneration for the year ended 31 December 2023 amounted to SR 1.7 million (2022: SR 1.6 million).

The amounts disclosed in the above table are the amounts recognised as an expense during the reporting period related to key management personnel.

Pricing policies and terms of payments of transactions with related parties are approved by the Board of Directors. Outstanding balances at the year end are unsecured, interest free and settled in cash.

The amounts due from and due to related parties have been classified as account receivables and account payables respectively in the consolidated statement of financial position (refer to note 22 and 31).

37 CONTINGENCIES AND COMMITMENTS

Guarantees

The Group's bankers have issued performance and payments guarantees, on behalf of the Group, amounting to SR 2,166 million (2022: SR 1,441 million).

Capital commitments

The Board of Directors have approved future capital expenditure amounting to SR 162.9 million (2022: SR 83.8 million), relating to certain expansion projects.

38 SEGMENTAL INFORMATION

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

The air conditioners industry, which is engaged in production of window, split and central air conditioners, electrical and gas ovens, automatic dryers, microwave ovens, air-conditioning ducts/channels, household refrigerators, automatic washing machines and installation, maintenance, operation and leasing of air conditioning and refrigeration systems.

The steel industry, which is engaged in construction, managing and operating industrial projects, constructing, managing and operating airports and warehouses, constructing and providing fire protection services for building and structures, building, repairing and maintaining the communication towers, business of steel sheets works, heavy equipment and its spare parts, storage tanks, installation containers and pumps and implementation of electric works.

The insulation industry, which is engaged in production of complete line of insulation products including fiberglass for using in thermal insulation of central air conditioners, pre-insulated pipes, glass wool, rock wool and engineering plastic foam insulations.

Corporate and others, which are engaged in providing corporate and shared services, training and investment activities.

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

Inter-segment revenues are eliminated upon consolidation and reflected in the ‘adjustments and eliminations’ column. All other adjustments and eliminations are part of detailed reconciliation presented further below.

38 SEGMENTAL INFORMATION (continued)

Business segments

	For the year ended 31 December 2023 (SR '000)						
	Air conditioner industry	*Steel industry*	*Insulation industry*	*Corporate and others*	*Total segments*	*Adjustments and eliminations*	*Consolidated*
Revenue from contracts with customers:							
External customer	**1,494,562**	**2,863,352**	**314,683**	**1,025**	**4,673,622**	**-**	**4,673,622**
Inter-segment	**3,062**	**28,524**	**13,042**	**-**	**44,628**	**(44,628)**	**-**
	1,497,624	**2,891,876**	**327,725**	**1,025**	**4,718,250**	**(44,628)**	**4,673,622**
Finance lease income	**10,805**	**-**	**-**	**-**	**10,805**	**-**	**10,805**
Total revenue	**1,508,429**	**2,891,876**	**327,725**	**1,025**	**4,729,055**	**(44,628)**	**4,684,427**
Timing of revenue recognition:							
At a point in time	**1,016,123**	**2,282,325**	**327,725**	**1,025**	**3,627,198**	**(44,628)**	**3,582,570**
Over time	**481,501**	**609,551**	**-**	**-**	**1,091,052**	**-**	**1,091,052**
	1,497,624	**2,891,876**	**327,725**	**1,025**	**4,718,250**	**(44,628)**	**4,673,622**
Gross profit/(loss)	**89,127**	**374,727**	**107,270**	**(1,795)**	**569,329**	**2,906**	**572,235**
Operating (loss)/profit	**(366,751)**	**37,726**	**30,717**	**(35,654)**	**(333,962)**	**4,419**	**(329,543)**
Unallocated (expenses)/income:							
Income from insurance claim							**183,240**
Finance costs							**(187,754)**
Other income, net							**41,617**
Share in results of an associate and joint ventures							**20,641**
Loss before zakat and income tax and discontinued operations							**(271,799)**
Zakat and income tax							**(45,938)**
Discontinued operations							**39,329**
Net loss for the year							**(278,408)**

38 SEGMENTAL INFORMATION (continued)

Business segments (continued)

