AL JOUF CEMENT COMPANY

(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

AL JOUF CEMENT COMPANY
(A Saudi Joint Stock Company)

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FOR THE YEAR ENDED 31 DECEMBER 2022

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Independent Auditor's Report

To the Shareholders of
Al-Jouf Cement Company
a Saudi Joint Stock Company
Riyadh, Kingdom of Saudi Arabia

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidation financial position of the Group as at 31 December 2022 and the results of its operations 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.

Basis for opinion

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

Material Uncertainty Related to Going Concern

We draw attention to note 3 to the consolidated financial statements which indicates, among other matters, that the Group's current liabilities exceeded current assets by SR 84.9 million as at 31 December 2022. To address this deficit, the Group's management has appointed a consulting firm to restructure its loans and the restructuring process is expected to be completed during the first half of 2023. The Group's management is fully confident of the success of the loans restructuring process. The success of the loans restructuring process depends mainly on the approval of the lenders. The possibility of the Group's failure in the loans restructuring process is considered remote from management's perspective. Nevertheless, the Group's need for third-party approvals indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2021 was audited by another auditor who issued a qualified audit report on 9 Ramadan 1443 corresponding to 10 April 2022.

The first qualification in the predecessor auditor's report relates to his inability to verify the validity of the assumptions and estimates used by management to prepare the impairment study of property, plant, and equipment as at 31 December 2021. Management subsequently updated the impairment study of property, plant and equipment as at 31 December 2021, and the updated study concluded that the recoverable amount of property, plant and equipment as at 31 December 2021 is SR 1,736 million. We checked the reasonableness of the assumptions and estimates used in the updated study. Management has also adjusted the impairment of property, plant and equipment and the impairment loss for the year ended 31 December 2021. Therefore, the qualification in this regard was removed.

Independent Auditor's Report (Continued)

To the Shareholders of
Al-Jouf Cement Company
a Saudi Joint Stock Company
Riyadh, Kingdom of Saudi Arabia

Other Matter (Continued)

The second qualification in the predecessor auditor's report relates to the Group's failure to present the non-current portion of long-term loans amounting SR 156 million as at 31 December 2021 under the current-portion as a result of a breach of financial covenants with certain banks as at 31 December 2021. The Group has adjusted the corresponding figures by presenting the non-current portion of long-term loans under current liabilities. Therefore, the qualification in this regard was removed.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Below is a description of each of the key audit matters and how they were addressed.

Key audit matter	How our audit addressed the key audit matter
Assessment of impairment of property, plant and equipment As at 31 December 2022, the carrying amount of property, plant and equipment was SR 1,712 million (2021: SR 1,737 million). Property, plant and equipment, is subject to impairment testing when there are internal or external indicators of impairment. Accordingly, management conducted an impairment test as at 31 December 2021 by comparing the recoverable amount of the cash-generating unit with its carrying amount to ensure that the carrying amount of the assets do not exceed their recoverable amounts. In determining the recoverable amount, management has estimated the value-in-use of the cash-generating unit which is based on a discounted cash flow model. Value in use is based on management's estimate of future performance as well as external market conditions. After the management performed the impairment test, this resulted in a restatement to corresponding figures for the year ended 31 December 2021 and reducing the impairment loss recognized in that year by SR 58.8 million. Impairment of property, plant and equipment is a key audit matter, due to the fact that calculating the recoverable amount of the cash-generating unit requires estimates and judgments about revenue growth and discount rates, and any change in these estimates may result in a material impact on the Group's financial results. This matter was disclosed in note 4 to the consolidated financial statements.	Our audit procedures included, among other matters, the use of our valuation experts to perform the following: • Obtaining the impairment model used by management to test property, plant and equipment. • Assess the methodology used in the model to calculate the recoverable amount. • Identify the key assumptions and ensure their reasonableness. • Ensure the arithmetical accuracy of the model. • We have also assessed the adequacy of disclosures in the consolidated financial statements of the Group

Independent Auditor's Report (Continued)

To the Shareholders of
Al-Jouf Cement Company
a Saudi Joint Stock Company
Riyadh, Kingdom of Saudi Arabia

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition During the year ended 31 December 2022, the Group recognized total revenue of SR 251.9 million (2021: SR 226.5 million). Most of the Group's revenue comprises the sale of ordinary cement, salt-resistant cement, agglomerated cement and pozzolanic cement. Revenue is recognized from contracts with customers at a specific point in time when the goods are delivered to customers. Revenue recognition is a key audit matter due to the risk of management override of controls by intentionally misrepresenting revenue transactions in order to achieve financial goals. Please refer to the significant accounting policies mentioned in note 31 and note 21 for more details about revenue.	Our audit procedures included, among other matters, the following: - Evaluating the appropriateness of accounting policies related to revenue recognition by taking into consideration the requirements of the relevant accounting standards. - Testing samples of revenue and vouching supporting documents such as delivery notes and comparing them to revenue recorded in journal entries. - Testing a sample of sales transactions made before and after the end of the year to assess whether revenues were recognized in the correct accounting period. - Carry out test of controls to test the operating effectiveness of internal controls around revenue. - We have also assessed the adequacy of disclosures in the consolidated financial statements of the Group.

