RIYADH CEMENT COMPANY
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL STATEMENTS
For the year ended 31 December 2022

Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
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Independent Auditor's Report
To the Shareholders of Riyadh Cement Company
(A Saudi Joint Stock Company)

Opinion

We have audited the financial statements of Riyadh Cement Company - a Saudi joint stock company (the "Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its 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 Financial Statements section of our report. We are independent of the Company 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 financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 27 Sha'ban 1443 (corresponding to 30 March 2022).

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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 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 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 financial statements.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revneue recognition	
Revenue for the year ended 31 December 2022 amounted to SR 598 million (2021: SR 671 million). Revenue is recognized in accordance with International Financial Reporting Standard 15 – Revenue from Contracts with Customers ("IFRS 15") which requires the recognition when the customer obtains control of the goods. Revenue is one of the core indicators for measuring performance and consequently, there are inherent risks associated to its recognition and, hence, its impact on profitability. Therefore, revenue recognition process has been considered as a key audit matter. The accounting policy for revenue recognition is outlined in note 2.2.3 and breakdown of revenue is presented in note 15.	Our audit procedures performed included, among other audit procedures, were the following: • Assessed the Company's revenue recognition accounting policies for compliance with the requirements of IFRS 15. • Evaluated the design and implementation and tested the operating effectiveness of relevant controls over the revenue cycle. • Performed test of identified and relevant controls on sample basis on revenue transactions recorded during the year ended 31 December 2022. • Selected a sample of sales transactions recorded during the year and inspected the supporting documents to ensure they were recorded at correct amounts and at a point in time when the customer obtains control of the goods. • Inspected sample of sales transactions are timely recorded before and after the year-end to assess whether revenue was recorded in the correct accounting period. • Performed variance analysis by comparing current year's revenue with the historical trend, and discussed material variances, if any. • Assessed the adequacy of the relevant disclosures in accordance with the requirements of IFRS 15 included in the financial statements.

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Other information included in the Company's 2022 Annual Report

Other information consists of the information included in the Company's 2022 annual report, other than the financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information in its annual report. The Company's 2022 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the 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 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Company's 2022 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 Board of Directors and Those Charged with Governance for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the 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 the Company's By-laws, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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Independent Auditor's Report
To the Shareholders of Riyadh Cement Company
(A Saudi Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the 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 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' 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 Company'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 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 Company to cease to continue as a going concern.

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

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

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

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Independent Auditor's Report
To the Shareholders of Riyadh Cement Company
(A Saudi Joint Stock Company) (continued)

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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

Fahad M. Al-Toaimi
Certified Public Accountant
License No. (354)

Riyadh: 29 Sha'ban 1444
21 March 2023

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شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Riyadh Cement Company
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 SR	2021 SR (Restated) (Note 26)
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	3	1,287,233,888	1,335,176,265
Right-of-use assets	4	1,807,563	2,220,174
TOTAL NON-CURRENT ASSETS		1,289,041,451	1,337,396,439
CURRENT ASSETS			
Inventories	5	296,514,508	288,475,967
Trade receivables, and prepayments	6	215,501,629	226,408,764
Cash and cash equivalent	7	89,934,028	35,512,263
TOTAL CURRENT ASSETS		601,950,165	550,396,994
TOTAL ASSETS		1,890,991,616	1,887,793,433
EQUITY AND LIABILITIES			
EQUITY			
Share capital	8	1,200,000,000	1,200,000,000
Statutory reserve	9	360,000,000	360,000,000
Retained earnings		115,185,740	102,080,263
TOTAL EQUITY		1,675,185,740	1,662,080,263
NON-CURRENT LIABILITIES			
Employees' defined benefits liability	10	24,059,012	26,259,239
Assets retirement obligation	11	7,386,287	6,968,195
Lease liabilities - non-current portion	4	1,548,780	1,977,676
TOTAL NON-CURRENT LIABILITIES		32,994,079	35,205,110
CURRENT LIABILITIES			
Trade payables		30,018,276	34,609,219
Accruals and other current liabilities	12	111,736,854	101,647,927
Current portion of lease liabilities	4	2,018,671	1,588,040
Zakat liability	13	23,282,743	21,964,462
Dividend payable	14	15,755,253	30,698,412
TOTAL CURRENT LIABILITIES		182,811,797	190,508,060
TOTAL LIABILITES		215,805,876	225,713,170
TOTAL EQUITY AND LIABILITIES		1,890,991,616	1,887,793,433

Salah bin Rashed Al Rashed
Chairman of Board of Directors

Eng. Shoeil Al-Alayed
Chief Executive Officer

Mohannad Mehlim
Chief Financial Officer

The attached notes 1 to 30 form an integral part of these financial statements

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Notes	***2022*** ***SR***	*2021* *SR* *(Restated)* *(Note 26)*
Revenue	15	**598,006,116**	671,065,997
Cost of revenue	16	**(366,460,481)**	(404,515,767)
GROSS PROFIT		**231,545,635**	266,550,230
General and administration expenses	17	**(28,854,269)**	(34,316,624)
Selling and distribution expenses	18	**(3,939,965)**	(3,095,599)
Other income	19	**3,184,141**	4,165,326
OPERATING PROFIT		**201,935,542**	233,303,333
Finance cost	20	**(2,595,571)**	(1,572,601)
PROFIT BEFORE ZAKAT		**199,339,971**	231,730,732
Zakat	13	**(9,500,000)**	(18,000,000)
PROFIT FOR THE YEAR		**189,839,971**	213,730,732
OTHER COMPREHENSIVE INCOME / (LOSS)			
Items that will not to be reclassified to statement of profit or loss in subsequent periods:			
Remeasure of employee benefit obligation Income / (Loss)	10	**3,265,506**	(1,964,628)
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**3,265,506**	(1,964,628)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**193,105,477**	211,766,104
Basic and Diluted Earnings per share:			
Profit for the year	25	**1.58**	1.78

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Share capital SR	*Statutory reserve SR*	*Retained earnings SR*	*Total SR*
As at 1 January 2021 – as previously reported	1,200,000,000	360,000,000	136,698,204	1,696,698,204
Impact of restatement (note 26.1)			(6,384,045)	(6,384,045)
As at 1 January 2021 - restated	1,200,000,000	360,000,000	130,314,159	1,690,314,159
Profit for the year – restated	-	-	213,730,732	213,730,732
Other comprehensive loss – restated	-	-	(1,964,628)	(1,964,628)
Total comprehensive income for the year - restated	-	-	211,766,104	211,766,104
Dividend (note 14)			(240,000,000)	(240,000,000)
As at 31 December 2021 – restated	1,200,000,000	360,000,000	102,080,263	1,662,080,263
Profit for the year	-	-	189,839,971	189,839,971
Other comprehensive income	-	-	3,265,506	3,265,506
Total comprehensive income for the year	-	-	193,105,477	193,105,477
Dividend (note 14)	-	-	(180,000,000)	(180,000,000)
As at 31 December 2022	**1,200,000,000**	**360,000,000**	**115,185,740**	**1,675,185,740**

