RIYADH CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
AND INDEPENDENT AUDITOR'S REPORT

RIYADH CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Independent auditor's report to the shareholders of Riyadh Cement Company

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Riyadh Cement Company (the "Company") as at December 31, 2023, 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 issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2023;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Our audit approach

Overview

Key audit matters	• Inventory quantities of raw materials and work in process inventories

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

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Independent auditor's report to the shareholders of Riyadh Cement Company (continued)

Our audit approach (continued)

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 our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Inventory quantities of raw materials and work in process inventories As disclosed in Note 7 to the accompanying financial statements, the Company holds raw materials inventories amounting to Saudi Riyals 41.4 million (mainly iron ore, kaolin, shale, sand, and gypsum) and work in process inventories amounting to Saudi Riyals 140.7 million (mainly clinker) which are stored in stockpiles as at December 31, 2023. 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 to unit of volumes by using the angle of repose and the bulk density. In doing so, management appoints external surveyors to estimate the measurements of the stockpiles and applies the density conversion method which is a commonly used method for similar inventory in the cement industry to arrive at the inventory quantity balances. Due to the significance of the inventory balances and related estimations involved in the determination of the quantities, this is considered a key audit matter. Refer to Note 2.10 to the accompanying financial statements for the accounting policy, Note 3.1 for the significant accounting estimates and Note 7 for the details of inventories.	We performed the following procedures in relation to the inventory quantities of raw materials and work in process inventories: • Obtained an overall understanding of the inventory count process and basis of measurement including surveying equipment and conversion methods used towards eventual determination of the inventory quantities; • Attended the physical inventory count performed by the Company and the external surveyors; • Evaluated the competence, capabilities and objectivity of the external surveyors; • Obtained and read the external surveyors' stockpile measurement reports; • Traced, on a test basis, the inventory count result to and from the external surveyors' reports against the Company's final inventory compilation listings; • Assessed the reasonableness of the density conversion factors applied by management in the density conversion calculation; and • Tested the mathematical accuracy of the density conversion calculation used by management to arrive at the quantities on hand at the year-end. Assessed the adequacy of the disclosures relating to the inventories in the accompanying financial statements.

Independent auditor's report to the shareholders of Riyadh Cement Company (continued)

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report of the Company, but does not include the financial statements and our auditor's report thereon, which 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 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 annual report of the Company, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management 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 issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management 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, management 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors is 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.

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 scepticism 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.

Independent auditor’s report to the shareholders of Riyadh Cement Company (continued)

Auditor’s responsibilities for the audit of the financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

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.

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447

March 24, 2024

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RIYADH CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31,		As at January 1
		2023	2022 (Reclassified Note - 31)	2022 (Reclassified Note - 31)
Assets				
Non-current assets				
Property, plant and equipment	5	**1,225,506,186**	1,287,233,888	1,335,176,265
Right-of-use assets	6	**1,394,954**	1,807,563	2,220,174
Total non-current assets		**1,226,901,140**	1,289,041,451	1,337,396,439
Current assets				
Inventories	7	**289,884,303**	296,514,508	288,475,967
Trade and other receivables	8	**211,726,730**	204,259,916	208,849,000
Advances, prepayments and other current assets	9	**8,070,598**	11,241,713	17,559,764
Short term deposit	10	**20,617,848**	-	-
Cash and cash equivalents	11	**81,307,592**	89,934,028	35,512,263
Total current assets		**611,607,071**	601,950,165	550,396,994
Total assets		**1,838,508,211**	1,890,991,616	1,887,793,433
Equity and liabilities				
Equity				
Share capital	12	**1,200,000,000**	1,200,000,000	1,200,000,000
Statutory reserve	13	**360,000,000**	360,000,000	360,000,000
Retained earnings		**119,767,821**	115,185,740	102,080,263
Total equity		**1,679,767,821**	1,675,185,740	1,662,080,263
Liabilities				
Non-current liabilities				
Employee benefit obligations	14	**23,956,977**	24,059,012	26,259,239
Assets retirement obligations	15	**7,829,464**	7,386,287	6,968,195
Lease liabilities	6	**966,113**	1,548,780	1,977,676
Total non-current liabilities		**32,752,554**	32,994,079	35,205,110
Current liabilities				
Trade payables		**26,612,146**	30,018,276	34,609,219
Accruals and other current liabilities	16	**54,544,412**	111,736,854	101,647,927
Dividend payable		**15,539,037**	15,755,253	30,698,412
Current portion of lease liability	6	**2,822,672**	2,018,671	1,588,040
Zakat liability	17	**26,469,569**	23,282,743	21,964,462
Total current liabilities		**125,987,836**	182,811,797	190,508,060
Total liabilities		**158,740,390**	215,805,876	225,713,170
Total equity and liabilities		**1,838,508,211**	1,890,991,616	1,887,793,433

The above statement of financial position should be read in conjunction with the accompanying notes.

Chairman	Chief executive officer	Chief financial officer

RIYADH CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2023	2022
Revenue	18	**643,383,248**	598,006,116
Cost of revenue	19	**(406,484,085)**	(366,460,481)
Gross profit		**236,899,163**	231,545,635
General and administrative expenses	20	**(33,050,081)**	(28,854,269)
Selling and marketing expenses	21	**(4,235,019)**	(3,939,965)
Other income	22	**1,449,746**	3,184,141
Operating profit		**201,063,809**	201,935,542
Finance income		**2,732,946**	-
Finance costs	23	**(2,284,243)**	(2,595,571)
Profit before zakat		**201,512,512**	199,339,971
Zakat expense	17	**(12,740,013)**	(9,500,000)
Profit for the year		**188,772,499**	189,839,971
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurements of employee benefit obligations	14	**1,809,582**	3,265,506
Total other comprehensive income for the year		**1,809,582**	3,265,506
Total comprehensive income for the year		**190,582,081**	193,105,477
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic and diluted earnings per share	28	**1.57**	1.58

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Chairman	Chief executive officer	Chief financial officer

RIYADH CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory Reserve	Retained Earnings	Total equity
Balance at January 1, 2022	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 for the year	-	-	3,265,506	3,265,506
Total comprehensive income for the year	-	-	193,105,477	193,105,477
Dividends (Note 29)	-	-	(180,000,000)	(180,000,000)
December 31, 2022	**1,200,000,000**	**360,000,000**	**115,185,740**	**1,675,185,740**
Profit for the year	-	-	**188,772,499**	**188,772,499**
Other comprehensive income for the year	-	-	**1,809,582**	**1,809,582**
Total comprehensive income for the year	-	-	**190,582,081**	**190,582,081**
Dividends (Note 29)	-	-	**(186,000,000)**	**(186,000,000)**
December 31, 2023	**1,200,000,000**	**360,000,000**	**119,767,821**	**1,679,767,821**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Chairman	Chief executive officer	Chief financial officer