Other Information included in the Group's 2022 Annual Report

Other information includes the information included in the Group's annual report for the year ended 31 December 2022, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in it is annual report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, we consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this to those charge with governance.

The Group's 2022 annual report is expected to be made available to us after the date of this audit report.

Independent Auditor's Report (Continued)

To the Shareholders of
Al-Jouf Cement Company
a Saudi Joint Stock Company
Riyadh, Kingdom of Saudi Arabia

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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, the provisions of Companies' Regulation and the Company's Bylaws, and for such internal control as management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, i.e. the board of directors, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidation 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report (Continued)

To the Shareholders of
Al-Jouf Cement Company
a Saudi Joint Stock Company
Riyadh, Kingdom of Saudi Arabia

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee 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 the audit committee 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, related safeguards.

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

For Baker Tilly MKM & Co.
Certified Public Accountants

Bader Hatim Altamimi
(License No. 489)
Riyadh on 18 Ramadan 1444H
Corresponding to 9 April 2023

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BAKER TILLY M K M & CO

AL JOUF CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	31 December 2022	31 December 2021	1 January 2021
ASSETS		*SR*	*SR*	*SR*
Non-current assets			(Restated note-33)	
Property, plant and equipment	4	**1,712,263,234**	1,737,167,810	1,772,234,398
Right of use assets	5	-	561,034	791,249
Intangible assets	6	**1,506,100**	1,882,625	-
Equity instruments at FVTOCI	7	-	-	-
		1,713,769,334	1,739,611,469	1,773,025,647
Current assets				
Equity instruments at FVTPL	8	**8,508,563**	9,174,155	7,823,239
Inventories	9	**154,344,311**	145,656,524	158,034,043
Trade receivables	10	**48,791,495**	19,590,304	77,116,778
Due from related parties	0	-	-	-
Prepayments and other receivables	11	**18,052,046**	11,364,481	20,620,331
Cash and cash equivalents	12	**16,977,082**	13,115,855	5,854,230
		246,673,497	198,901,319	269,448,621
TOTAL ASSETS		**1,960,442,831**	1,938,512,788	2,042,474,268
EQUITY AND LIABILITIES				
Equity				
Share capital	13	**1,087,000,000**	1,430,000,000	1,430,000,000
Statutory reserve		**54,475,832**	51,386,441	51,386,441
Retained earnings / (accumulated losses)		**40,861,759**	(332,973,898)	(239,103,791)
Fair value reserve		**(46,000,000)**	(46,000,000)	(46,000,000)
Foreign currency translation reserve		**(63,150)**	(63,150)	(61,176)
Total equity		**1,136,274,441**	1,102,349,393	1,196,221,474
Liabilities				
Non-current liabilities				
Lease liabilities	5	-	354,107	584,322
Long-term loans	15	**484,159,727**	337,643,648	530,590,698
Employee termination benefits	16	**8,386,180**	10,764,036	8,624,640
		492,545,907	348,761,791	539,799,660
Current liabilities				
Current portions of lease liabilities	5	-	206,927	206,927
Current portions of long-term loans	15	**112,658,165**	126,399,504	131,330,929
Non-current portion of long-term loans reclassified to current	15	-	156,459,753	-
Trade payables and other credit balances	17	**144,238,797**	120,051,920	88,634,253
Provision against loan guarantee	7	**39,594,920**	49,549,920	49,549,920
Other provisions	5	**31,340,132**	31,340,132	30,349,903
Zakat payable	19	**3,790,469**	3,393,448	6,381,202
		331,622,483	487,401,604	306,453,134
Total liabilities		**824,168,390**	836,163,395	846,252,794
TOTAL EQUITY AND LIABILITIES		**1,960,442,831**	1,938,512,788	2,042,474,268