The attached notes 1 to 30 form an integral part of these financial statements

STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Note	***2022 SR***	*2021 SR (Restated) (Note 26)*
OPERATING ACTIVITIES			
Profit before zakat		**199,339,971**	231,730,732
Adjustments to reconcile profit before tax to net cash flows			
Depreciation on property and equipment	3	**96,395,119**	92,939,188
Depreciation of right-of-use assets	4	**412,611**	412,611
Fair value gain on financial assets at fair value through profit or loss		**-**	(176,442)
Impairment Loss on financial assets		**-**	176,725
Impairment of assets classified as held for sale		**-**	200,000
Unwinding of discount of assets retirement obligation	11	**418,092**	394,426
Dividend income	19	**-**	(312,641)
Provision for Employees' defined benefits liability	10	**3,629,909**	2,947,408
Interest on employee's defined benefits liabilities	10	**708,744**	798,669
Financial charges on lease liabilities	4	**121,735**	130,921
Finance cost	20	**1,347,000**	248,585
Reversal of expected credit loss	6	**(2,000,000)**	-
Changes in working capital:			
Inventories		**(8,038,541)**	23,579,943
Trade receivables and prepayments		**12,907,135**	(79,339,308)
Trade payables		**(4,590,943)**	3,234,860
Accrued expenses and other current liabilities		**10,088,927**	13,033,289
		310,739,759	289,998,966
Employees' defined benefits liability paid	10	**(3,273,374)**	(5,249,231)
Finance cost paid	20	**(1,347,000)**	(248,585)
Zakat paid	13	**(8,181,719)**	(14,443,671)
Net cash from operating activities		**297,937,666**	270,057,479
INVESTING ACTIVITIES			
Additions to property and equipment	3	**(48,452,742)**	(28,005,121)
Dividend income received		**-**	312,641
Net cash used in investing activities		**(48,452,742)**	(27,692,480)
FINANCING ACTIVITIES			
Dividends paid	14	**(194,943,159)**	(226,049,003)
Proceeds from bank borrowings		**100,000,000**	20,000,000
Repayments of bank borrowings		**(100,000,000)**	(20,248,585)
Lease payments	4.2	**(120,000)**	(120,000)
Net cash used in financing activities		**(195,063,159)**	(226,417,588)
Net Change in cash and cash equivalents		**54,421,765**	15,947,411
Cash and cash equivalents at 1 January		**35,512,263**	19,564,852
Cash and cash equivalents at 31 December		**89,934,028**	35,512,263

1 CORPORATE INFORMATION

Riyadh Cement Company (the "Company") is a Saudi joint stock company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration no. 1010146169 dated 25 Safar 1418H (corresponding to July 1, 1997). The Company became listed on the parallel market "Nomu" on September 2, 2020.

The Company is principally engaged in the production and selling of cement pursuant to Industrial License No. 494 dated 25 Jumada II 1414H (corresponding to December 8, 1993) as amended in the Ministerial Resolution No. 797 dated 29 Rajab 1419H (corresponding to November 18, 1998).

The accompanying financial statements include the accounts of the Company and its two branches, registered in Riyadh, under CR numbers 1010210405 and 1010449308. The registered address of the Company is P.O. Box 17775, Riyadh 11494, Kingdom of Saudi Arabia.

The authorized, issued, and paid-up capital of the Company is Saudi Riyals 1,200,000,000 divided into 120 million shares of Saudi Riyals 10 each and the Company's head office is located i s P.O. Box 17775, Riyadh 11494, Kingdom of Saudi Arabia. Rashid Al Rashid and Partners for Development Company Limited ("Rashid Co") which owns 23.21% (31 December 2021: 23.21%) is the direct parent. Rashid Co is 100% owned by Al Awael Investment Holding Company which is the ultimate parent of the Company.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of Preparation*

Statement of compliance
These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) as endorsed in the Kingdom of Saudi Arabia (KSA) and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

Basis of preparation
The financial statements have been prepared on a historical cost basis using the accrual basis of accounting and the going concern assumption concept, except for valuation of employees' end of service benefits liability. These financial statements are presented in Saudi Riyals ("SR") which is the functional and presentation currency of the Company.

2.2 Summary of significant accounting policies

2.2.1 Current versus non-current classification
The Company presents assets and liabilities in the 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 periods. The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all other liabilities as non-current.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.2 Fair value

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. 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 company. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
The fair value 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 Company 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 recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re- assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

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

2.2.3 Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company 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.

The Company satisfies a performance obligation and recognises revenue over time, if the following criteria are met:

a. The Company's performance does not create an asset with an alternate use to the Company and the Company has an enforceable right to payment for performance completed to date.

b. The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

c. The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.3 Revenue from Contracts with customers (continued)

Trade Receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration).

2.2.4 Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any, except projects in progress that are measured at cost and are not depreciated.

Cost includes expenditure that are directly attributable to the acquisition of the asset including the cost of purchase and any other costs directly attributable to bringing the assets to a working condition for their intended use. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in the statement of profit or loss and other comprehensive income as incurred.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of property and equipment is derecognized upon disposal or when no economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the year the asset is derecognized. The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable the future economic benefits embodied from the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.
Depreciation is recognized in the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Depreciation of an asset begins when it is available for use.

The estimated useful lives of different items of property and equipment are as follows:

	Estimated useful life (years)
Building and leasehold improvements	Shorter of useful life and lease term
Machinery and equipment	10-30
Vehicles and transportation equipment	4-6
Furniture and fixture	7-10

2.2.5 Lease

At the inception of non-cancelable operating leases, the leased asset is determined and defined as "right-of use asset" and is measured at cost (with an appropriate discount on the relevant components of the lease term) which include the initial measurement amount of the lease obligations and any payments made on or before the commencement date of the lease less any lease incentives received and any initial direct cost incurred by the lessee under the basic lease agreement.

After initial measurement and recognition, "right-of-use asset” is subsequently measured periodically using the cost model, which includes the measurement of right of use asset at cost less any accumulated depreciation and any accumulated impairment losses and is adjusted for any re-measurement of the lease obligation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2. 5 Lease (continued)

At the commencement date of the lease, “lease liability” is measured at the present net value of all unpaid lease payments as at that date, discounted using the interest rate on lessee’s incremental borrowing rate as at initial application date. After initial measurement, “lease liability " are measured periodically by increasing the carrying cost to reflect interest cost on unpaid future lease liabilities and any re-measurement adjustment less lease payments paid to that date.

An appropriate rate of depreciation and appropriate interest rate are applied to "right-of-use asset" and " lease liability", respectively. These depreciation and interest are charged to the statement of profit or loss and other comprehensive income as depreciation and finance charges.

In case of short-term operating leases, low value contracts and cancellable contracts, the Company continues to book periodic lease payments in the statement of profit or loss and other comprehensive income as an expense on a straight-line basis over the relevant lease term.

2.2.6 Financial Instrument

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

Recognition and initial measurement

Trade receivables and debt securities issued, if any, are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through OCI (“FVOCI”); or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. Since last year, there is no change in the business model of the Company.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.6 Financial instruments (continued)

A debt investment is measured at FVOCI, if any, if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Business model and assessment:
The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument.