RIYADH CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2023	2022 (Reclassified Note - 31)
Cash generated from operations			
Profit before zakat		**201,512,512**	199,339,971
Adjustments for			
Depreciation of property, plant and equipment	5	**106,157,039**	96,395,119
Depreciation of right-of use assets	6	**412,609**	412,611
Unwinding of discount of assets retirement obligation	15	**443,177**	418,092
Provision for Employees' defined benefits liability	14	**3,303,227**	3,629,909
Interest on Employee's defined benefits liabilities	14	**1,079,273**	708,744
Financial charges on lease liabilities	6	**221,334**	121,735
Finance income		**(2,732,946)**	-
Reversal of expected credit loss		**(984,338)**	(2,000,000)
Finance costs on borrowings		-	1,347,000
Change in operating assets and liabilities			
Inventories		**6,630,205**	(8,038,541)
Trade and other receivables	8	**(6,482,476)**	6,589,084
Advances, prepayments and other current assets	9	**3,171,115**	6,318,051
trade payables		**(3,406,130)**	(4,590,943)
Accruals and other current liabilities		**(57,192,442)**	10,088,927
Cash generated from operations		**252,132,159**	310,739,759
Finance income received		**2,115,098**	-
Employee benefits obligations paid	14	**(2,674,953)**	(3,273,374)
Finance costs paid	23	-	(1,347,000)
Zakat paid	17	**(9,553,187)**	(8,181,719)
Net cash generated from operating activities		**242,019,117**	297,937,666
Cash flow from investing activities			
Additions to short term investment		**(20,000,000)**	-
Additions to property and equipment		**(44,429,337)**	(48,452,742)
Net cash used in investing activities		**(64,429,337)**	(48,452,742)
Cash flows from financing activities			
Dividends paid to Company's shareholders		**(186,216,216)**	(194,943,159)
Lease payments		-	(120,000)
Proceeds from bank borrowings		-	100,000,000
Repayment of bank borrowings		-	(100,000,000)
Net cash used in financing activities		**(186,216,216)**	(195,063,159)
Net change in cash and cash equivalents		**(8,626,436)**	54,421,765
Cash and cash equivalents at beginning of year		**89,934,028**	35,512,263
Cash and cash equivalents at end of year		**81,307,592**	89,934,028

The above statement of cash flows should be read in conjunction with the accompanying notes.

Chairman	Chief executive officer	Chief financial officer

1 General 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 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 Company transferred from parallel market ("Nomu") and became listed on the main market ("Tasi") on December 5, 2023.

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.

2 Summary of material accounting policy information

The material accounting policy information applied for the preparation of financial statements of the Company are set out below. The policies have been consistently applied to all years presented unless otherwise stated.

2.1 Basis of preparation

(a) Statement of compliance

These financial statements of the Company have been prepared in compliance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Income and cash flow statements

The Company has elected to present a single statement of profit or loss and other comprehensive income and presents its expenses by function.

The Company reports cash flows from operating activities using the indirect method. Interest paid is presented within operating cash flows.

(b) Historical cost convention

These financial statements are prepared under the historical cost convention except for defined benefit obligations measured at present value of future obligations using the Projected Unit Credit Method and lease liabilities at present value of future lease payments.

These financial statements are presented in Saudi Riyal, which is also the Company's functional currency. These financial statements have been rounded-off to the nearest Saudi Riyal, unless otherwise stated.

c) New and amended standards

The Company has applied the following relevant standard and amendments to IFRS which are effective for periods beginning on and after 1 January 2023:

(All amounts in Saudi Riyals unless otherwise stated)

2 Summary of material accounting policy information (continued)

2.1 Basis of preparation (continued)

Title	Key requirements
IFRS 17, 'Insurance contracts'	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 has fundamentally changed the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.
Definition of Accounting Estimates – Amendments to IAS 8	The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are applied retrospectively to past transactions and other past events as well as the current period.

The standard and amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(d) Standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting period and have not been early adopted by the Company. The relevant standards, interpretations and amendments issued, but are not yet effective are disclosed below:

Title	Key requirements	Effective date
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	The narrow-scope amendments to IAS 1 'Presentation of Financial Statements, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g., the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.	January 1, 2024
Leases on sale and leaseback – Amendment to IFRS 16	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	January 1, 2024
Supplier Finance arrangements - Amendments to IAS 7 and IFRS 7	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	January 1, 2024
Lack of exchangeability – Amendment to IAS 21	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	January 1, 2025

These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Summary of material accounting policy information (continued)

2.2 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 realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized 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.

The Company classifies all other assets as non-current.

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

The Company classifies all other liabilities as non-current.

2.3 Revenue recognition

The Company generates revenue from the sale of cement. Where the revenue is recognised at the point in time.

The following are some of the key indicators used by the Company in determining when control has passed to the customer:

i. the Company has a right to payment for the product or service;
ii. the customer has legal title to the product;
iii. the Company has transferred physical possession of the product to the customer;
iv. the customer has the significant risks and rewards of ownership of the product; and
v. the customer has accepted the product.

Revenue from sale of cement

Revenue is measured at the fair value of the consideration received or receivable in the ordinary course of the Company's activities. The Company recognizes revenue when control of cement has transferred, being when cement is delivered to the customer, the customer has full discretion over the use or sale of cement, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when cement is received by the customer at the Company's premises as per the terms of the contract, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the acceptance provisions have lapsed.

Revenue is recognized net of discounts and returns. Revenue from the sales with discounts, if any, is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability, if any (included in trade and other payables) is recognized for expected volume discounts, if any payable to customers in relation to sales made until the end of the reporting period.

2 Summary of material accounting policy information (continued)

2.3 Revenue (continued)

No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice. A receivable is recognized when the cement is delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Contract liability

A contract liability is recognised if a payment is received from a customer before the Company transfers the related goods. Contract liabilities are recognised as revenue when the Company transfers control of the related goods to the customer.

2.4 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company is measured using the currency of the primary economic environment in which the Company operates (“the functional currency"). The financial statements are presented in "Saudi Riyals", which is the Company's presentation as well as functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognized in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognized in other comprehensive income.

2.5 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
    - the Company has the right to operate the asset; or
    - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

2 Summary of material accounting policy information (continued)

2.5 Leases (continued)

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

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

(i) At initial recognition

The Company acting as lessee recognizes a right-of-use asset and a lease liability for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The right-of-use asset is measured at its cost which includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred by the Company; and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The lease liability is measured at the present value of the lease payments that are not paid at the date of the statement of financial position.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- variable lease payments that depend on an index or rate, initially measured at the applicable index or rate at the lease commencement date;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, or the penalty payable on the exercise of a termination option unless the Company is reasonably certain not to exercise the option; and
- any amounts expected to be payable under residual value guarantees.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the labilities.

The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the Company is using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

(ii) Depreciation of right-of-use assets

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Depreciation is charged to statement of profit or loss using the straight-line method to allocate their costs over their lease term.

2 Summary of material accounting policy information (continued)

2.5 Leases (continued)

(iii) Subsequent measurement

Right-of-use assets

The Company adopts the cost model to measure right of use assets. After recognition as an asset, right-of-use assets are carried at its initial recognition amounts less any accumulated depreciation and impairment losses, if any.

Lease liabilities

The lease liability is measured as follows:

- Increasing the carrying amount to reflect interest on the lease liability;
- Reducing the carrying amount to reflect the lease payments made; and
- Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Where the Company is exposed to potential future increases in variable lease payments based on an index or rate, these are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(iv) *Short-term leases and leases of low-value assets*

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.6 Zakat

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat of the Company is calculated based on higher of approximate zakat base and adjusted profit and charged to the statement of profit and loss. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. For pending zakat assessment years, provisions are assessed at each reporting period depending on the status of zakat assessment.

The Company withhold taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian income tax law.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

2 Summary of material accounting policy information (continued)

2.7 Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to statement of comprehensive income during the reporting period in which they are incurred.

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation is calculated on property, plant and equipment so as to allocate its cost, less estimated residual value, on a straight-line basis over the estimated useful lives of the assets.