	For the year ended 31 December 2022 (SR '000)						
	Air conditioner industry	*Steel industry*	*Insulation industry*	*Corporate and others*	*Total segments*	*Adjustments and eliminations*	*Consolidated*
Revenue from contracts with customers:							
External customer	1,449,179	2,252,304	211,763	1,025	3,914,271	-	3,914,271
Inter-segment	2,958	13,455	10,257	-	26,670	(26,670)	-
	1,452,137	2,265,759	222,020	1,025	3,940,941	(26,670)	3,914,271
Finance lease income	11,915	-	-	-	11,915	-	11,915
Total revenue	1,464,052	2,265,759	222,020	1,025	3,952,856	(26,670)	3,926,186
Timing of revenue recognition:							
At a point in time	1,091,457	1,969,832	222,020	1,025	3,284,334	(26,670)	3,257,664
Over time	360,680	295,927	-	-	656,607	-	656,607
	1,452,137	2,265,759	222,020	1,025	3,940,941	(26,670)	3,914,271
Gross profit	176,897	302,865	68,250	805	548,817	2,611	551,428
Operating (loss)/profit	(93,452)	53,711	11,486	(18,427)	(46,682)	5,233	(41,449)
Unallocated (expenses)/income:							
Finance costs							(109,630)
Other income, net							10,688
Share in results of associates and a joint venture							(729)
Loss before zakat and income tax and discontinued operations							(141,120)
Zakat and income tax							(28,740)
Discontinued operations							(3,801)
Net loss for the year							(173,661)

38 SEGMENTAL INFORMATION (continued)

Business segments (continued)

	At 31 December 2023 (SR '000)						
	Air conditioner industry	*Steel industry*	*Insulation industry*	*Corporate and others*	*Total segments*	*Adjustments and eliminations*	*Consolidated*
Total assets	**2,966,340**	**2,727,549**	**443,499**	**1,274,241**	**7,411,629**	**(1,339,301)**	**6,072,328**
Total liabilities	**2,862,467**	**2,065,063**	**124,821**	**1,711,722**	**6,764,073**	**(1,339,301)**	**5,424,772**
Others:							
Investment in an associate and joint ventures	**-**	**-**	**17,995**	**71,233**	**89,228**	**-**	**89,228**
Capital expenditure	**11,586**	**58,677**	**6,289**	**4,247**	**80,799**	**-**	**80,799**

	At 31 December 2022 (SR '000)						
	Air conditioner industry	*Steel industry*	*Insulation industry*	*Corporate and others*	*Total segments*	*Adjustments and eliminations*	*Consolidated*
Total assets	2,884,475	2,525,608	440,826	706,886	6,557,795	(550,768)	6,007,027
Total liabilities	2,491,004	1,851,915	154,497	1,112,521	5,609,937	(550,768)	5,059,169
Others:							
Investment in an associate and joint ventures	-	-	-	63,312	63,312	-	63,312
Capital expenditure	6,546	18,476	3,947	2,058	31,027	-	31,027

Capital expenditure consists of additions of property, plant and equipment.

38 SEGMENTAL INFORMATION (continued)

Geographic information

	2023	*2022*
	SR '000	*SR '000*
Revenue from external customers:		
Saudi Arabia	**3,425,936**	2,787,212
Egypt	**719,590**	491,003
Other Asian countries	**538,901**	647,971
	4,684,427	3,926,186

	2023	*2022*
	SR '000	*SR '000*
Non-current operating assets:		
Saudi Arabia	**603,923**	650,382
Egypt	**58,313**	60,684
Other Asian countries	**62,395**	85,468
	724,631	796,534

Non-current assets for this purpose consist of property, plant and equipment and right-of-use assets.

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial liabilities comprise loans and borrowings and accounts payables. The main purpose of these financial liabilities is to finance the Group’s operations. The Group’s principal financial assets include accounts receivables, net investment in finance lease, short-term deposits, cash and cash equivalents that derive directly from its operations. The Group also holds investment in unquoted shares that is classified as equity investment at fair value through other comprehensive income.

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

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: commission rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, short-term deposits and equity instruments at fair value through other comprehensive income. The sensitivity analyses in the following sections relate to the position as at 31 December 2023 and 2022.

Commission rate risk

Commission rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market commission rates. The Group’s exposure to the risk of changes in market commission rates relates primarily to the Group’s long-term and short-term loans and its short-term deposits. The Group manages its exposure to commission rate risk by continuously monitoring movements in commission rates. At 31 December 2023 and 2022, the Group's exposure to commission rate risk was not significant as its major long-term and short-term loans were subject to fixed commission rates.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group’s exposure to the risk of changes in foreign exchange rates relates primarily to the Group’s operating activities (when revenue or expense is denominated in a foreign currency) and the Group’s net investments in foreign subsidiaries and associates. The Group did not undertake significant transactions in currencies other than Saudi Riyals, US Dollars, Japanese Yen, Egyptian Pound, Indian Rupees, Bahraini Dinar, and Euros during the

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

As Saudi Riyals are pegged to US Dollars, balances in US Dollars are not considered to represent significant currency risk. The Group is exposed to currency risk on transactions and balances in Euros, Japanese Yen, Indian Rupees, Bahraini Dinar and Egyptian Pound. The Group manages currency risk exposure to Euros, Japanese Yen, Indian Rupees, Bahraini Dinar and Egyptian Pound by continuously monitoring the currency fluctuations. At 31 December 2023 and 2022, the Group's exposure to foreign currency changes for its accounts receivable and accounts payable was not material.