This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.6 Financial instruments (continued)

In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension feature; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par value, a feature that permits or requires prepayment at an amount that substantially represents the contractual par value plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in statement of profit or loss and other comprehensive income.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in statement of profit or loss and other comprehensive income. Any gain or loss on derecognition is recognised in statement of profit or loss and other comprehensive income.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in statement of profit or loss and other comprehensive income unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to statement of profit or loss and other comprehensive income.

Impairment of financial assets

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

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

Presentation of impairment of financial assets in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.6 Financial instruments (continued)

Write-off
The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For third party customers, the Company has a policy of writing off the gross carrying amount when the management has reasonable evidence that the financial asset no longer recoverable, based on historical experience of recoveries of similar assets. For the related parties, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Financial liabilities - Classification, subsequent measurement and gains and losses
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in statement of profit or loss or other comprehensive income.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in statement of profit or loss or other comprehensive income. Any gain or loss on derecognition is also recognised in statement of profit or loss or other comprehensive income.

Derecognition

Financial assets
The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its the statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities
The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the statement of profit or loss and other comprehensive income.

Offsetting
Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.7 Impairment of non-financial Assets

The Company 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 Company estimates the assets recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU fair value less costs to sell and its value-in-use and 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. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. In assessing the value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

The Company's impairment calculation is based on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGU's to which the individual asset is allocated. These budgets and forecast calculations generally cover a five-year period. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the budget period.
Impairment losses of continuing operations are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets other than above, an assessment is made at each financial year-end as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized 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 recognized. This reversal is limited such that the recoverable amount doesn't exceed what the carrying amount would have been, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

2.2.8 Cash and cash equivalent

Cash and cash equivalents comprise cash and bank balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, used by the Company in the management of its short-term commitments and are available to the Company without any restriction.

2.2.9 Provisions

Provisions are recognised when the Company 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 Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income 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.

2.2.10 Defined benefit obligations-employees' benefits

Short-term obligations

Short-term obligations are those amounts expected to be fully paid within 12 months of the end of the year in which employees render services that give rise to the benefits.

Commitments for salaries and wages, including non-cash benefits, accumulated leaves and benefits in kind that are expected to be fully paid within twelve months of the end of the period in which the employees render related services, are recognized up to the end of the financial period and are measured at the amounts expected to be paid upon payment or obligations. The obligations are presented as current employee benefit obligations under "accrued expenses and other current liabilities" in the statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.10 Defined benefit obligations-employees' benefits (continued)

Post-employment benefits
The Company operates a non-funded employees' 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 recognised in the financial statements for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. 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 recognised in the other comprehensive income in the period in which they arise.

The cost of end of service defined benefit and the present value of the related obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates etc. Due to the complexity of the valuation, the underlying assumptions and its long- term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, yield and duration of Saudi government bonds obligation with at least an 'A' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The rates assumed are based on the WHO ultimate mortality tables, rated down one year. In the absence of any standard mortality tables in the region, these rates are generally used in Kingdom of Saudi Arabia in carrying out the actuarial valuation of employees' end of service benefits' scheme. If any other mortality table is used it will not make any significant difference in the results.

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

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

- Raw materials: purchase cost on a weighted average basis
- Finished goods and work in progress: cost of direct materials and labour and a proportion of on the normal operating capacity, but excluding borrowing costs.

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

2.2.12 Foreign currency transactions and balances
Transactions denominated in foreign currencies are translated to the functional currency of the Company at the exchange rates ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to the functional currency of the Company at the exchange rate ruling at that date.

Foreign currency differences are generally recognized in the statement of profit or loss and other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.13 Assets held for sale

The Company 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 group 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.

2.2.14 Assets retirement obligation

The Company assesses its Asset Retirement Obligation ("ARO") at each reporting date. Significant estimates and assumptions are made in determining the provision for ARO as there are numerous factors that will affect the ultimate amount payable. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The unwinding of the discount is expensed as incurred and recognised in the statement of comprehensive income as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Any provision at reporting date represents management's best estimate of the present value of the future costs required. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

2.2.15 Zakat and VAT

Zakat

Zakat is subject to the regulations of the Zakat, Tax and Customs Authority (the "ZATCA") in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis and charged to statement of profit or loss. Zakat charge is computed based on the zakat base. Differences, if any, resulting from final assessments are adjusted in the year of their finalization.

Value added tax (VAT)

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

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

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

In preparing the financial statements, management has made judgements, estimates and assumptions that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income and expense. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Company's 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 assets or liabilities affected in future periods.

Other disclosures relating to the Company's exposure to risks and uncertainties include:

- Financial instruments risk management and policies
- Sensitivity analyses disclosures

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant accounting judgements, estimates and assumptions (continued)
The following critical judgements and estimates have the most significant effect on the amounts recognized in the financial statements:

Determining the lease term of contracts with renewal and termination options
The Company 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 Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company 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 customization to the leased asset).

Provision for zakat
The Company is subject to zakat in accordance with the zakat regulations issued by ZATCA in the Kingdom of Saudi Arabia which is subject to interpretations. Zakat is recognised in the statement of profit or loss or other comprehensive income. Zakat is levied at a fixed rate of 2.5% of the zakat base as defined in the Zakat regulations.

The Company's management establishes provisions where appropriate on the basis of amounts expected to be paid to the ZATCA and periodically evaluates positions taken in the zakat returns with respect to situations in which applicable zakat regulations are subject to interpretation.

Zakat computation involves relevant knowledge and judgment of the zakat rules and regulations to assess the impact of zakat liability at a particular period end. This liability is considered an estimate until the final assessment by ZATCA is carried out until which the Company retains exposure to additional zakat liability.

Provision for expected credit losses of trade receivables
The Company uses a provision matrix to calculate ECLs for trade receivables. 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 Company's historical observed default rates. The Company 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 the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.
The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Inventory quantities
Inventories include raw materials and work in process. Since, the weighing of these inventories is not practicable, management assesses the quantities on hand at the year end by obtaining measurements of the stockpiles and converting these measurements into unit of volumes by using relevant density. In doing so, management appoints external surveyor to estimate the quantities by using scientific method.

Defined benefit obligations - employees' benefits
The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant accounting judgements, estimates and assumptions (continued)

Defined benefit obligations - employees' benefits (continued)
The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds. The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Useful lives of property, plant and equipment
The Company's management determines the estimated useful lives of its property, plant and 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.

Leases - Estimating the incremental borrowing rate
The Company 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 Company 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 Company '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 Company 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).

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 litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for termination benefits and exit costs, if any, also involve management's judgement in estimating the expected cash outflows for other exit costs. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

Provision for slow moving spares
The Company holds spare parts inventory for the machinery of its plant held longer than one reporting period. This might impact the valuation of spare parts and involves judgment in estimating spares parts inventory provision. Judgment is required to assess the appropriate level of provisioning for spare parts inventory items, which may be ultimately disposed or sold below cost as a result of obsoleteness or the retirement of related machinery. These judgments include management's expectations for future utilization, disposal or sale plans for the spare parts.