Depreciation is charged to the statement of comprehensive income over the following estimated economic useful lives:

	Years
• Buildings, constructions and internal roads	20 – 40
• Machinery and equipment	10 – 30
• Vehicles and transportation equipment	4 – 6
• Furniture and fixture	7 – 10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in statement of comprehensive income. Major spare parts qualify for recognition as property, plant and equipment when the Company expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

Assets in the course of construction or development are capitalized in the assets under construction account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of assets under construction comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of assets under construction intended by management. Assets under construction are not depreciated.

Borrowing costs related to qualifying assets are capitalized as part of the cost of the qualifying assets until the commencement of commercial production.

2.8 Financial instruments

(i) *<u>Classification of financial instruments</u>*

The Company classifies its financial assets at amortized cost.

2 Summary of material accounting policy information (continued)

2.8 Financial instruments (continued)

The Company classifies its financial liabilities as those measured at amortized cost.

(ii) *Recognition and derecognition*

A financial asset or financial liability is recognized when The Company becomes a party to the contractual provisions of the instrument, which is generally on trade date.

The Company derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by The Company is recognized as a separate asset or liability.

A financial liability is derecognized from the statement of financial position when The Company has discharged its obligation, or the contract is cancelled or expires.

(iii) *Measurement*

Initial recognition

At initial recognition, The Company measures a financial asset at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset.

Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent measurement

Subsequent measurement of financial assets is as follows:

Debt instruments

The debt instruments are subsequently measured at amortised costs.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss. This category generally applies to trade and other receivables, due from related parties and bank balances.

Financial liabilities

Subsequent to initial recognition financial liabilities are measured at amortized cost using the effective interest method. Non-derivative financial liabilities of the Company comprise trade payables, accruals and other liabilities.

(iv) *Impairment*

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost e.g. deposits, trade and other receivables, due from related parties and bank balances. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Refer Note 25, which details how the Company determines whether there has been a change in credit risk.

2 Summary of material accounting policy information (continued)

2.8 Financial instruments (continued)

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 25 for further details.

Impairment loss allowance (or reversal) recognized during the period is recognized as income/expense in the statement of profit and loss.

Credit-impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

Reclassifications

Financial assets are reclassified when the Company changes its business model for managing financial assets. For example, when there is a change in management's intention to hold the asset for a short-term or long-term. Financial liabilities are not reclassified.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset so that the net amount is reported in the statement of financial position where the Company currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.9 Fair value measurement

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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:

2 Summary of material accounting policy information (continued)

2.9 Fair value measurement (continued)

- 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; and
- 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.

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

2.10 Inventories

Raw materials and spares, work in process and finished goods are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Spare parts inventory is reduced by the value of obsolete and slow-moving items according to management estimates and inventories ageing.

Work in process and finished goods

Clinker represents work in process inventories and Cement represents the finished goods inventories that are carried at the lower of cost or net realizable value. Cost is determined on the weighted-average method. The cost of clinker and cement inventories includes the cost of raw materials, direct labor and manufacturing overheads and all other costs necessary to bring the cement inventories to their existing condition and location.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Raw materials

Raw materials are valued at the lower of cost or net realizable value. Cost is determined on the weighted average cost basis.

2.11 Trade receivables

Trade receivables are amounts due from customers for products sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment.

2 Summary of material accounting policy information (continued)

2.12 Advances and prepayments

Advances and prepayments are carried at cost less provision for impairment. An advance or prepayment is classified as non-current when the goods or services relating to the advance or prepayment are expected to be obtained after one year, or when the advance relates to an asset which will itself be classified as non-current upon initial recognition. Advances to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to profit or loss when the services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to an advance or prepayment will not be received, the carrying value of the advance or prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

2.13 Cash and cash equivalents

For the purpose of statement of financial position and presentation in the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

2.14 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

2.15 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.16 Provisions

Provisions are recognized when; the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. If the effect of the time value of money are material, provisions are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Assets retirement obligations

Provision for assets retirement obligations is recognized when the Company has a liability for restoration work or land rehabilitation. The extent of decommissioning required, and the associated costs are dependent on the requirements of current laws, regulations and the lease terms.

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

2 Summary of material accounting policy information (continued)

2.16 Provision (continued)

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

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

2.17 Employee benefit obligations

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment obligation

The Company operates a single post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plans are not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to retained earnings in the statement of changes in equity in the period in which they occur. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Net interest expense and other expenses related to defined benefit plans are recognized in the statement of profit or loss.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognized immediately in statement of profit or loss as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

The rate used to discount post-employment benefit obligations is determined by reference to market yields at the statement of financial position date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yield (at the end of the reporting period) on government bonds shall be used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the post-retirement benefit obligations.

The Company uses the yield available on the Kingdom of Saudi Arabia bonds as a reasonable assumption for the discount rate.

2 Summary of material accounting policy information (continued)

2.18 Cost of sales

Cost of sales includes materials and consumables and other direct costs. Allocations between cost of sales and other operating costs, when required, are made on a consistent basis.

2.19 General and administrative expenses

General and administrative expenses include direct and indirect costs not specifically part of cost of sales. Allocations between general and administrative expenses and cost of revenue, when required, are made on a consistent basis.

2.20 Selling and marketing expenses

Selling and marketing expenses principally consist of costs incurred in the distribution and selling of the Company's products and services. All other expenses are classified as general and administrative expenses.

2.21 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing net profit or loss for the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the net profit or loss for the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

2.22 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.23 Statutory reserve

In accordance with the Company's by-laws, the Company must set aside 10% of its annual net profit as a statutory reserve until it reaches 30% of the share capital. The reserve is not available for distribution. The reserve allocation is computed on annual basis.

2.24 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Board of Directors and Chief executive officer (collectively considered to be the Chief Operating Decision Maker) which makes decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. For further details about segment information refer to note 4.

3 Significant accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period are discussed below:

3.1 Inventory quantities

Inventories comprise of raw materials (mainly iron ore, kaolin, shale, sand and gypsum) and work in process (mainly clinker which are stored in stockpiles). 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 to unit of volumes by using the angle of repose and the bulk density. In doing so, management appoints external surveyors to estimate the quantities by using certain scientific systematic measurements calculations, after which management applies the density conversion method which is applied for similar stock in the cement industry. At year-end, if the estimated quantity increased / decreased by 5% with all other variables held constant, profit for the year would have been Saudi Riyals 11.52 million higher or lower.

3.2 Depreciation of property, plant and equipment

The management determines the estimated useful lives of property, plant and equipment for computing depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates. At year-end, if the useful life increased / decreased by 5% against the current useful life with all other variables held constant, profit for the year would have been Saudi Riyals 5.3 million higher or lower.

3.3 Employment benefits obligations

Employment benefits represent obligations that will be settled in the future and require assumptions to project obligations. IFRS requires management to make further assumptions regarding variables such as discount rates, rate of compensation increases and return on assets, mortality rates, employment turnover and future healthcare costs. Changes in key assumptions can have a significant impact on the projected benefit obligation and/or periodic employees' benefits costs incurred, for further details please refer to note 14.

3.4 Provision for slow moving spare parts

The Company holds spare parts inventory for the machinery of its plant held longer than one reporting period, which may be ultimately disposed or sold below cost as a result of obsolescence or retirement of the related machinery. Management estimate the appropriate level of provisioning for spare parts at the end of each reporting period. Factors influencing this estimate includes management's expectations for future utilization, disposal or sale plans for the spare parts. At year-end, if management expectations increased / decreased by 5% with all other variables held constant, profit for the year would have been Saudi Riyals 1 million lower or Saudi Riyals 0.3 million higher .