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

AL JOUF CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022	2021
		SR	*SR*
Revenue from contracts with customers	21	**251,861,520**	226,515,823
Cost of revenue		**(170,471,638)**	(205,529,937)
Gross profit		**81,389,882**	20,985,886
Selling and marketing expenses	22	**(5,477,362)**	(4,896,837)
General and administrative expenses	23	**(17,465,226)**	(18,084,338)
Operating profit		**58,447,294**	(1,995,289)
Impairment of property, plant and equipment	28	-	(4,406,170)
Reversal / expected credit losses	10	**3,400,000**	(60,160,000)
Capital work in progress written off		-	(2,185,718)
Finance costs	25	**(30,901,264)**	(20,086,545)
Change in fair value of equity instruments at FVTPL	8	**(665,592)**	1,350,994
Other income / (loss)	24	**6,010,791**	(2,200,176)
Profit before zakat		**36,291,229**	(89,682,904)
Zakat charge	19	**(5,397,315)**	(2,957,223)
PROFIT (LOSS) FOR THE YEAR		**30,893,914**	(92,640,127)
Other Comprehensive Income (OCI)			
Items that may be reclassified to profit or loss in subsequent years:			
Exchange differences on translation of foreign operations		-	(1,974)
Items that will not be reclassified to profit or loss in subsequent years:			
Remeasurements of employee defined-benefit obligation	16	**3,031,134**	(1,229,980)
Other comprehensive income / (loss) for the year, net		**3,031,134**	(1,231,954)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**33,925,048**	(93,872,081)
Earnings per share:			
Basic and diluted earnings / (loss) per share		**0.28**	(0.85)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	*Share capital*	*Statutory reserve*	*Retained earnings / (accumulated losses)*	*Fair value reserve*	*Foreign currency translation reserve*	*Total equity*
		SR	*SR*	*SR*	*SR*	*SR*	*SR*
For the year ended 31 December 2022:							
As at 1 January 2022 (restated)	**33**	**1,430,000,000**	**51,386,441**	**(332,973,898)**	**(46,000,000)**	**(63,150)**	**1,102,349,393**
Profit for the year		**-**	**-**	**30,893,914**	**-**	**-**	**30,893,914**
Other comprehensive income		**-**	**-**	**3,031,134**	**-**	**-**	**3,031,134**
Total comprehensive income		**-**	**-**	**33,925,048**	**-**	**-**	**33,925,048**
Transfer to statutory reserve		**-**	**3,089,391**	**(3,089,391)**	**-**	**-**	**-**
Capital decrease	**13**	**(343,000,000)**	**-**	**343,000,000**	**-**	**-**	**-**
As at 31 December 2022		**1,087,000,000**	**54,475,832**	**40,861,759**	**(46,000,000)**	**(63,150)**	**1,136,274,441**
For the year ended 31 December 2021:							
As at 1 January 2021 (before restatement)		1,430,000,000	51,386,441	(192,636,305)	(46,000,000)	(61,176)	1,242,688,960
Restatement	33	-	-	(46,467,486)	-	-	(46,467,486)
As at 1 January 2021 (after restatement)		1,430,000,000	51,386,441	(239,103,791)	(46,000,000)	(61,176)	1,196,221,474
Loss for the year (restated)	33	-	-	(92,640,127)	-	-	(92,640,127)
Other comprehensive income		-	-	(1,229,980)	-	(1,974)	(1,231,954)
Total comprehensive loss		-	-	(93,870,107)	-	(1,974)	(93,872,081)
As at 31 December 2021		1,430,000,000	51,386,441	(286,506,412)	(46,000,000)	(63,150)	1,102,349,393

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

AL JOUF CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 SR	2021 SR
OPERATING ACTIVITIES		
Profit for the year	**30,893,914**	(92,640,127)
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	**32,076,618**	30,386,852
Depreciation of right of use assets	**222,835**	230,215
Amortization of intangible asset	**376,525**	-
Impairment of property, plant and equipment	-	4,406,170
loss on disposal of property, plant and equipment	**78,198**	2,164,104
Gain on disposal of right of use assets	**(41,273)**	-
Finance costs incurred	**30,901,264**	20,086,545
Change in fair value of equity instruments at FVTPL	**665,592**	(1,350,994)
Employee termination benefits incurred	**1,771,050**	1,670,200
Zakat charge	**5,397,315**	2,957,223
	102,342,038	(32,089,812)
Changes in working capital:		
Inventories	**(13,362,919)**	12,377,519
Trade receivables	**(29,201,191)**	57,526,474
Prepayments and other receivables	**(6,687,565)**	9,255,850
Trade payables and other credit balances	**18,601,571**	31,415,771
	71,691,934	78,485,802
Employee termination benefits paid	**(1,419,165)**	(1,016,451)
Zakat paid	**(5,000,294)**	(4,954,748)
Finance costs paid	**(24,989,200)**	(19,778,093)
Net cash flows from operating activities	**40,283,275**	52,736,510
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(3,510,275)**	**(3,840,605)**
Proceeds from disposal of property, plant and equipment	**935,167**	**67,442**
Net cash flows used in investing activities	**(2,575,108)**	(3,773,163)
FINANCING ACTIVITIES		
Repayment of long-term loans	**(33,684,986)**	(41,418,722)
Proceeds from long-term loans	**9,999,973**	-
Settlement of provision against loan guarantee	**(9,955,000)**	-
Settlement of lease liabilities	**(206,927)**	(283,000)
Net cash flows used in financing activities	**(33,846,940)**	(41,701,722)
Net change in cash and cash equivalents	**3,861,227**	7,261,625
Cash and cash equivalents at the beginning of the year	**13,115,855**	5,854,230
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**16,977,082**	13,115,855
NON-CASH TRANSACTIONS:		
Accrued interest	**5,585,306**	3,630,580
Capital decrease	**343,000,000**	-
Reclassification of inventory to property, plant and equipment	**4,675,132**	-
Reclassification of property, plant and equipment to intangible assets	-	1,882,625

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

1 COMPANY INFORMATION

Al-Jouf Cement Company (the "Company") is a Saudi joint stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010225259 issued in Riyadh on 1 Thul Qi'dah 1427H corresponding to 22 November 2006.

The Company is engaged in manufacturing ordinary cement (Portland), salt-resistant cement, white cement, agglomerated cement (clinker) and pozzolanic cement.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022 (the Company and its Subsidiaries are hereinafter referred to as the "Group").