2.4 New standards, interpretations, amendments and accounting policies

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2021. The Company has adopted new standards effective as of 1 January 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 New standards, interpretations, amendments and accounting policies (continued)

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under contract.

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

Reference to the Conceptual Framework – Amendments to IFRS 3
The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the financial statements of the Company as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arising during the year.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. These amendments had no impact on the financial statements of the Company.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

These amendments had no impact on the financial statements of the Company as there were no modifications of the Company's financial instruments during the year.

IAS 41 Agriculture – Taxation in fair value measurements
The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the financial statements of the Company as it did not have any assets in scope of IAS 41 as at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 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 Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. 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 an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the 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

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not expected to have any impact on the Company as it does not have any insurance contracts.

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact of this amendment.

Definition of Accounting Estimates – Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.
The amendments are not expected to have a material impact on the Company's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Standards issued but not yet effective (continued)

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides 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 to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12
In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The amendment is not applicable to the Company as it is not subject to income taxes.

3. PROPERTY AND EQUIPMENT

	Land	*Building and leasehold improvements*	*Machinery and equipment*	*Vehicle and transportation equipment*	*Furniture and fixture*	*Assets under construction*	*Total*
Cost:							
At 1 January 2021	18,389,032	845,886,655	1,811,385,860	9,731,039	26,196,629	10,779,438	2,722,368,653
Additions during the year	-	15,330,000	10,215,843	336,698	434,251	1,688,329	28,005,121
At 31 December 2021	18,389,032	861,216,655	1,821,601,703	10,067,737	26,630,880	12,467,767	2,750,373,774
Additions during the year	-	14,000	36,950,835	422,380	1,127,014	9,938,513	48,452,742
Transfers	-	1,020,000	-	-	1,906,029	(2,926,029)	-
At 31 December 2022	**18,389,032**	**862,250,655**	**1,858,552,538**	**10,490,117**	**29,663,923**	**19,480,251**	**2,798,826,516**
Depreciation:							
At 1 January 2021 – as originally stated	-	409,132,750	873,043,146	9,706,014	22,082,377	-	1,313,964,287
Impact of restatement (note 26)	-	-	8,294,034	-	-	-	8,294,034
	-	409,132,750	881,337,180	9,706,014	22,082,377	-	1,322,258,321
Charge for the year *(Restated)*	-	26,968,486	65,096,249	58,363	816,090	-	92,939,188
At 31 December 2021 *(Restated)*	-	436,101,236	946,433,429	9,764,377	22,898,467	-	1,415,197,509
Charge for the year	-	26,964,527	68,270,734	124,821	1,035,037	-	96,395,119
At 31 December 2022	**-**	**463,065,763**	**1,014,704,163**	**9,889,198**	**23,933,504**	**-**	**1,511,592,628**
Net book values:							
As at 31 December 2021(Restated)	18,389,032	425,115,419	875,168,274	303,360	3,732,413	12,467,767	1,335,176,265
As at 31 December 2022	**18,389,032**	**399,184,892**	**843,848,375**	**600,919**	**5,730,419**	**19,480,251**	**1,287,233,888**

3. *Property and equipment (continued)*

3.1 The depreciation charge has been allocated within the statement of profit or loss and other comprehensive income as follows:

	2022 ***SR***	*2021* *SR* *(Restated)* *(Note 26)*
Cost of revenue (note 16)	**94,456,866**	91,343,942
General and administration expense (note 17)	**1,790,112**	1,456,141
Selling and distribution expense (note 18)	**148,141**	139,105
	96,395,119	92,939,188

3.2 Capital work in progress mainly represents civil works in relation to construction of storage facility for clinker and cement, and upgradation of limestone crusher.

4. LEASES

The Company has leased two plots of land one from Municipality of Riyadh, and the other from Ministry of Energy and Mineral Resources and have lease term of 20 years and 30 years respectively. Information about leases for which the Company is a lessee is presented below:

4.1 Right of use assets

	Total
Cost:	
At 1 January 2021, 31 December 2021 and 31 December 2022	**3,458,006**
Depreciation:	
At 1 January 2021 - as previously reported	**492,632**
Impact of restatement (note 26)	**332,589**
At 1 January 2021 - (restated)	**825,221**
Charge for the year	412,611
At 31 December 2021	**1,237,832**
Charge for the year	**412,611**
At 31 December 2022	**1,650,443**
Net book values:	
As at 31 December 2021	**2,220,174**
As at 31 December 2022	**1,807,563**

4. LEASES (continued)

4.2 Lease Liabilities

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

	2022 *SR*	*2021* *SR*
At 1 January	**3,565,716**	3,554,795
Accretion of interest (note 20)	**121,735**	130,921
Payments	**(120,000)**	(120,000)
At 31 December	**3,567,451**	3,565,716
Current	**2,018,671**	1,588,040
Non-current	**1,548,780**	1,977,676

The following are the amounts recognized in the statement of profit or loss and other comprehensive income and statement of cash flows:

	2022 *SR*	*2021* *SR* *(Restated)* *(Note 26)*
Depreciation expense of cost of revenue (note 16)	**412,611**	412,611
Interest expense on lease liabilities (note 20)	**121,735**	130,921
Total amount recognised in statement of cash flows	**120,000**	120,000

The Company has one lease contract that includes extension option. This option is negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether this extension option is reasonably certain to be exercised.

5. INVENTORY

	2022 *SR*	*2021* *SR* *(Restated)* *(Note 26)*
Work in process	**147,186,319**	147,511,377
Spare parts and supplies, not held for sale	**111,387,941**	112,059,947
Raw materials	**41,215,563**	33,920,678
Finished goods	**6,086,768**	9,607,442
Goods in-transit	**12,323,372**	7,061,978
	318,199,963	310,161,422
Less: provision for slow-moving inventories	**(21,685,455)**	(21,685,455)
	296,514,508	288,475,967

There is no movement in the provision for slow-moving inventories in the current and prior year.