3 Significant accounting estimates and judgments (continued)

3.5 Impairment for expected credit losses (ECL) in trade receivables

Measurement of ECLs is a significant estimate that involves determination methodology, models, and data inputs. Details of ECL measurement methodology are disclosed in Note 25.

The Company uses a provision matrix to calculate ECL for trade receivables. 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. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed and incorporated if considered relevant and significant.

The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future.

4 Segment information

All of the Company's operations are related to one operating segment which is cement manufacturing and are substantially sold to local customers.. The information related to revenue from major customers and geographic area are disclosed in note 18.

(All amounts in Saudi Riyals unless otherwise stated)

5 Property, plant and equipment

	Land	Buildings, constructions and internal roads	Machinery and equipment	Vehicle and transportation equipment	Furniture and fixture	Assets under construction	Total
Cost:							
As of January 1, 2022	18,389,032	861,216,655	1,821,601,703	10,067,737	26,630,880	12,467,767	2,750,373,774
Additions	-	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)	-
Balance at December 31, 2022	18,389,032	862,250,655	1,858,552,538	10,490,117	29,663,923	19,480,251	2,798,826,516
Accumulated depreciation:							
Balance at January 1, 2022	-	436,101,236	946,433,429	9,764,377	22,898,467	-	1,415,197,509
Depreciation charge	-	26,964,527	68,270,734	124,821	1,035,037	-	96,395,119
Balance at December 31, 2022	-	463,065,763	1,014,704,163	9,889,198	23,933,504	-	1,511,592,628
Net book value:							
At December 31, 2022	18,389,032	399,184,892	843,848,375	600,919	5,730,419	19,480,251	1,287,233,888
Cost:							
As of January 1, 2023	**18,389,032**	**862,250,655**	**1,858,552,538**	**10,490,117**	**29,663,923**	**19,480,251**	**2,798,826,516**
Additions	**-**	**235,784**	**30,023,910**	**238,770**	**2,045,192**	**11,885,681**	**44,429,337**
Transfers	**-**	**8,212,464**	**4,608,206**	**-**	**-**	**(12,820,670)**	**-**
Balance at December 31, 2023	**18,389,032**	**870,698,903**	**1,893,184,654**	**10,728,887**	**31,709,115**	**18,545,262**	**2,843,255,853**
Accumulated depreciation:							
Balance at January 1, 2023	**-**	**463,065,763**	**1,014,704,163**	**9,889,198**	**23,933,504**	**-**	**1,511,592,628**
Depreciation charge	**-**	**27,727,004**	**77,136,975**	**227,070**	**1,065,990**	**-**	**106,157,039**
Balance at December 31, 2023	**-**	**490,792,767**	**1,091,841,138**	**10,116,268**	**24,999,494**	**-**	**1,617,749,667**
Net book value:							
At December 31, 2023	**18,389,032**	**379,906,136**	**801,343,516**	**612,619**	**6,709,621**	**18,545,262**	**1,225,506,186**

(All amounts in Saudi Riyals unless otherwise stated)

5 Property, plant and equipment (continued)

5.1 Depreciation charge for the year ended December 31, 2023 and 2022 has been allocated as follows:

	Note	2023	2022
Cost of sales	19	**104,084,611**	94,456,866
General and administrative expenses	20	**1,907,750**	1,790,112
Selling and marketing expenses	21	**164,678**	148,141
		106,157,039	96,395,119

6 Leases

The Company leases 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 and 30 years, respectively.

At December 31, 2023 and 2022, the Company did not have any lease contracts classified as right-of-use asset that are variable in nature which are linked to price index. The Company assesses at lease commencement whether it is reasonably certain to exercise the option. The Company does not provide residual value guarantees in relation to any of its leases.

Right-of-use assets

The estimated useful lives of the right-of-use assets for the calculation of depreciation range from 6 – 19 years.

	Land
Cost:	
At December 31, 2023 and December 31, 2022	**3,458,006**
Depreciation:	
At January 1, 2022	1,237,832
Charge for the year	412,611
At December 31, 2022	**1,650,443**
Charge for the year	**412,609**
At December 31, 2023	**2,063,052**
Net book value:	
At December 31, 2022	1,807,563
At December 31, 2023	**1,394,954**

Depreciation charge for the year ended December 31, 2023 and December 31, 2022 has been allocated to the cost of revenue.

Lease liabilities

At 31 December, the lease liabilities are presented in the statement of financial position as follows:

	31 December 2023	31 December 2022
Non-current portion	**966,113**	1,548,780
Current portion	**2,822,672**	2,018,671
	3,788,785	3,567,451

(All amounts in Saudi Riyals unless otherwise stated)

6 Leases (continued)

Lease liabilities (continued)

Movement of lease liabilities:

	2023	2022
At 1 January	**3,567,451**	3,565,716
Financial charges	**221,334**	121,735
Payment	**-**	(120,000)
At 31 December	**3,788,785**	3,567,451

The aging of minimum lease payments together with the present value of minimum lease payments, as of 31 December 2023 and 31 December 2022, are as follows:

	2023		2022	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within twelve months	**3,120,000**	**2,800,122**	2,480,000	2,378,671
One to five years	**600,000**	**347,160**	1,000,000	710,744
Over five years	**960,000**	**641,503**	1,080,000	478,036
Total minimum lease payments	**4,680,000**	**3,788,785**	4,560,000	3,567,451
Less: financial charges	**(891,215)**	**-**	(992,549)	-
Present value of minimum lease payments	**3,788,785**	**3,788,785**	3,567,451	3,567,451

7 Inventories

	2023	2022
Work in process	**140,734,668**	147,186,319
Spare parts and supplies, not held for sale	**118,170,890**	111,387,941
Raw materials	**41,366,986**	41,215,563
Finished goods	**10,142,583**	6,086,768
Goods in-transit	**-**	12,323,372
	310,415,127	318,199,963
Less: provision for slow-moving inventories	**(20,530,824)**	(21,685,455)
	289,884,303	296,514,508

7.1 Movement in provision for slow-moving inventories:

	2023	2022
As at January 1	**21,685,455**	21,685,455
Write off of inventory	**(1,154,631)**	-
As at December 31	**20,530,824**	21,685,455

(All amounts in Saudi Riyals unless otherwise stated)

8 Trade and other receivables

	Note	2023	2022 (Reclassified Note - 31)
Trade receivables – third parties		**153,969,096**	144,105,448
Trade receivables – related parties	24	**59,674,610**	62,954,746
Expected credit loss allowance*		**(2,048,293)**	(3,032,631)
		211,595,413	204,027,563
Employee receivables		**131,317**	232,353
		211,726,730	204,259,916

* Expected credit loss allowance pertaining to related parties receivables amounted to Saudi Riyals 14,976 (December 31, 2022: Saudi Riyals 14,165.)

Movement of expected credit loss allowance on trade receivables is as follows:

	2023	2022
As at January 1	**3,032,631**	5,032,631
Reversal during the year	**(984,338)**	(2,000,000)
As at December 31	**2,048,293**	3,032,631

(i) Classification as trade receivables

Trade receivables are non-derivative financial assets carried at amortized cost and are generally on terms of 30 to 90 days. The carrying value may be affected by changes in the credit risk of the counterparties. The vast majority of the Company's trade receivables are concentrated in the Kingdom of Saudi Arabia. As at December 31, 2023, three largest customers accounted for 92% (December 31, 2022: three largest customers accounted for 78 %) of the outstanding trade receivables.