Subsidiary name	Country of incorporation	Effective ownership	Main activities
Al-Jouf Cement Company	Kingdom of Jordan	**100%**	Import, export, wholesale and retail trade in the products of Al Jouf Cement Company.
Al-Jouf Investments Company	Kingdom of Saudi Arabia	**100%**	Wholesale and retail trade in cement and its by-products, commercial, undertakings, Import, export and marketing services for
Jahez Al-Jouf company limited	Kingdom of Saudi Arabia	**100%**	Wholesale of cement and similar products, road transport of merchandise.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group for the year ended 31 December 2022 have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (IFRS). Details of the Group’s significant accounting policies are disclosed in note 31.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. The financial statements are presented in Saudi Riyals which is also the functional currency of the Company and all values are rounded to the nearest Riyal (SR), except when otherwise indicated.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Other disclosures relating to the Company's exposure to risk and uncertainties' includes:

- Financial instruments risk management — Note 30
- Sensitivity analysis disclosures — Note 16

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

3.1 Judgements

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

Going concern basis of accounting

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to continue its operations in the foreseeable future. As stated in the consolidated financial statements, the Group's current liabilities exceeded its current assets by SR 84.9 million. To address this deficit, the Group's management submitted a letter to the Ministry of Industry and Mineral Resources to schedule an amount of SR 45 million owed by the Group. The Group's management has also appointed a consulting firm to restructure its loans, and the restructuring process is expected to be completed during the first half of 2023.The success of the loan restructuring process depends mainly on the approval of the lenders.

The Group's management considers the possibility of the failure in the loans restructuring process a remote possibility from its perspective. Also, management has taken steps to reduce costs, increase sold quantities, improve selling prices and increase operational efficiency of its plant in terms of production quantities. Nevertheless, management acknowledges that the Group's need for third-party approvals on the loan restructuring indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as going concern. The Group's management is fully confident of the success of its plans. Therefore, these consolidated financial statements have been prepared on a going concern basis.

3.2 Estimates and assumptions

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

Fair value measurement of financial instruments

When the fair values of financial assets cannot be measured based on a quoted price or active trading of some instruments at the date the statement of financial position. Fair value is estimated using various valuation techniques which include the use of pricing models where the information is taken from observing the market. Where this is not feasible, a degree of estimate and judgement is required in establishing fair values.

Other provisions with a carrying amount of SR 31.3 million relates to management’s assessment of the amount of zakat payable on open zakat positions where the liabilities remain to be agreed with the Zakat, Tax and Customs Authority (ZATCA). Due to the uncertainty associated with such zakat items, it is possible that, on finalization of open zakat assessments at a future date, the final outcome may differ significantly. Note 19 describes the status of zakat assessments.

Useful lives and salvage value of property, plant and equipment

The Group determines the estimated useful lives of its property, plant and equipment for calculating depreciation after considering the expected usage of the assets or physical wear and tear.

The depreciation method for machinery and equipment in the Group’s plant were adjusted from the unit-of-production method to the straight-line method with effect from 1 January 2022 where the change in the depreciation method was accounted for as a change in an accounting estimate, and the remaining book value of machinery and equipment was depreciated according to the new depreciation method (note 31). Management also determined the salvage value of machinery and equipment at 10% of its cost.

The change in the depreciation method and residual value led to an increase in depreciation expense by SR 2.6 million during the year ended 31 December 2022.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

3.2 Estimates and assumptions (continued)

Uncertain zakat positions

Impairment of property, plant and equipment

The production lines in the Group's plant constitute a single cash-generating unit. The recoverable amount of the Group's cash-generating unit as at 31 December 2021 was SR 1,737 million. The recoverable amount was estimated using a value in use model whereby the selling value of property, plant and equipment was ignored as it would be significantly less than the value in use.

The most significant assumptions used in the value in use calculation model as at 31 December 2021 were as follows:

- A substantial increase in the quantities sold, starting from 2024, as a result of the expected demand from the NEOM and Red Sea projects.
- Growth of selling prices by 2.2% annually.
- Using a discount rate of 11%.

Impairment of trade receivables

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

The provision matrix is initially based on the Group’s historical observed default rates. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. At every reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future. The information about the ECLs on the trade receivables is disclosed in Notes 10.

Long term assumption of employees' termination benefits

Employee termination benefits represent obligations which will be paid in the future upon the termination of employment contracts. Management has to make assumptions about the variables such as discount factor, salary increase rate, mortality rates and employee turnover. The Group's management periodically takes advice from external actuarial experts on these assumptions. Changes in key assumptions could materially affect the provision for employees' termination benefits.