6. TRADE RECEIVABLES AND PREPAYMENTS

	2022 SR	*2021 SR*
Trade receivables – third parties (note 6.1)	**144,105,448**	147,254,843
- related parties (note21.2)	**62,954,746**	64,692,139
Advances to suppliers	**9,803,759**	14,698,432
Custom refunds, net (note 6.2)	**599,204**	599,204
Prepaid expenses	**638,750**	2,062,128
Claims receivable (note 6.3)	**-**	1,749,887
Employee's receivable	**232,353**	184,762
Others	**200,000**	200,000
	218,534,260	231,441,395
Provision for expected credit losses on trade receivables	**(3,032,631)**	(5,032,631)
	215,501,629	226,408,764

Set out below is the movement of provision for expected credit losses for trade receivables:

	2022 SR	*2021 SR*
At the beginning of the year	**5,032,631**	5,032,631
Reversed during the year	**(2,000,000)**	-
At the end of the year	**3,032,631**	5,032,631

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

31 December 2022			***Trade receivables Days past due***		
	0-30 days	***31-90 days***	***91–365 days***	***>365 days***	***Total***
Expected credit loss rate	**0.4%**	**0.6%**	**1.2%**	**100%**	
Total gross carrying amount	**48,349,529**	**98,601,227**	**58,585,293**	**1,524,145**	**207,060,194**
Expected credit loss	**193,556**	**602,123**	**712,807**	**1,524,145**	**3,032,631**

31 December 2021			*Trade receivables Days past due*		
	0-30 days	*31-90 days*	*91–365 days*	*>365 days*	*Total*
Expected credit loss rate	1.07%	1.39%	1.47%	100%	
Total gross carrying amount	36,526,061	35,943,115	137,356,405	2,121,401	211,946,982
Expected credit loss	392,180	501,190	2,017,860	2,121,401	5,032,631

6.1 Trade receivables are unsecured and non-interest bearing and are generally on terms of 30 to 90 days.

6.2 This balance is net off with a provision of SR 3,176,725 as at 31 December 2022 (2021: SR 3,176,725).

6.3 This represents an insurance claim raised in relation to a fire incident in prior period which was settled during the year ended 31 December 2022.

7. CASH AND CASH EQUIVALENT

	2022 *SR*	*2021* *SR*
Bank balances	**24,843,879**	35,415,807
Cash on hand	**90,149**	96,456
Short-term deposits	**65,000,000**	-
	89,934,028	35,512,263

7.1 Short-term deposit is made for three months and carries interest at the prevailing market rate. All the bank balances are held in current non-interest bearing accounts.

7.2 At 31 December 2022, the Company had available undrawn committed borrowing facilities amounting to SR 93.8 million (31 December 2021: SR 173 million).

8. SHARE CAPITAL

The authorized and issued share capital of the Company is Saudi Riyals 1,200,000,000 divided into 120 million shares of Saudi Riyals 10 each. As at 31 December 2022, the Company's paid-up capital is SR 1,200 million (2021: SR 1,200 million).

9. STATUTORY RESERVE

In accordance with the Companies Law in the Kingdom of Saudi Arabia and the Company's by-laws, the Company established a statutory reserve by apportioning 10% of net income until the reserve equals 30% of capital. Since the reserve has equalled 30% of share capital, no transfer has been made during the year ended 31 December 2022. This reserve is not available for distribution.

10. EMPLOYEES' DEFINED BENEFITS LIABILITY

The Company grants employees' defined benefit liabilities ("defined benefit plan") to its employees taking into consideration the local labor law requirements in the Kingdom of Saudi Arabia. The benefit provided by this plan is a lump sum based on the employees' final salaries and allowances and their cumulative years of service at the date of termination of employment.

The benefit liability recognized in the statement of financial position in respect of the employees' defined benefit liabilities is the present value of the defined benefit obligation at the reporting date. The actuarial valuation was performed by an independent, qualified actuary using the projected unit credit method.

The movement of employees' defined benefit liabilities for the years ended 31 December is as follows:

	2022 ***SR***	***2021*** ***SR*** ***(Restated)*** ***(Note 26)***
At the beginning of the year	**26,259,239**	25,797,765
Current service cost	**3,629,909**	2,947,408
Interest cost (note 20)	**708,744**	798,669
Paid during the year	**(3,273,374)**	(5,249,231)
Actuarial (gain)/loss (OCI)	**(3,265,506)**	1,964,628
At the end of year	**24,059,012**	26,259,239

10. EMPLOYEES' DEFINED BENEFIT LIABILITIES (continued)

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	2022	*2021*
Financial assumptions:		
Net discount rate (per annum)	4.75%	2.50%
Rate of salary increases (per annum)	4.75%	2.81%
Average duration period (Years)	7.03	8.74

All movements in the employees' defined benefit liabilities are recognized in statement of profit or loss except for the actuarial loss, which is recognized as other comprehensive income.

Sensitivity analysis

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

	2022	*2021*
	SR	*SR*
Increase in discount rate of 0.5%	**(819,879)**	(1,241882)
Decrease in discount rate of 0.5%	**872,973**	1,297,845
Increase in rate of salary increase of 0.5%	**868,694**	1,300,327
Decrease in rate of salary increase of 0.5%	**(823,690)**	(1,224,205)

The following are the expected payments or contributions to the employees in future years:

	2022	*2021*
	SR	*SR*
Within the next 12 months (next annual reporting period)	**2,466,583**	1,893,165
Between 2 and 5 years	**12,844,819**	11,846,403
Beyond 5 years	**18,225,236**	14,446,269
	33,536,638	28,185,837

11. ASSET RETIREMENT OBLIGATION

The Company has recognised a provision for asset retirement obligation in respect of assets constructed on leasehold land. In determining this provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and the expected timing of the cash outflow. The Company estimates that the cash outflow would occur at the end of the remaining lease term of 16 years and calculates the provision using the discounted cashflow method using a discount rate of 6%.

	2022 SR	*2021 SR (Restated) (Note 26)*
At 1 January	**6,968,195**	8,816,347
Impact of restatement (note 26)	**-**	(2,242,578)
Accretion of interest (note 20)	**418,092**	394,426
At 31 December	**7,386,287**	6,968,195

12. ACCRUALS AND OTHER CURRNET LIABILITES

	2022 SR	*2021 SR (Restated) (Note 26)*
Accrued expenses	**25,389,847**	32,615,575
Accrued quarry extraction fees (note 12.1)	**54,186,144**	32,500,853
Contractors' retentions	**10,615,428**	9,778,945
Accrued bonuses	**6,467,808**	5,653,623
Advances from customers	**4,210,920**	4,478,630
VAT payable	**5,696,627**	2,957,277
Accrued Board of Directors' remuneration (note 21.1)	**2,455,000**	2,100,000
Provision for penalty (note 12.2)	**-**	10,000,000
Others	**2,715,080**	1,563,024
	111,736,854	101,647,927

12.1 This represents amount payable to the Ministry of Energy and Mineral Resources, in respect of limestone extraction at the rate of SR 6.75 per ton of clinker produced (2021: SR 6.7 per ton).

12.2 During November 2021, the Company received a legal notice from the Saudi General Authority for Competition, stating that based on the resolution issued by the General Authority for Competition in October 2021, the Company is liable for a financial penalty amounting to Saudi Riyals 10 million in relation to alleged violations of the Competition Law in 2018. The Company settled this liability during the year ended 31 December 2022.

13. ZAKAT

Zakat expense for the year is determined according to the requirements of Zakat, Tax and Customs Authority (“ZATCA”) and is charged to the statement of profit or loss and other comprehensive income. Differences resulting from the final Zakat calculation, if any, are adjusted in the year when final assessments are received.