(ii) Fair values of trade receivables

Due to short-term nature of the trade receivables, their carrying amounts are considered to approximate their fair values.

(iii) Impairment and risk exposure

Information about the impairment of trade receivables and the Company’s exposure to credit risk and foreign currency risk can be found in Note 25.

(iv) Collateral

The Company has collateral in the form of bank guarantees against trade receivables which are considered integral part of trade receivables and considered in the calculation of ECL. During the year ended December 31, 2023 and December 31, 2022. there has not been any change in the quality of collateral.

9 Advances, prepayments and other current assets

	2023	2022 (Reclassified Note - 31)
Advances to suppliers	**6,361,497**	9,803,759
Custom refunds	**599,204**	599,204
Prepaid expenses	**1,109,897**	638,750
Others	**-**	200,000
	8,070,598	11,241,713

10 Short term deposit

Short-term deposits, as at 31 December 2023, represent deposits amounting to Saudi Riyals 20 million denominated in US Dollars 5.3 million (2022: Nil) and were placed with an investment bank, with a maturity period of more than three months, and yielded finance income at fixed commercial rates.

11 Cash and cash equivalents

	Note	2023	2022
Cash at banks		**21,267,556**	24,843,879
Cash on hand		**40,036**	90,149
Short-term deposits	11.1	**60,000,000**	65,000,000
		81,307,592	89,934,028

11.1 Short-term deposits, as at 31 December 2023, represent deposits amounting to Saudi Riyals 60 million denominated in US Dollars 16 million (2022: Saudi Riyals 65 million) and were placed with an investment bank, with a maturity period of three months or less from date of placement, and yielded finance income at fixed commercial rate.

11.2 The cash is held in current accounts with banks having sound credit rating and does not earn interest income. The fair value of cash and cash equivalents approximate the carrying value at reporting period. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

12 Share capital

The share capital of the Company as of December 31, 2023 and 2022 comprises of 120,000,000 shares stated at Saudi Riyals 10 per share.

13 Statutory reserve

In accordance with the Company's by-laws, the Company must set aside 10% of its annual net profit as a statutory reserve until it reaches 30% of the share capital. The reserve is not available for distribution. The reserve allocation is computed on annual basis.

14 Employee benefit obligations

14.1 General description of the plan

The Company operates a defined benefit plan in line with the Labor Law requirement in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labor Laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment.

(All amounts in Saudi Riyals unless otherwise stated)

14 Employee benefit obligations (continued)

14.1 General description of the plan (continued)

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

	2023	**2022**
1 January	**24,059,012**	26,259,239
Payments during the year	**(2,674,953)**	(3,273,374)
Current service cost	**3,303,227**	3,629,909
Interest cost	**1,079,273**	708,744
Actuarial gain (Other comprehensive income)	**(1,809,582)**	(3,265,506)
December 31	**23,956,977**	24,059,012

14.2 Key actuarial assumptions

	2023	**2022**
Discount rate	**5.06%**	4.75%
Salary growth rate	**4.75%**	4.75%
Average duration period (Years)	**8**	7.03

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.

14.3 Sensitivity analysis for actuarial assumptions

		Impact on employee benefit obligations Increase / (decrease)			
		31 December 2023		**31 December 2022**	
	Change in assumption by	**Increase in rate**	**Decrease in rate**	**Increase in rate**	**Decrease in rate**
Discount rate	1%	**(1,832,839)**	**1,985,251**	(819,879)	872,973
Expected rate of future salary increase	1%	**1,984,678**	**(1,833,111)**	868,694	(823,690)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

14.4 Expected maturity analysis

The weighted average duration of the defined benefit obligation is 8 years (2022: 7.03 years). The expected maturity analysis of undiscounted post-employment benefits is as follows:

	Within the 1 year	**Between 2 - 5 years**	**Over 5 years**	**Total**
December 31, 2023	**2,152,183**	**15,518,914**	**26,135,964**	**43,807,061**
December 31, 2022	2,466,583	12,844,819	18,225,236	33,536,638

(All amounts in Saudi Riyals unless otherwise stated)

15 Assets retirement obligations

	Note	2023	2022
January 1		**7,386,287**	6,968,195
Accretion of interest	23	**443,177**	418,092
December 31		**7,829,464**	7,386,287

16 Accruals and other current liabilities

	Note	2023	2022
Accrued expenses		**13,315,302**	25,389,847
Accrued quarry extraction fees		**8,423,163**	54,186,144
Contractors retentions		**10,809,792**	10,615,428
Accrued bonuses		**6,731,149**	6,467,808
Advances from customers		**5,627,597**	4,210,920
VAT payable		**5,074,085**	5,696,627
Accrued Board of Directors' remuneration	24	**2,470,000**	2,455,000
Others		**2,093,324**	2,715,080
		54,544,412	111,736,854

The carrying amounts of accruals and other current liabilities are considered to be the same as their fair values, due to their short-term nature.

16.1 Movement in advances from customer is as follows:

	2023	2022
At the beginning of the year	**4,210,920**	4,478,630
Revenue for the year*	**(180,444,889)**	(171,431,816)
Billing raised / advance received during the year	**181,861,566**	171,164,106
	5,627,597	4,210,920

* The above revenue represents revenue from contracts paid in advance by customers.

17 Zakat matters

17.1 Components of zakat base

	2023	2022
Amendment of net profit		
Profit before zakat	**201,512,512**	199,339,971
Provisions	**4,382,500**	4,756,745
Reversal of provision	**-**	(2,000,000)
Amended net profit	**205,895,012**	202,096,716

(All amounts in Saudi Riyals unless otherwise stated)

17 Zakat matters (continued)

17.1 Components of zakat base (continued)

	2023	**2022**
Zakat base		
Share capital	**1,200,000,000**	1,200,000,000
Statutory reserve	**360,000,000**	360,000,000
Retained earnings, adjusted	**130,724,777**	132,778,675
Provisions	**57,692,732**	63,486,694
Trade payables and other liabilities	**38,246,764**	13,712,371
Less:		
Property, plant and equipment	**(1,225,506,186)**	(1,287,233,888)
Right-of-use assets	**(1,394,954)**	(1,807,563)
Dividends paid	**(186,000,000)**	(194,943,159)
Spare parts inventories	**(118,170,890)**	(111,387,941)
Zakat base	**255,592,243**	174,605,189
Zakat due without amended net profit at 2.578%	**6,588,359**	4,500,769
Zakat due on amended net profit at 2.5%	**5,147,375**	5,052,418
Zakat expense	**11,735,734**	9,553,187

17.2 Provision for zakat

	2023	2022
January 1	**23,282,743**	21,964,462
Provision for the year	**12,740,013**	9,500,000
Payment during the year	**(9,553,187)**	(8,181,719)
December 31	**26,469,569**	23,282,743

17.3 Status of final assessments

The Company has finalized its Zakat status 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 Saudi Riyals 2,489,146. The Company objected against the said assessment, which is still under study by ZATCA.

The disputes regarding zakat assessments for the years 2006, 2007, 2008, and 2010 (issued by the authority) have been resolved with an amount of Saudi Riyals 23,506,742, the decisions were issued by the General Secretariat for Zakat Tax and Custom Committees ("GSZTC") in favor of the company on all items, and all invoices were cancelled based on the decision.