4 PROPERTY, PLANT AND EQUIPMENT

	Machinery & equipment	*Buildings*	*Roads & infrastructure*	*Motor vehicles*	*Strategic spare parts*	*Others*	*Capital work in progress*	*Total*
Cost:	***SR***	***SR***	***SR***	***SR***	***SR***	***SR***	***SR***	***SR***
At 1 January 2021 (restated - note 33)	1,070,319,302	143,139,303	90,478,595	10,053,289	12,074,965	11,818,800	944,622,532	2,282,506,786
Additions	2,616,384	42,000	-	-	916,691	265,530	-	3,840,605
Disposals	-	(9,764)	-	(586,300)	-	(1,394,329)	(2,174,551)	(4,164,944)
Transferred to intangible assets	-	-	-	-	-	-	(1,882,625)	(1,882,625)
Transfers	712,204,437	228,360,919	-	-	-	-	(940,565,356)	-
Reclassification	(20,963,011)	(233,182)	-	17,794,256	-	3,401,937	-	-
At 31 December 2021	1,764,177,112	371,299,276	90,478,595	27,261,245	12,991,656	14,091,938	-	2,280,299,822
Additions	**2,458,468**	**412,054**	**-**	**-**	**-**	**639,753**	**-**	**3,510,275**
Disposals	**-**	**-**	**-**	**(2,502,424)**	**(1,619,896)**	**(26,650)**	**-**	**(4,148,970)**
Transferred from inventory	**-**	**-**	**4,675,132**	**-**	**-**	**-**	**-**	**4,675,132**
At 31 December 2022	**1,766,635,580**	**371,711,330**	**95,153,727**	**24,758,821**	**11,371,760**	**14,705,041**	**-**	**2,284,336,259**
Accumulated depreciation and impairment:								
At 1 January 2021 (restated - note 33)	336,461,430	119,378,711	29,050,367	9,110,411	6,123,365	10,148,104	-	510,272,388
Charge for the year	18,285,709	7,624,677	1,864,032	477,316	1,299,166	835,952	-	30,386,852
Impairment	4,406,170	-	-	-	-	-	-	4,406,170
Disposals	-	(5,577)	-	(586,295)	-	(1,341,526)	-	(1,933,398)
Reclassification	(7,284,669)	(233,182)	-	5,125,706	-	2,392,145	-	-
At 31 December 2021	351,868,640	126,764,629	30,914,399	14,127,138	7,422,531	12,034,675	-	543,132,012
Charge for the year	**20,072,697**	**6,659,884**	**2,442,888**	**1,053,515**	**1,150,423**	**697,211**	**-**	**32,076,618**
Disposals	**-**	**-**	**-**	**(1,975,032)**	**(1,133,927)**	**(26,646)**	**-**	**(3,135,605)**
At 31 December 2022	**371,941,337**	**133,424,513**	**33,357,287**	**13,205,621**	**7,439,027**	**12,705,240**	**-**	**572,073,025**
Net book values:								
At 31 December 2022	**1,394,694,243**	**238,286,817**	**61,796,440**	**11,553,200**	**3,932,733**	**1,999,801**	**-**	**1,712,263,234**
At 31 December 2021	1,412,308,472	244,534,647	59,564,196	13,134,107	5,569,125	2,057,263	-	1,737,167,810

4 PROPERTY, PLANT AND EQUIPMENT (continued)

- The Group plant located in the city of Turaif with a book value of SR 1,712 million as at 31 December 2022 (2021: SR 1,737 million) is constructed on land leased from the Ministry of Industry and Mineral Resources for thirty years ending in 2037.

- The Group's property, plant and equipment wit ha carrying amount of SR 1,712 million as at 31 December 2022 (2021: SR 1,737 million) is mortgaged as security against long-term loans (note 15).

- The additions to accumulated depreciation and impairment for the year 2021 include an impairment loss of SR 4.4 million to reduce the carrying amount of property, plant and equipment to its recoverable amount. Impairment losses are recognized in the consolidated statement of profit or loss. The recoverable amount as at 31 December 2021 which amounted SR 1,737 million is based on value-in-use and was determined at the cash-generating unit level.

5 LEASES

5.1 RIGHT OF USE ASSETS

	Buildings	***Total***
Cost:	***SR***	***SR***
At 1 January 2021	1,151,075	1,151,075
Additions	(359,826)	(359,826)
At 31 December 2021	791,249	791,249
Additions	**-**	**-**
Disposals	**(791,249)**	**(791,249)**
At 31 December 2022	**-**	**-**
Accumulated depreciation:		
At 1 January 2021	359,826	359,826
Charge for the year	230,215	230,215
Disposals	(359,826)	(359,826)
At 31 December 2021	230,215	230,215
Charge for the year	**211,026**	**211,026**
Disposals	**(441,241)**	**(441,241)**
At 31 December 2022	**-**	**-**
Net book values:		
At 31 December 2022	**-**	**-**
At 31 December 2021	561,034	561,034

5.2 LEASE LIABILITIES

The movement of lease liabilities for the years ended 31 December were as follows:

	2022	2021
	SR	*SR*
1 January	**561,034**	791,249
Additions	-	-
Disposals	**(379,472)**	-
Interest due	**25,365**	52,785
Paid	**(206,927)**	(283,000)
31 December	-	561,034
Less: Current portion	-	(206,927)
Non-current portion	-	354,107