The Company has calculated and set aside the Zakat provision for the year according to the following basis:

	2022 SR	*2021 SR*
Adjusted income for the year	**205,394,811**	248,000,213
Shareholder’s equity and other liabilities	**1,652,954,318**	1,631,091,775
Deductions and other adjustments	**(1,478,349,129)**	(1,554,662,148)
Zakat base	**380,000,000**	324,429,840
Zakat charged during the year	**9,500,000**	8,110,746

13.1 Movement in provision for Zakat

	2022 SR	*2021 SR*
At the beginning of the year	**21,964,462**	18,408,133
Zakat charge – charge for the year	**9,500,000**	8,110,746
– prior period	**-**	9,889,254
Paid during the year	**(8,181,719)**	(14,443,671)
At the end of the year	**23,282,743**	21,964,462

13.2 Status of zakat assessments

The Company received zakat assessments up to the year 2007.

ZATCA reopened the assessment of the years 2001 and 2002 and claimed withholding tax due on non-resident parties of SR 2,489,146. The Company objected against the said assessment, which is still under study by the ZATCA.

The Company filed its Zakat returns for the years from 2008 to 2014 and obtained zakat certificates for the said years. The Zakat, Tax, and Customs Authority ("ZATCA") did not issue the final Zakat assessments for the said years till date.

The Company filed its Zakat returns for the years from 2015 to 2017 and obtained Zakat certificates for the said years. The ZATCA issued Zakat assessments for the said years and claimed an additional Zakat liability amounting to SR 21,652,207 of which the Company paid SR 6,317,237 during 2021. The Company objected against the remaining amount of the assessments. The ZATCA rejected the objection. The Company has escalated the case to the General Secretariat for Zakat and Tax Committees ("GSZTC") and is still awaiting the GSZTC decision.

The Company filed its Zakat return for the year 2018 and obtained the restricted Zakat certificate. The ZATCA issued the Zakat assessment for the year 2018 and claimed an additional zakat liability of SR 4,619,143. The Company paid SR 728,232 in respect of this additional liability, however, the Company also objected against the said assessment which was rejected by the ZATCA. The Company escalated the case to the GSZTC and is still awaiting the GSZTC decision.

13. ZAKAT (continued)

***13.2* Status of zakat assessments (continued)**

The Company filed its zakat return for the years 2019 and 2020 and obtained unrestricted Zakat certificates. The ZATCA issued zakat assessments for the years 2019 and 2020 claiming an additional zakat liability of SR 22,378,356. The Company objected against the ZATCA assessments and received an adjusted assessment from ZATCA claiming an adjusted amount of SR 2,811,242 for 2019 and 1,724,058 for 2020.

During 2019, the ZATCA issued an assessment of withholding tax for the years 2006 to 2010 and claimed withholding tax due on non-resident parties of SR 26,857,219. The Company objected to the assessment. During 2021 the Company paid SR 26,857,219 in relation to this, while awaiting the decision of the objection.

Closing zakat provision includes SR 13.7 million recognized in respect of ongoing zakat assessments.

14. DIVIDEND

On 23 May 2022, the General Assembly approved dividends distribution of Saudi Riyals 0.75 per share (SR 90 million) for the year ended 31 December 2021. On 4 September 2022, the Company's Board of Directors declared cash dividends to shareholders amounting to SR 90 million, which represents SR 0.75 per share. On 19 December 2022, the Board of Directors recommended a cash dividend of SR 90 million subject to the approval of shareholders in the forthcoming General Assembly. Below is the movement of dividend during the years ended 31 December:

	2022 ***SR***	*2021* *SR*
At the beginning of the year	**30,698,412**	16,747,415
Dividend declared during the year	**180,000,000**	240,000,000
Paid during the year	**(194,943,159)**	(226,049,003)
At the end of the year	**15,755,253**	30,698,412

15. REVENUE

	2022 ***SR***	*2021* *SR*
Revenue from sale of cement	**598,006,116**	671,065,997

a) Disaggregation by customer type

	2022 ***SR***	*2021* *SR*
Non-related parties	**456,235,592**	488,746,044
Related parties (note 21)	**141,770,524**	182,319,953
	598,006,116	671,065,997

15. REVENUE (continued)

b) Disaggregation by geography

	2022 *SR*	*2021* *SR*
Kingdom of Saudi Arabia	**590,574,514**	669,744,935
Kingdom of Bahrain	**5,891,198**	627,169
Hashemite Kingdom of Jordan	**1,383,012**	693,893
State of Kuwait	**66,000**	-
Sultanate of Oman	**91,392**	-
	598,006,116	671,065,997

c) Disaggregation by product type

	2022 *SR*	*2021* *SR*
Grey Cement	**463,823,008**	547,491,945
White Cement	**134,183,108**	123,574,052
	598,006,116	671,065,997

Revenue is recognized at a point in time.

16. COST OF REVENUE

	2022 *SR*	*2021* *SR* *(Restated)* *(Note 26)*
Raw materials consumed	**111,946,393**	116,032,588
Depreciation of property, plant and equipment (note 3)	**94,456,866**	91,343,942
Depreciation of right of use asset (note 4)	**412,611**	412,611
Salaries and wages	**67,812,579**	60,261,467
Repairs and maintenance	**4,6276,371**	55,811,542
Packing material consumed	**1,5081,925**	13,029,594
Quarry extraction fees	**21,458,783**	31,448,591
Insurance	**627,632**	572,169
Others	**4,541,589**	2,818,562
	362,614,749	371,731,066
Work-in-progress		
Opening stock	**147,511,377**	183,262,644
Closing stock	**(147,186,319)**	(147,511,377)
	325,058	35,751,267
Opening stock	**9,607,442**	6,640,876
Closing stock	**(6,086,768)**	(9,607,442)
	3,520,674	(2,966,566)
	366,460,481	404,515,767

17. GENERAL AND ADMINISTRATION EXPENSES

	2022 *SR*	*2021* *SR*
Salaries and other benefits	**19,826,311**	16,668,772
Penalties and legal claims (note 12)	**-**	10,000,000
Board of directors' remunerations	**2,455,000**	2,455,000
Depreciation of property, plant and equipment (note 3)	**1,790,112**	1,456,141
Professional fees	**1,730,200**	794,363
Utilities	**506,072**	364,244
Postage and telephone	**383,431**	325,037
Office supplies	**77,912**	256,884
Others	**2,085,231**	1,996,183
	28,854,269	34,316,624

18. SELLING AND DISTRIBUTION EXPENSES

	2022 *SR*	*2021* *SR*
Employee related costs	**3,396,074**	2,812,007
Depreciation of property, plant and equipment (note 3)	**148,141**	139,105
Others	**395,750**	144,487
	3,939,965	3,095,599

19. OTHER INCOME

	2022 *SR*	*2021* *SR*
Insurance claimed recovered (note 6.3)	**-**	1,749,887
Gain on sale of scrap	**970,728**	1,618,589
Fair value gain on financial assets at FVPL	**-**	176,442
Reversal of expected credit losses (note 6)	**2,000,000**	-
Dividend income	**-**	312,641
Others	**213,413**	307,767
	3,184,141	4,165,326

20. FINANCE COST

	2022 ***SR***	*2021* *SR* *(Restated)* *(Note 26)*
Interest on bank borrowings	**1,347,000**	248,585
Unwinding of discount of assets retirement (note 11)	**418,092**	394,426
Interest on lease liabilities (note 4)	**121,735**	130,921
Interest on employee's defined benefits liabilities (note 10)	**708,744**	798,669
	2,595,571	1,572,601

21. RELATED PARTY TRANSACTIONS

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

The transactions with related parties are entered by the relevant parties in accordance with the normal terms of dealing and at mutually agreed terms and conditions and a price agreed upon according to a contract / arrangement / agreement. Key management personnel remunerations are made according to their contractual terms. Significant transactions and balances with related parties are as follows:

21.1 Related party transactions

Significant related party transactions included in the statement of comprehensive income are as follows:

Related parties	***Nature of relationship***	***Nature of transaction***	***2022*** ***SR***	*2021* *SR*
Alrashed Cement Company	Common ownership	Sales	**90,698,250**	86,696,241
Towa Development Company	Common directorship	Sales	**33,323,564**	69,805,097
Precast Building System Company**	Common directorship	Sales	**-**	2,037,751

**As at year ended December 31, 2022, Precast Building Systems Company is not a related party of the Company as the relevant director is not on the Company's Board of Directors.