The Company received the decision issued by GSZTC regarding zakat assessment for year 2009 in the amount of Saudi Riyals 3,224,694 in favor of the company and awaiting ZATCA to cancel assessment invoice.

(All amounts in Saudi Riyals unless otherwise stated)

17 Zakat matters (continued)

17.3 Status of final assessments (continued)

The Company received the final decision issued by GSZTC regarding WHT for the years 2006 – 2010 with a total amount of Saudi Riyals 26,972,457 in favor of the company, and awaiting ZATCA to updated company account based on decision.

The Company filed its Zakat returns for the years from 2015 to 2017 and obtained Zakat certificates for the respective years. Accordingly, ZATCA issued Zakat assessments and claimed an additional Zakat liability amounting to Saudi Riyals 21,652,207 of which the Company paid Saudi Riyals 6,317,237 during 2021. The Company objected against the remaining amount of the assessments and for which their objection was rejected by ZATCA. The Company escalated the case to the Tax Dispute and Violation Appellate Committee ("the Committee"). The Committee have rendered its decision on November 7, 2023 and partially accepted the Company appeal resulting in reducing Zakat liability to Saudi Riyals 693,354. The Company has further filed an appeal with the GSZTC which is pending adjudication.

The Company filed its Zakat return for the year 2018 and obtained the restricted Zakat certificate. ZATCA issued the Zakat assessment for the year 2018 and claimed an additional zakat liability of Saudi Riyals 4,619,143. The Company paid Saudi Riyals 728,232 in respect of this additional liability, however, the Company also objected against the said assessment which was rejected by ZATCA. The Company escalated the case to the Committee, the Committee rendered its decision on November 7, 2023 and partially accepted the Company appeal resulting in a reduced Zakat liability to Saudi Riyals 4,583,226. The Company has further filed an appeal with the Tax GSZTC which is pending adjudication.

The Company filed its zakat return for the years 2019 and 2020 and obtained restricted Zakat certificates. 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 Saudi Riyals 2,811,242 for 2019 and Saudi Riyals 1,724,058 for 2020. The company escalated the case to GSZTC and the appeal was rejected by GSZTC.

Closing zakat provision includes Saudi Riyals 14.7 million (2022: 13.7 million) recognized in respect of ongoing zakat assessments.

18 Revenue

	2023	**2022**
Revenue from sale of cement	**661,893,884**	607,997,006
Less: volume discounts and rebates	**(18,510,636)**	(9,990,890)
	643,383,248	598,006,116

a) Disaggregation by customer type

	Note	**2023**	**2022**
Non-related parties		**500,454,478**	456,235,592
Related parties	24	**142,928,770**	141,770,524
		643,383,248	598,006,116

b) Disaggregation by geography

	2023	**2022**
Kingdom of Saudi Arabia	**634,642,559**	590,574,514
Hashemite Kingdom of Jordan	**4,801,641**	1,383,012
Kingdom of Bahrain	**2,671,097**	5,891,198
State of Kuwait	**610,470**	66,000
Sultanate of Oman	**561,481**	91,392
State of Qatar	**96,000**	-
	643,383,248	598,006,116

(All amounts in Saudi Riyals unless otherwise stated)

18 Revenue (continued)

c) Disaggregation by product type

The Company derives revenue from the sale of cement at a point in time in the following major product lines:

	2023	2022
Grey cement	**482,931,414**	463,823,008
White cement	**160,451,834**	134,183,108
	643,383,248	598,006,116

Revenue from two major customers amounted to Saudi Riyals 224.99 million and Saudi Riyals 105.75 million, respectively. (December 31, 2022: Saudi Riyals 230.98 million and Saudi Riyals 89.96 million, respectively). The rest of the revenue is derived from various customers whose individual revenue is less than 10% of total revenue.

19 Cost of Revenue

	Note	2023	2022
Raw materials consumed		**138,559,322**	115,792,125
Depreciation of property, plant and equipment	5	**104,084,611**	94,456,866
Depreciation of right of use assets	6	**412,609**	412,611
Salaries and wages		**68,271,659**	67,812,579
Repairs and maintenance		**41,680,558**	46,276,371
Packing		**16,261,876**	15,081,925
Quarry extraction fees		**28,596,143**	21,458,783
Insurance		**688,988**	627,632
Others		**7,928,319**	4,541,589
		406,484,085	366,460,481

20 General and administrative expenses

	Note	2023	2022
Salaries and other benefits		**23,133,096**	19,826,311
Board of directors' and other committees remuneration	24	**2,735,069**	2,455,000
Depreciation of property, plant and equipment	5	**1,907,750**	1,790,112
Professional fees		**3,360,357**	1,730,200
Utilities		**853,930**	506,072
Postage and telephone		**362,278**	383,431
Office supplies		**64,994**	77,912
Others		**632,607**	2,085,231
		33,050,081	28,854,269

Auditors' remuneration for the statutory audit of the Company's financial statements for the year ended 31 December 2023 amounts to Saudi riyals 380,000 (2022: Saudi riyals 425,000). Auditors' remuneration for the review of the Company's interim financial information during the year ended 31 December 2023 amounts to Saudi riyals 70,000 (2022: Saudi riyals 75,000). Fee for other statutory and related services provided by the auditors to the Company amounts to Saudi riyals 412,500 (2022: Saudi riyals 10,000).

(All amounts in Saudi Riyals unless otherwise stated)

21 Selling and marketing expenses

	Note	2023	2022
Employee related costs		**3,464,463**	3,396,074
Depreciation of property, plant and equipment	5	**164,678**	148,141
Others		**605,878**	395,750
		4,235,019	3,939,965

22 Other income

	Note	2023	2022
Reversal of expected credit losses	9	**984,338**	2,000,000
Gain on sale of scrap		**411,147**	970,728
Other		**54,261**	213,413
		1,449,746	3,184,141

23 Finance cost

	Note	2023	2022
Unwinding of discount of assets retirement Obligations	15	**443,177**	418,092
Interest on lease liabilities	6	**221,334**	121,735
Interest on employee's defined benefits liabilities	14	**1,079,273**	708,744
Bank Charges		**414,047**	-
Others		**126,412**	-
Interest on bank borrowings		**-**	1,347,000
		2,284,243	2,595,571

24 Related party transactions and balances

Related parties comprise the shareholders, directors, associate company, key management personnel. Related parties also include business entities in which certain directors or senior management have an interest (other related parties).

(a) Major shareholder

Following is the major shareholder of the Company:

Name	Country of incorporation	Effective ownership interest percentage	
		2023	2022
Rashid Development Company Limited (Rashidco)*	Saudi Arabia	**23.21**	23.21

* Rashid Development Company Limited (Rashidco) is 100% owned by Al Awael Investment Holding Company which is the ultimate parent of Rashid Development Company Limited (Rashidco).