6 INTANGIBLE ASSETS

	Software and ERP systems	*Total*
	SR	***SR***
Cost:		
At 1 January 2021	-	-
Additions	1,882,625	1,882,625
At 31 December 2021	1,882,625	1,882,625
Additions	**-**	**-**
At 31 December 2022	**1,882,625**	**1,882,625**
Accumulated amortization:		
At 1 January 2021	-	-
Charge for the year	-	-
At 31 December 2021	-	-
Charge for the year	**376,525**	**376,525**
At 31 December 2022	**376,525**	**376,525**
Net book values:		
At 31 December 2022	**1,506,100**	**1,506,100**
At 31 December 2021	1,882,625	1,882,625
Useful lives	**5**	

7 EQUITY INSTRUMENTS AT FVTOCI

	Ownership percentage	**31 December 2022**	31 December 2021
		SR	*SR*
Eastern Industrial Company (EIC) - Saudi Closed Joint Stock Co.*	10%	**46,000,000**	46,000,000
Less: Fair value reserve for investment in Eastern Industrial Company**		**(46,000,000)**	(46,000,000)
		-	-

* The Group owns 10% of Eastern Industrial Company (a Saudi Closed Joint Stock Co.). The Group does not have any control or significant influence over this company.

** During the previous years, the Group reduced investment amount to nil through the fair value reserve as a result of the accumulated losses incurred by EIC and the resolution of the shareholders of EIC to liquidate it. A liquidator was appointed to carry out the liquidation.

On 21 Jumada II 1443H (corresponding to 24 January 2022), the Group received a claim from the Saudi Industrial Development Fund amounting SR 49,549,920 as a result of the default of EIC. This claim represents the Group share of EIC loan which was previously guaranteed by the Group. Accordingly the Group has recognized the full amount in the year ended 31 December 2021 under provision against loan guarantee and part of this provision was settled during the year ended 31 December 2022.

8 EQUITY INSTRUMENTS AT FVTPL

The equity instruments at fair value through profit or loss comprise the following:

	31 December 2022	31 December 2021
	SR	*SR*
Units in KASB City Real Estate Fund	**8,508,563**	9,174,155

The movement of financial assets at fair value through profit or loss is as follows:

	2022	2021
	SR	*SR*
At the beginning of the year	**9,174,155**	7,823,161
Remeasurement through profit or loss	**(665,592)**	1,350,994
At the end of the year	**8,508,563**	9,174,155

The Group owns one million units in KASB City Real Estate Fund as at 31 December 2022 (31 December 2021: one million units). The fair value per unit amounted SR 8.5 as at 31 December 2022 (31 December 2021: SR 9.17).

The fair value of the investment in KASB City Real Estate Fund is based on the fair value measurement that is carried out semi-annually. The last valuation of this fund was on 31 December 2022.

9 INVENTORIES

	31 December 2022	31 December 2021
	SR	*SR*
Raw materials	**5,167,668**	8,242,145
Finished products and work in process	**84,139,150**	75,815,338
Spare parts	**54,450,457**	53,699,437
Fuel and consumables	**10,587,036**	7,899,604
	154,344,311	145,656,524

During 2022, nil (2021: SR 18 million) was recognized as an expense to write down the cost of inventories to net realisable value. This is recognised in cost of sales.

10 TRADE RECEIVABLES

	31 December 2022	31 December 2021
	SR	*SR*
Trade receivables	**99,272,611**	85,913,741
Less: allowance for expected credit losses	**(50,481,116)**	(66,323,437)
	48,791,495	19,590,304

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

10 TRADE RECEIVABLES (continued)

The movement in the allowance for expected credit losses is as follows:

	2022	2021
	SR	*SR*
1 January	**66,323,437**	6,167,069
Additions	**2,600,000**	60,160,000
Write-offs	**(12,442,321)**	(3,632)
Reversed	**(6,000,000)**	-
31 December	**50,481,116**	66,323,437

An aged analysis of trade receivables as at 31 December is as follows:

		Past due				
	Not past due	**< 180 days**	**181-365 days**	**366-730 days**	**> 730 days**	**Total**
	SR	***SR***	***SR***	***SR***	***SR***	***SR***
As at 31 December 2022						
ECL rate	1.31%	16.45%	52.48%	91.71%	100%	
Gross value	45,125,505	4,232,240	1,517,294	339	48,397,233	99,272,611
Credit loss	590,976	696,303	796,293	311	48,397,233	50,481,116
Net value	44,534,529	3,535,937	721,001	28	-	48,791,495

11 PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2022	31 December 2021
	SR	*SR*
Prepayment to suppliers	**17,864,856**	16,857,348
Due from Ministry of Commerce	**3,790,884**	3,790,884
Prepaid expenses	**7,652,486**	1,979,430
	29,308,226	22,627,662
Less: allowance for impairment	**(11,263,181)**	(11,263,181)
	18,045,045	11,364,481

12 CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
	SR	*SR*
Cash on hand	**-**	-
Cash at bank	**16,977,082**	13,115,855
	16,977,082	13,115,855

13 SHARE CAPITAL

The capital of the Company as at 31 December 2022 comprised 108.7 million shares stated at SR 10 per share (2021: 143 millions shares at SR 10 per share).