Related parties	***Nature of relationship***	***2022*** ***SR***	*2021* *SR*
Related party balances included in accruals and other current liabilities			
Board of Directors and its committees	Board of Directors	**2,450,000**	2,100,000

21. RELATED PARTY TRANSACTIONS *(continued)*

21.2 Related party balances

Related party balances included in trade receivables	*Nature of relationship*	***2022 SR***	*2021 SR*
Alrashed Cement Company	Common ownership	**43,223,443**	34,315,658
Towa Development Company	Common directorship	**19,731,303**	29,378,611
Precast Building System Company	Common directorship	**-**	997,870
		62,954,746	64,692,139

The above balances are unsecured, interest free and have no fixed repayment. The management estimates the allowance on due from related party balance at the reporting date at an amount equal to lifetime ECL. There has been no change in estimation techniques or significant assumptions made during the current reporting period in assessing the provision for expected credit losses for balances due from related parties.

21.3 Key management compensation

	2022 SR	*2021 SR*
Salaries and short-term benefits	**8,150,400**	6,991,883
Salaries and short-term benefits payable	**2,448,000**	2,114,333
End of service benefits	**2,529,958**	2,535,271
	13,128,358	11,641,487

22. FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities. The Company's financial assets mainly consist of bank balances, cash on hand, short-term deposits, accounts receivable and certain other current assets. Its financial liabilities mainly consist of trade payables, lease liabilities, dividend payable and certain other current accruals and payables.

The management has assessed that fair value of bank balances and short-term deposits, trade and other receivables, accruals and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

22.1 Financial Assets

	2022 SR	*2021 SR*
Financial assets measured at amortised cost		
Accounts receivable	**205,027,563**	206,914,351
Other current financial assets	**831,557**	2,533,853
Cash and cash equivalent	**89,934,028**	35,512,263
Total financial assets	**295,793,148**	244,960,467

22. FINANCIAL INSTRUMENTS (continued)

22.2 Financial Liabilities

	Effective Interest rate	*Maturity*	*2022 SR*	*2022 SR*
Current liabilities				
Trade payables	Interest free	Less than 1 year	**30,018,276**	34,609,219
Accruals expenses and other current liabilities	Interest free	Less than 1 month	**106,040,227**	88,690,650
Lease liabilities	6%	Less than 1 year	**2,018,671**	1,588,040
Dividend payable	Interest free	Less than 1 year	**15,755,253**	30,698,412
			153,832,427	155,586,321
Non-current liabilities				
Lease liabilities	6 %		**1,548,780**	1,977,676

22.3 Changes in liabilities arising from financing activities

	1 January 2021 SR	*Cash flows SR*	*Others SR*	*31 December 2022 SR*
Lease liabilities	**3,565,716**	**(120,000)**	**121,735**	**3,567,451**
Dividends payable	**30,698,412**	**(194,943,159)**	**180,000,000**	**15,755,253**
Total liabilities fro financing activities	**34,264,128**	**(195,063,159)**	**180,121,735**	**19,322,704**

	1 January 2020 SR	*Cash flows SR*	*Others SR*	*31 December 2021 SR*
Lease liabilities	3,554,795	(120,000)	130,921	3,565,716
Dividends	16,747,415	(226,049,003)	240,000,000	30,698,412
Total liabilities from financing activities	20,302,210	(226,169,003)	240,130,921	34,264,128

22.4 Financial risk management

The Company's principal financial assets include bank balances, cash on hand, short-term deposits, accounts receivable and certain other current assets that arise directly from its operations. The Company's principal financial liabilities comprise trade payables, lease liabilities, dividend payable and certain other current accruals, and payables. The main purpose of these financial liabilities is to finance the Company's operations.

The Company has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the risk committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

22. FINANCIAL INSTRUMENTS (continued)

22.4 Financial risk management (continued)

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.
The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risk faced by the Company.

Credit risk

Credit risk is the risk that other party will fail to discharge an obligation and will cause the Company to incur a financial loss. The Company has no significant concentration of credit risks. The Company's exposure to credit risk is as follows:

	2022 ***SR***	*2021* *SR*
Bank balances and short-term deposit	**89,843,879**	35,415,807
Accounts receivables	**205,027,563**	206,914,351
Other current financial assets	**831,557**	2,533,853
	295,702,999	244,864,011

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Management monitors the liquidity risk on a regular basis and ensures that sufficient funds are available to meet the Company's future commitments.

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

31 December 2022	***Total*** ***SR***	***On Demand or Less than one year*** ***SR***	***1 to 5 years*** ***SR***	***Over 5 years*** ***SR***
Trade payables	**30,018,276**	**30,018,276**	**-**	**-**
Other current financial liabilities	**106,040,227**	**106,040,227**	**-**	**-**
Dividend payable	**15,755,253**	**15,755,253**	**-**	**-**
Lease liabilities	**4,200,000**	**2,120,000**	**1,000,000**	**1,080,000**
Total	**156,013,756**	**153,933,756**	**1,000,000**	**1,080,000**

31 December 2021	*Total* *SR*	*On Demand or Less than one year* *SR*	*1 to 5 years* *SR*	*Over 5 years* *SR*
Trade payables	34,609,219	34,609,219	-	-
Other current financial liabilities	88,690,650	88,690,650	-	-
Dividend payable	30,698,412	30,698,412	-	-
Lease liabilities	4,320,000	1,720,000	1,400,000	1,200,000
Total	158,318,281	155,718,281	1,400,000	1,200,000

22. FINANCIAL INSTRUMENTS (continued)

22.4 Financial risk management (continued)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk such as equity price risk. Interest rate risk is not applicable to the Company as the short term deposits as at 31 December 2022 is based on fixed interest rate. Other price risk is not applicable to the Company as it does not have any equity investment or any derivative that is affected by market fluctuations.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's presentational currency). The Company is subject to fluctuations in foreign exchange rates for Euro. The currency risk is monitored at the Company level. The Company monitors the fluctuations in exchange rates at regular intervals. As at 31 December, the Company had the following significant net liability exposures denominated in foreign currencies:

	2022 SR	*2021 SR*
Euro	**1,272,752**	830,785

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rate, with all other variables held constant, of the Company's profit before zakat. The Company's exposure to foreign currency changes for British Pound is not material.