(All amounts in Saudi Riyals unless otherwise stated)

24 Related party transactions and balances (continued)

(b) Following are the significant transactions with related parties:

Name	**Nature of transactions**	**2023**	2022
Alrashed Cement Company (common ownership)	Sales	**121,609,063**	90,698,250
Towa Development Company (common directorship)	Sales	**42,056,306**	33,323,564
Precast Building System Company (common directorship)	Sales	**702,728**	-

(c) Key management personnel compensation:

	2023	2022
Salaries and other employee benefits expense for the year	**8,801,700**	8,150,400
Salaries and other employee benefits outstanding balance	**2,508,000**	2,448,000
Post-employment benefits outstanding balance	**1,448,418**	2,529,958
	12,758,118	13,128,358

Key management personnel doesn't include remuneration of directors, which have been provided in (d) below:

(d) Directors and other committees' remuneration and related expenses

	2023	**2022**
Board of Directors' remunerations	**2,100,000**	2,100,000
Board of Directors' attendance fees and expenses	**175,000**	175,000
Audit committees' attendance fees and expenses	**265,069**	180,000
Other committees remuneration	**195,000**	-
	2,735,069	2,455,000

(e) Directors and other committees' remuneration outstanding balance

	Nature of relationship	**Note**	**2023**	**2022**
Accrued Board of Directors' remunerations	Board of Directors	16	**2,470,000**	2,450,000
			2,470,000	2,450,000

(f) Due from related parties

	2023	**2022**
Alrashed Cement Company (common ownership)	**44,232,156**	43,223,443
Towa Development Company (common directorship)	**14,737,610**	19,731,303
Precast Building System Company (common directorship)	**704,844**	-
	59,674,610	62,954,746

24 Related party transactions and balances (continued)

(g) Terms and conditions

The transactions with related parties are entered 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.

25 Financial risk management

25.1 Financial risk factors

The Company's activities expose it to a variety of financial risks including the effects of changes in market risk (including currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by the management under policies approved by the board of directors.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies, and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze 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 develop 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 risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Control department. Internal Control department undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in currency that is not the Company's functional currency. The Company's transactions are principally in Saudi Riyals, and United States Dollars. The management believes that there is no currency risk arising from the transactions in currencies to which the Saudi Riyals is pegged.

The Company's exposure to currency risk arising from currencies to which the Saudi Riyals is not pegged is not material to these financial statements.

(ii) Fair value and cash flow interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments. Management monitors the changes in interest rates and believes that the fair value and cash flow interest rate risks to the Company are not significant. As at December 31, 2023 and 2022, there are no outstanding borrowings and the fair value of interest bearing financial assets approximate their fair values.

(All amounts in Saudi Riyals unless otherwise stated)

25 Financial risk management (continued)

25.1 Financial risk factors (continued)

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from special commission rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or it's issuer, or factors affecting all similar financial instruments traded in the market. 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.

(b) Credit risk

Credit risk arises from cash and cash equivalents, credit exposures to customers, including outstanding receivables.

Credit risk is managed on a company basis. For banks, only independently rated parties above P-2 ratings are accepted (rated by Moody's credit rating agency or equivalent). For trade receivables, internal risk control department assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by line management. See Note 8 for concentration of credit risk.

A significant increase in credit risk is presumed if a debtor is more than 60 days past due in making a contractual payment. The Company defines trade receivables as in default, which is fully aligned with the definition of credit-impaired, when the counterparty fails to make contractual payments within 90 days of when they fall due. The Company categorizes a receivable for write off when a debtor fails to make contractual payments greater than 720 days past due and when there is no reasonable expectation of recovery. During the year, the Company has not written-off any over-due balances (2022: no write-off).

For majority of the trade receivables, the Company obtains security in the form of bank letter of guarantee, which can be called upon if the counterparty is in default under the terms of the agreement.

Where receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in statement of profit and loss.

Impairment of financial assets

The Company has the following financial assets that are subject to the expected credit loss model:

	2023	**2022**
Trade receivables – third parties	**151,935,779**	141,086,982
Trade receivables – related parties	**59,659,634**	62,940,581
Short term deposit	**20,617,848**	-
Cash and cash equivalents	**81,307,592**	89,934,028
Employees and other receivables	**131,317**	232,353
	313,652,170	294,193,944

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

(All amounts in Saudi Riyals unless otherwise stated)

25 Financial risk management (continued)

25.1 Financial risk factors (continued)

(b) Credit risk (continued)

IFRS 9 uses forward-looking 'expected credit loss' (ECL) model. Cash at banks are placed with banks with sound credit ratings.

Employee and other receivables are financial assets and are considered to have low credit risk; therefore, 12 months expected loss model was used for impairment assessment. Based on management impairment assessment, there is no provision required in respect of these balances for all the periods presented.

For trade receivables, the Company applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The provision matrix takes into account historical credit loss experience and is adjusted for average historical recovery rates. The historical loss rates are also considered to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and inflation rate to be the most relevant macro-economic factors of forward-looking information accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are grouped based on collateral:

	Note	2023	2022
Balances secured by bank guarantees	(i)	**208,065,274**	178,742,528
Balances unsecured	(ii)	**5,578,432**	28,317,666
		213,643,706	207,060,194

The following table provides information about the exposure to credit risk and ECL for secured and unsecured trade receivables separately:

Secured trade receivables

	2023		
	Gross carrying amount	**Loss rate**	**Loss allowance**
Current (0 -90 days)	**115,394,310**	**0.02%**	**25,964**
91-180 days	**66,653,528**	**0.02%**	**14,997**
181-270 days	**26,017,436**	**0.02%**	**5,854**
	208,065,274		**46,815**

	2022		
	Gross carrying amount	**Loss rate**	**Loss allowance**
Current (0 -90 days)	130,592,782	0.02%	29,383
91-180 days	30,536,031	0.02%	6,871
181-270 days	17,613,715	0.02%	3,963
	178,742,528		40,217

(All amounts in Saudi Riyals unless otherwise stated)

25 Financial risk management (continued)

25.1 Financial risk factors (continued)

(b) Credit risk (continued)

Unsecured trade receivables

	2023		
	Gross carrying amount	**Loss rate**	**Loss allowance**
Current (0 -90 days)	**3,520,329**	**0.24%**	**8,531**
91-180 days	**65,580**	**0.65%**	**424**
181-270 days	**-**	**-**	**-**
271-365 days	**-**	**-**	**-**
above 365 days	**1,992,523**	**100.00%**	**1,992,523**
	5,578,432		**2,001,478**

	2022		
	Gross carrying amount	**Loss rate**	**Loss allowance**
Current (0 -90 days)	16,450,230	0.47%	76,532
91-180 days	4,527,463	2.95%	133,433
181-270 days	3,673,847	20.58%	756,093
271-365 days	2,141,982	23.45%	502,212
above 365 days	1,524,144	100.00%	1,524,144
	28,317,666		2,992,414

Impairment reversal on financial assets recognized in the statement of profit and loss are as follows:

	Note	**2023**	**2022**
Expected credit loss reversal for financial assets	8	**984,338**	2,000,000
		984,338	2,000,000

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 720 days past due. During the year, the Company has not written-off any over-due balances (2022: no write-off).

(c) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. For instance, concentrations of liquidity risk may arise from the repayment terms of financial liabilities, bank overdraft or reliance on a particular market in which to realize liquid assets.

(All amounts in Saudi Riyals unless otherwise stated)

25 Financial risk management (continued)

25.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	2023			
	One or less than one year	**1 to 5 years**	**More than 5 years**	**Total**
Trade payables	**26,612,146**	**-**	**-**	**26,612,146**
Other current financial liabilities	**43,842,730**	**-**	**-**	**43,842,730**
Dividend payable	**15,539,037**	**-**	**-**	**15,539,037**
Lease liabilities	**3,120,000**	**600,000**	**900,000**	**4,620,000**
	89,113,913	**600,000**	**900,000**	**90,613,913**

	2022			
	One or less than one year	**1 to 5 years**	**More than 5 years**	**Total**
Trade payables	30,018,276	-	-	30,018,276
Other current financial liabilities	101,829,307	-	-	101,829,307
Dividend payable	15,755,253	-	-	15,755,253
Lease liabilities	2,480,000	1,000,000	1,080,000	4,560,000
	150,082,836	1,000,000	1,080,000	152,162,836

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Company's future commitments. Refer to Note 30 (iii) for unused credit facilities. The Company's terms of sales require amounts to be paid on a terms basis.