The Group is exposed to significant foreign currency changes on its net investment in foreign operations in Egyptian Pounds and India Rupees. The following tables demonstrate the sensitivity to a reasonably possible change in Egyptian Pound and Indian Rupee exchange rates, with all other variables held constant. The impact on the Group's pre-tax equity is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in Egyptian Pound rate	*Effect on other components in equity*
		SR '000
31 December 2023	**+ 3%**	**1,560**
	- 3%	**(1,560)**
31 December 2022	+3%	1,574
	-3%	(1,574)

	Change in Indian Rupee rate	*Effect on other components in equity*
		SR '000
31 December 2023	**+ 2%**	**1,336**
	- 2%	**(1,336)**
31 December 2022	+2%	1,189
	-2%	(1,189)

Commodity risk

The Group is exposed to the impact of market fluctuations of the price of various inputs to production including steel, electric parts, glass materials and electricity. The Group prepares annual budgets and periodic forecasts including sensitivity analyses in respect of various levels of such materials to manage the risk.

Equity price risk

The Group's unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to unlisted equity securities at fair value was SR 57,420 thousands (2022: SR 59,121 thousands).

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk on its bank balances, short-term deposits, accounts receivables, contract assets, net investment in finance lease and some other receivables as follows:

	2023	*2022*
	SR '000	*SR '000*
Bank balances	**303,476**	269,038
Short-term deposits	**124,337**	33,645
Accounts receivable	**1,891,347**	1,770,372
Contract assets	**698,506**	712,301
Net investments in finance lease	**240,072**	266,845
Other receivables	**83,374**	115,770
	3,341,112	3,167,971

Accounts receivable and contract assets

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables and ensuring close follow ups.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses for each business unit of the Group. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. geographical region, product type, customer type and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Group's historical observed loss rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in a particular sector, the historical loss rates are adjusted. At every reporting date, the historical observed loss rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed loss rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual loss in the future.

Generally, accounts receivables are written-off if past due for more than three years and are not subject to enforcement activity. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured. At 31 December 2023, the Group has obtained letter of credits as collateral over its receivables amounting to SR 176.5 million (2022: 81.1 million) from its certain customers. The Group determined that such receivable are not exposed to significant credit risk and therefore have not been considered in ECL assessment. The Group evaluates the concentration of risk with respect to trade accounts receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Credit risk (continued)

Set out below is the information about the credit risk exposure at 31 December 2023 on the Group's accounts receivable and contract assets:

	Gross carrying amount SR'000	***Loss rate %***	***Expected credit losses SR'000***
Accounts receivable:			
Current	**729,105**	**1%**	**5,288**
Less than 30 days	**200,684**	**1%**	**2,527**
31- 60 days	**133,609**	**3%**	**4,430**
61 - 90 days	**41,233**	**6%**	**2,268**
91 - 180 days	**121,131**	**4%**	**4,772**
181 - 360 days	**73,267**	**20%**	**14,575**
More than 360 days	**507,522**	**77%**	**388,493**
Retentions receivable	**314,199**	**6%**	**17,319**
	2,120,750		**439,672**
Contract assets	**769,077**	**9%**	**70,571**
	2,889,827		**510,243**

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

Set out below is the information about the credit risk exposure at 31 December 2022 on the Group's accounts receivable and contract assets:

	Gross carrying amount SR'000	*Loss rate %*	*Expected credit losses SR'000*
Accounts receivable:			
Current	695,442	1%	6,152
Less than 30 days	141,360	2%	3,173
31- 60 days	76,368	2%	1,873
61 - 90 days	76,368	3%	1,949
91 - 180 days	79,128	6%	4,871
181 - 360 days	91,995	15%	13,624
More than 360 days	547,993	55%	301,300
Retentions receivable	280,432	2%	6,359
	1,989,086		339,301
Contract assets	737,526	3%	25,225
	2,726,612		364,526

Based on a provision matrix, the Group's expected credit losses at 31 December 2023 against its accounts receivable and contract assets exposed to credit risk amounted to SR 439.6 million and SR 70.5 million (2022: SR 339.3 million and SR 25.2million) respectively. Accordingly, the Group recognised an amount of SR 157.09 million (2022: SR 72.29 million) as provision for expected credit losses in its consolidated statement of income for its continuing operations. Related parties receivable include an amount of SR nil (2022: SR nil) attributable to discontinued operations. The Group recognised an amount of SR nil (2022: nil) as provision for expected credit losses as part of its net loss on discontinued operations in the consolidated statement of profit or loss.

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Credit risk (continued)

Bank balances and short term 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. The Group seeks to manage its credit risk with respect to banks by only dealing with reputable banks. At the reporting date, no significant concentration of credit risk were identified by the management.

c) 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 realize financial assets quickly at an amount close to its fair value. The Group manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis. The Group manages its liquidity risk by ensuring that bank facilities are available. The Group's terms of sales require amounts to be paid within 30 to 180 days of the date of submitting the invoice. Trade payables are normally settled within 30 to 120 days of the date of purchase.