The shareholders of the Company at the Extraordinary General Assembly held On 2 Safar 1444H (corresponding to 29 August 2022) approved the decrease of Company's capital from SR 1,430 million to SR 1,087 million by decreasing the number of shares from 143.0 million shares to 108.7 million shares amounting SR 10 per each share to absorb the Company's accumulated losses of SR 343 million. The legal formalities have been completed to reflect this decrease.

14 CAPITAL MANAGEMENT

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

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the level of borrowing and adjust the dividend payment to shareholders.

15 LONG-TERM LOANS

Long-term loans comprise the following:

	31 December 2022	31 December 2021
	SR	*SR*
Saudi Industrial Development Fund loan (note A)	**57,000,000**	62,000,000
SABB Bank loan (note B)	**167,659,754**	187,362,361
Alinma Bank loan (note C)	**356,999,973**	347,000,000
Al-Jazira Bank loan (note D)	**15,158,165**	24,140,544
	596,817,892	620,502,905

	31 December 2022	31 December 2021
	SR	*SR*
Non-current portion of long term loans	**484,159,727**	337,643,648
Non-current portion of long term loans reclassified to current	**-**	156,459,753
Current portion of long term loans	**112,658,165**	126,399,504
	596,817,892	620,502,905

A- The Group obtained a loan from the Saudi Industrial Development Fund. This loan is guaranteed by mortgage of all existing buildings or those that will be constructed in the concession area granted to the Group located to the southeast of Turaif Governorate on which the Company’s factory is located, with an area of 22.6 square kilometers with the entire factory and its equipment, plants and facilities (note 4). As per the agreement the balance is due and the Group paid SR 5 millions during the year.

B- The Group has a loan from SABB Bank. This loan is guaranteed by a promissory note. This loan will be repaid in quarterly installments. The last installment is due in April 2027. The loan charges financing cost based on the borrowing rate between Saudi banks plus a fixed margin.

As at 31 December 2021, the non-current portion of SABB bank loan has been reclassified to current liabilities due to the Group's breach of the covenants mentioned in the facility agreement. This breach entitled the bank to claim the full amount of the loan.

C- The Group has a loan from Alinma Bank. This loan is guaranteed by a second mortgage on the property, plant and equipment of the Group (note 4). This loan is to be paid in semi-annual installments. The last installment is due in August 2029. The loan charges financing cost based on the borrowing rate between Saudi banks plus a fixed margin.

D- The Group has a loan from Al-Jazira Bank. This loan is guaranteed by a promissory note for the full amount of the loan. The loan will become fully due in the second quarter of 2023. The loan charges financing cost based on the borrowing rate between Saudi banks plus a fixed margin.

15 LONG-TERM LOANS (continued)

The maturity schedule for long-term loans as at 31 December is as follows:

	31 December 2022	31 December 2021
	SR	*SR*
Less than one year	**112,658,165**	282,859,257
From one year to two years	**74,199,973**	48,873,827
From two years to three years	**60,000,000**	83,682,798
More than three years	**349,959,754**	205,087,023
	596,817,892	620,502,905

16 EMPLOYEE TERMINATION BENEFITS

The movement in employee termination benefits, a defined benefit plan, during the year is as follows:

	2022	2021
	SR	*SR*
1 January	**10,764,036**	8,624,640
Expense charged to profit or loss	**2,072,443**	1,925,867
Actuarial remeasurement charged to OCI	**(3,031,134)**	1,229,980
Paid	**(1,419,165)**	(1,016,451)
31 December	**8,386,180**	10,764,036

The expense charged to profit or loss comprise the following:

	2022	2021
	SR	*SR*
Current service cost	**1,771,050**	1,670,200
Interest cost	**301,393**	255,667
Cost recognized in profit or loss	**2,072,443**	1,925,867

Significant actuarial assumptions

	As at 31 December	
	2022	2021
Discount factor used	**5.20%**	2.80%
Salary increase rate	**3.00%**	3.00%
Rates of employee turnover	**Moderate**	Moderate

Sensitivity analysis of key actuarial assumptions are as follows:

	2022		2021	
	%	**SR**	%	SR
Discount rate				
Increase	**+ 1%**	**7,708,177**	+ 1%	9,940,529
Decrease	**- 1%**	**9,184,258**	- 1%	11,656,023
Salary growth rate				
Increase	**+ 1%**	**9,194,267**	+ 1%	11,655,765
Decrease	**- 1%**	**7,688,602**	- 1%	9,940,407

17 TRADE PAYABLES AND OTHER CREDIT BALANCES

	31 December 2022	31 December 2021
	SR	*SR*
		(Restated-note 33)
Accounts payable	**90,633,232**	76,160,421
Accrued expenses	**22,746,447**	15,245,884
Accrued finance costs	**10,151,390**	4,566,084
Government claims provision	**10,000,000**	10,000,000
Refund liabilities (note 21)	**7,727,686**	-
Retentions payable	**944,284**	11,029,085
Other payables	**2,035,758**	3,050,446
	144,238,797	120,051,920

18 OTHER PROVISIONS

The Group built a provision amounting SR 31.3 million to meet contingent liabilities that may result from the Group's objection on zakat assessments issued by the Zakat, Tax and Customs Authority (ZATCA). This objection is still under legal proceedings at the date of these consolidated financial statements. (Adjusted - note 33)

19 ZAKAT PAYABLE

19.1 Basis for Zakat:

The Company is subject to zakat. Zakat is payable at 2.5% of the greater of the approximate zakat base and adjusted profit. The significant components of the zakat base under zakat regulation principally comprise shareholders' equity, provisions, long-term borrowings at the beginning of year and adjusted net income, less a deduction for the net book value of long-term assets.