25.2 Capital risk management

The primary objective of the Company's capital management is to ensure that it maintains a proper capital ratio in order to support its business and maximize shareholders' value. The capital structure includes all component of shareholders' equity totaling Saudi Riyals 1.68 billion at December 31, 2023 (December 31, 2022: Saudi Riyals 1.67 billion). The Board of directors manages the Company capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated based on the net debt divided by total equity.

	2023	**2022**
Total borrowings	**-**	-
Lease liabilities	**3,788,785**	3,567,451
Less: cash and bank balances	**(21,307,592)**	(89,934,028)
Net funds	**(17,518,807)**	(86,366,577)
Total equity	**1,682,507,834**	1,675,185,740
Total capital	**1,200,000,000**	1,200,000,000
Gearing ratio	**(1%)**	(5%)

The net fund position indicates that the Company's capital structure is effectively comprised of equity only.

(All amounts in Saudi Riyals unless otherwise stated)

25 Financial risk management (continued)

25.3 Fair value estimation

As at December 31, 2023 and 2022, the fair values of the Company's financial instruments are estimated to approximate their carrying values since the financial instruments are short term in nature, bear no interest, except for short-term deposits which are at prevailing market rates.

26 Financial instruments

(a) Categories of financial instruments

The accounting policies for financial instruments have been applied to the line items below:

	At amortized cost	
December 31	**2023**	**2022**
Assets as per statement of financial position		
Trade and other receivables	**211,726,730**	204,259,916
Short term deposit	**20,617,848**	-
Cash and cash equivalents	**81,307,592**	89,934,028
Total	**313,652,170**	294,193,944

	At amortized cost	
December 31	**2023**	**2022**
Liabilities as per statement of financial position		
Trade payables	**26,612,146**	30,018,276
Accruals and other current liabilities	**54,544,412**	111,736,854
Lease liabilities	**3,788,785**	3,567,451
Total	**84,945,343**	145,322,581

27 Cash flow information

(a) Debt reconciliation

	Dividends payable	Lease Liabilities	Borrowings	Total
January 1, 2022	30,698,412	3,565,716	-	34,264,128
Cash inflow	-	-	100,000,000	100,000,000
Cash outflow	(194,943,159)	(120,000)	(100,000,000)	(295,063,159)
Others	180,000,000	121,735	-	180,121,735
December 31, 2022	15,755,253	3,567,451	-	19,322,704
Cash flows	**(186,216,216)**	-	-	**(186,216,216)**
Others	**186,000,000**	**221,334**	-	**186,221,334**
December 31, 2023	**15,539,037**	**3,788,785**	-	**19,327,822**

(All amounts in Saudi Riyals unless otherwise stated)

28 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.

	2023	**2022**
Profit for the year	**188,772,499**	189,839,971
Weighted average number of shares	**120,000,000**	120,000,000
Basic earnings per share (Saudi Riyals per share)	**1.57**	1.58

The Company does not have any dilutive potential shares.

29 Dividends

On December 11, 2023, the Board of Directors recommended dividend of Saudi Riyals 0.75 per share (Saudi Riyals 90 million in total) subject to approval of the shareholders in the forthcoming general assembly.

On August 23, 2023, as authorized according to the Company's By-laws, the Board of Directors approved interim dividends distribution of Saudi Riyals 0.8 per share (Saudi Riyals 96 million in total) for the second half of 2023, Payment against this dividend distribution commenced during 2023.

On May 3, 2023, the General Assembly approved dividends distribution of Saudi Riyals 0.75 per share (Saudi Riyals 90 million in total). Payments against this dividend distribution commenced during May 2023.

On May 23, 2022, the General Assembly approved dividends distribution of Saudi Riyals 0.75 per share (Saudi Riyals 90 million in total). Payment against this dividend distribution commenced during May 2022.

On September 04, 2022, as authorized according to the Company's By-laws, the Board of Directors approved interim dividends distribution of Saudi Riyals 0.75 per share (Saudi Riyals 90 million in total) for the first half of 2022, Payment against this dividend distribution commenced during 2022.

Below is the movement of dividend during the years ended 31 December:

	2023	**2022**
At the beginning of the year	**15,755,253**	30,698,412
Dividend declared during the year	**186,000,000**	180,000,000
Paid during the year	**(186,216,216)**	(194,943,159)
At the end of the year	**15,539,037**	15,755,253

30 Guarantees, letters of credit and commitments

i) Guarantees and letters of credit

The bank issued guarantees and letters of credit on behalf of the Company as at December 31, 2023 for an amount of Saudi Ryals 28.94 million (December 31, 2022: Saudi Riyals 26.12 million).

ii) Capital commitments

The Company has capital commitments in relation with contracts for constructing property, plant and equipment as at December 31, 2023 amounting to Saudi Ryals 19 million (December 31, 2022: Saudi Riyals 15.4 million).

30 Guarantees, letters of credit and commitments (continued)

iii) Credit facilities

The Company has unutilised credit facilities amounting to Saudi Riyals 50 million (December 31, 2022: Saudi Riyals 93.8 million). These credit facilities are secured against promissory notes. The credit facilities are denominated in Saudi Riyals and bears variable finance charge based on prevailing market rates of interest which are based on Saudi Arabian Interbank Offered Rate (SAIBOR) plus spread.

31 Reclassification of Comparative information

During the year ended December 31, 2023, the Company assessed the presentation of financial assets and non-financial assets in the statement of financial position . As a result, "Trade and other receivables" and "Advances, prepayments and other current assets" has been presented separately on the face of statement of financial position in order to improve readability and transparency. The impact of the reclassification on the financial statement is summarized as below:

Effect on statement of financial position

	As previously reported	**Reclassification**	**As reclassified**
As at December 31, 2022			
Assets			
Current assets			
Trade and other receivables	215,501,629	(11,241,713)	204,259,916
Advances, prepayments and other current assets	-	11,241,713	11,241,713

	As previously reported	**Reclassification**	**As reclassified**
As at January 1, 2022			
Assets			
Current assets			
Trade and other receivables	226,408,764	(17,559,764)	208,849,000
Advances, prepayments and other current assets	-	17,559,764	17,559,764

Effect on statement of cash flows

	As previously reported	**Reclassification**	**As reclassified**
For the year ended 31 December 2022			
Operating activities			
Change in operating assets and liabilities			
Trade and other receivables	12,907,135	(6,318,051)	6,589,084
Advances, prepayments and other current assets	-	6,318,051	6,318,051

The above adjustments have no impact on the statement of profit or loss and other comprehensive income and the statement of changes in equity.

32 Subsequent Event

On January 3, 2024, the Company announced that it had received a notice from the Saudi Arabian Oil Company (Saudi Aramco) that the price of fuel used in the Company's activities would be adjusted as at January 1, 2024. Such adjustment will have financial impact on the production cost starting from the results of the first quarter of the year 2024. Further, on January 30, 2024, the Company announced that the expected financial impact of the increase in fuel price is approximately 24.7% increase in production cost and the Company is exploring ways to reduce the impact.

33 Board of Directors authorization

The accompanying financial statements were authorized for issue by the Company's Board of Directors on March 18, 2024.