Excessive concentration risk

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

In order to avoid excessive concentrations of risk, the Group's management focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

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

	As at 31 December 2023					
	on demand	***< 6 months***	***6 to 12 months***	***1 to 5 years***	***> 5 years***	***Total SR' 000***
Accounts payable	**41,792**	**457,940**	**-**	**-**	**-**	**499,732**
Lease liabilities	**-**	**2,263**	**2,440**	**17,722**	**9,638**	**32,063**
Other financial liabilities	**-**	**660,280**	**-**	**-**	**-**	**660,280**
Short term loans	**-**	**2,316,022**	**-**	**-**	**-**	**2,316,022**
Term loans	**-**	**5,425**	**5,425**	**1,151**	**-**	**12,001**
	41,792	**3,441,930**	**7,865**	**18,873**	**9,638**	**3,520,098**

	As at 31 December 2022					
	on demand	*< 6 months*	*6 to 12 months*	*1 to 5 years*	*> 5 years*	*Total SR' 000*
Accounts payable	30,647	407,997	-	-	-	438,644
Lease liabilities	-	2,822	5,152	32,427	33,231	73,632
Other financial liabilities	-	592,523	-	-	-	592,523
Short term loans	-	2,826,598	-	-	-	2,826,598
Term loans	-	6,922	7,222	14,013	-	28,157
	30,647	3,836,862	12,374	46,440	33,231	3,959,554

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Changes in liabilities arising from financing activities:

	As at 31 December 2023			
	1 January 2023	***Cash inflow/others***	***(Cash outflow)***	***31 December 2023***
Short term loans	**2,826,598**	**14,294,302**	**(14,804,878)**	**2,316,022**
Term loans	**28,007**	**-**	**(16,006)**	**12,001**
Lease liabilities	**52,908**	**6,701**	**(32,508)**	**27,101**
Total liabilities from financing activities	**2,907,513**	**14,301,003**	**(14,853,392)**	**2,355,124**

	As at 31 December 2022			
	1 January 2022	*Cash inflow/others SR' 000*	*(Cash outflow)*	*31 December 2022*
Short term loans	2,435,369	15,384,894	(14,993,665)	2,826,598
Term loans	47,248	1,020	(20,261)	28,007
Lease liabilities	71,375	314	(18,781)	52,908
Total liabilities from financing activities	2,553,992	15,386,228	(15,032,707)	2,907,513

40 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the year ended 31 December 2023 and the year ended 31 December 2022. Capital comprises share capital, statutory reserve, retained earnings and other reserves and is measured at SR 488,265 thousands as at 31 December 2023 (2022: SR 770,883 thousands).

41 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values

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

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

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurement during the year.

Financial assets consist of cash and cash equivalents, equity investments at fair value through other comprehensive income, accounts receivable, net investment in finance lease and some other current assets. Financial liabilities consist of term loans, short term loan, accounts payable and some other current liabilities. The fair values of financial assets and financial liabilities approximate to their carrying amounts.

41 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Set out below is a comparison, of the carrying amounts and fair values of the Group's equity investments at fair value through other comprehensive income:

	Carrying value	***Fair value***	***Fair value measurement using***		
			Level 1	***Level 2***	***Level 3***
	SR '000	***SR '000***	***SR '000***	***SR '000***	***SR '000***
31 December 2023					
Equity instruments at fair value through other comprehensive income					
At fair value	**57,420**	**57,420**	**-**	**-**	**57,420**
	57,420	**57,420**	**-**	**-**	**57,420**

	Carrying value	*Fair value*	*Fair value measurement using*		
			Level 1	*Level 2*	*Level 3*
	SR '000	*SR '000*	*SR '000*	*SR '000*	*SR '000*
31 December 2022					
Equity instruments at fair value through other comprehensive income					
At fair value	59,121	59,121	-	-	59,121
	59,121	59,121	-	-	59,121

The fair value of the Group's investments in unquoted equity shares at 31 December 2023 and 2022 have been measured using Level 3 (significant unobservable inputs). The Group estimated the fair value of the investment using adjusted net asset method at 31 December 2023 and 2022. The adjusted net asset method involves deriving the fair value of an investee's equity instruments by reference to the fair value of its assets and liabilities.

42 COMPARATIVE FIGURES

Certain of the prior year numbers have been reclassified to conform with the presentation in the current period.

43 SUBSEQUENT EVENTS

In the opinion of management, there have been no other significant subsequent events since the year ended 31 December 2023 that would have a material impact on the consolidated financial position of the Group as reflected in these consolidated financial statements.