	Change in exchange rate	***2022 SR***	*2021 SR*
Saudi Riyals to Euro – decrease in profit before zakat	**+5% / -5%**	**(63,638)**	(41,539)
Saudi Riyals to Euro – increase in profit before zakat	**-5% / -5%**	**63,638**	41,539

23. CAPITAL MANAGEMENT

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

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. The Company informally monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Company includes within net debt, employees' defined benefits liability, assets retirement obligation, lease liabilities, trade payables, accruals and other current liabilities, zakat liability and dividend payable, less cash and cash equivalent.

	2022	*2021*
	SR	*SR*
Employees' defined benefits liability	**24,059,012**	26,259,239
Assets retirement obligation	**7,386,287**	6,968,195
Lease liabilities	**3,567,451**	3,565,716
Trade payables	**30,018,276**	34,609,219
Accruals and other current liabilities	**111,736,854**	101,647,927
Zakat liability	**23,282,743**	21,964,462
Dividend payable	**15,755,253**	30,698,412
Debt	**215,805,876**	225,713,170
Less: cash and cash equivalent	**(89,934,028)**	(35,512,263)
Net debts	**125,871,848**	190,200,907
Equity	**1,675,185,740**	1,662,080,263
Capital and net debt	**1,801,057,588**	1,852,281,170
Gearing ratio	**7%**	10%

24. SEGMENT INFORMATION

All of the Company's operations are related to one operating segment which is cement manufacturing and are sold to local and foreign customers. Accordingly, segment analysis by geographical and operating segment has not been presented. The information related to sales and trade receivables from major customers are disclosed in notes 15 and 6.

25. EARNINGS PER SHARE

Earnings per share have been calculated by dividing the profit for the year of the Company by the weighted average number of shares outstanding during the year.

	2022	*2021*
	SR	*SR*
Profit for the year	**189,839,971**	213,730,732
Weighted average number of shares (note 8)	**120,000,000**	120,000,000
Basic earnings per share (Saudi Riyals per share)	**1.58**	1.78

The Company does not have any dilutive potential shares.

26. PRIOR PERIODS ADJUTMENTS

During the year 2022, the Company became aware of an several errors as explained in the notes below. The errors have been corrected by restating each of the affected financial statement line items for the prior period, in line with the requirements of IAS (8) "Change in Accounting Policies, Change in Accounting Estimates and Accounting Errors".

31 December 2021	*Note*	*Reported as at 31 December 2021 SR*	*Reclassification (note 29) SR*	*Restatement SR*	*Restated as at 31 December 2021 SR*
ASSETS					
Property, plant and equipment	(a)	1,344,760,153	-	(9,583,888)	1,335,176,265
Right of use assets	(b)	2,924,322	-	(704,148)	2,220,174
Inventories	(d)	282,070,496	-	6,405,471	288,475,967
Trade receivables		206,914,351	19,494,413	-	226,408,764
Advances, prepayments and other receivables		19,294,413	(19,294,413)	-	-
Assets classified as held for sale		200,000	(200,000)	-	-
			-	(3,882,565)	
LIABILITIES					
Asset retirement obligation	(c)	9,758,253	-	(2,790,058)	6,968,195
Employees' defined benefits liability	(e)	25,405,800	-	853,439	26,259,239
Lease liabilities-current		661,146	926,894	-	1,588,040
Lease liabilities-non-current		2,904,570	(926,894)	-	1,977,676
Accrued expenses and other current liabilities	(f)	84,487,622	10,000,000	7,160,305	101,647,927
Provisions		10,000,000	(10,000,000)	-	
			-	5,223,686	
TOTAL COMPREHENSIVE INCOME					
Cost of revenue	(a,b,d,e,f)	(406,848,310)	-	1,533,874	(405,314,436)
Finance cost	(c)	(1,321,412)	-	547,480	(773,932)
General and administration expense		(33,939,899)	(376,725)	-	(34,316,624)
Dividend income		312,642	(312,642)	-	-
Impairment loss on financial assets		(176,725)	176,725	-	-
Other income		3,652,684	512,642	-	4,165,326
Impact on total comprehensive income/(loss)	(e)	2,838,932	-	(4,803,560)	(1,964,628)
				2,722,206	

Impact on earnings per share

	2021 SR
Increase in Basic earnings per share (Saudi Riyals per share)	0.02

26. PRIOR PERIODS ADJUTMENTS (continued)

26.1 Reconciliation of opening retained earnings

Retained earnings as at 1 January 2021 – as originally stated		**136,698,204**
Accumulated depreciation of property, plant and equipment	(a)	(8,294,034)
Accumulated depreciation on right of use assets	(b)	(332,589)
Reversal of interest on asset retirement obligation	(c)	2,242,578
Impact of restatement		(6,384,045)
Retained earnings as at 1 January 2021 – as restated		130,314,159

a) This misstatement pertains to the under recording of depreciation expense in the prior periods relating certain classes of property, plant and equipment. These assets were depreciated beyond their useful life.
b) This misstatement pertains to error in calculation of depreciation of right of use assets.
c) This misstatement pertains to error in unwinding of the provision for asset retirement obligation.
d) This misstatement pertains to error in valuation of the inventories as the production overheads were not allocated on a rational basis in prior period.
e) This misstatement pertains to the differences noted in employees' defined benefits liability as a result of involving independent actuary to perform the actuarial valuations for current and prior periods.
f) In March 2022, the Company became aware of an error in calculating the royalty of the limestone extraction expense, which is due in favor of the Ministry of Industry and Mineral Resources (the "Ministry"), based on the quantities extracted for the financial year ended 31 December 2021, as a result of the issuance of an update to the executive regulations of the mining investment, corresponding to 09/05/1442H, which the Company did not implement in 2021. Accordingly, the Company's management has represented its statements by amending the items of the previous financial statements that were affected by this error.

27. COMMITMENTS AND CONTINGENCIES

27.1 Capital commitments

As at 31 December 2022, the Company has capital commitments of SR 15.4 million (31 December 2021: SR 3.5 million) related to work in progress.

27.2 Letters of guarantee and Letters of credit

As at 31 December 2022, the Company had outstanding letters of guarantee and letters of credit amounting to SR 26.12 million (31 December 2021: SR 27 million).

27.2 Contingencies

The Company has several ongoing zakat assessments that may result in cash outflows of SR 12.5 million once settled in addition to the recorded balance (refer note 13.2).

28. SUBSEQUENT EVENTS

No events have occurred subsequent to the reporting date and before the issuance of these financial statements, which require adjustment to, or disclosure, in these financial statements.

29. COMPARATIVE FIGURES

Certain prior year amounts have also been reclassified to conform to the presentation in the current year. These reclassifications have no impact on the comparative net profit, total assets, total liabilities and equity.

30. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the board of directors on 28 Sha'ban 1444H (corresponding to 20 March 2023G).