19.2 Zakat charged to profit or loss:

	2022	2021
	SR	*SR*
		(Restated-note 33)
Current zakat charges	**5,397,315**	2,957,223
Adjustments in respect of zakat of previous years	**-**	-
	5,397,315	2,957,223

19.3 The movement in the zakat payable is as follows:

	2022	2021
	SR	*SR*
		(Restated-note 33)
1 January	**3,393,448**	5,390,973
Charge for the year	**5,397,315**	2,957,223
Paid	**(5,000,294)**	(4,954,748)
31 December	**3,790,469**	3,393,448

19 ZAKAT PAYABLE (continued)

19.4 Status of assessments:

The Company received a Zakat assessment for the years 2014 to 2018 amounting SR 34.3 million. An objection was made and it was partially accepted. The objection was escalated to the General Secretariat of the Tax Committees. The revised assessment that ZATCA continues to claim for these years amounts SR 27.7 million .

The Company received a Zakat assessment for the years 2019 and 2020 amounting SR 3.4 million. An objection against this assessment has been filed by the Company to ZATCA, and an advance payment was made in order for the Company to complete the objection procedures. The objection was rejected by ZATCA and it was escalated to the General Secretariat of the Tax Committees and no decision was issued by the Committee until the date of the consolidated financial statements.

A sufficient provision was created against the claims raised by ZATCA for the years 2014 to 2020.

20 EARNINGS PER SHARE

	2022	2021
	SR	*SR*
		(Restated-note 33)
Net profit for the period (SR)	**30,893,914**	(92,640,127)
Weighted average number of shares outstanding	**108,700,000**	108,700,000
Basic and diluted earnings per share (SR)	**0.28**	**(0.85)**

The weighted average number of shares outstanding during the year ended 31 December 2021 was adjusted retrospectively as a result of capital decrease (note 13).

21 REVENUE FROM CONTRACTS WITH CUSTOMERS

21.1 DISAGGREGATED REVENUE INFORMATION

The Group's revenue comprises the sale of ordinary cement, salt-resistant cement, agglomerated cement and pozzolanic cement. Revenue from contracts with customers is recognized at a specific point in time when the goods are delivered to customers.

The Group's revenues from contracts with customers are classified by product type into:

	2022	2021
	SR	*SR*
Cement	**176,039,280**	207,361,981
Clinker	**52,558,987**	12,648,059
Freight	**23,263,253**	6,505,783
	251,861,520	226,515,823

The Group's revenues from contracts with customers are classified by geographical areas into:

	2022	2021
	SR	*SR*
Local sales	**200,889,776**	209,635,851
Exports	**50,971,744**	16,879,972
	251,861,520	226,515,823

Refund liabilities resulting from volume rebate amounted SR 7.7 million as at 31 December 2022 (31 December 2021 : nil). Refund liabilities are disclosed in note 17.

22 SELLING AND MARKETING EXPENSES

	2022	2021
	SR	*SR*
Employee benefits	**3,110,161**	2,911,738
Depreciation and amortization	**1,991,167**	1,684,812
Professional fees	**320,000**	240,000
Other	**56,034**	60,287
	5,477,362	4,896,837

23 GENERAL AND ADMINISTRATIVE EXPENSES

	2022	2021
	SR	*SR*
Employee benefits	**10,110,015**	8,984,260
Board of directors remuneration	**2,815,418**	3,584,307
Professional fees	**1,221,798**	858,256
Depreciation and amortization	**726,996**	1,404,957
Depreciation of right-of-use assets	**222,835**	230,215
Donations	**460,000**	304,750
Utilities	**983,097**	796,049
Fees	**516,187**	674,162
Other	**408,880**	1,247,382
	17,465,226	18,084,338

24 OTHER INCOME / (LOSS)

	2022	2021
	SR	*SR*
Loss on disposal of property, plant and equipment	**(78,198)**	(2,164,104)
Sales of scrap	**3,179,740**	-
Reversal of excess provisions	**2,323,672**	-
Other	**585,577**	(36,072)
	6,010,791	(2,200,176)

25 FINANCE COSTS

	2022	2021
	SR	*SR*
Murabaha commission on long-term loans	**30,574,506**	19,778,093
Unwinding of discount on lease liabilities	**25,365**	52,785
Unwinding of discount on employee termination benefits	**301,393**	255,667
	30,901,264	20,086,545

26 RELATED PARTY DISCLOSURES

The following table provides the total amount of material transactions that have been entered into with related parties and the related balances as at 31 December:

		Amounts due from related parties
Investee		**SR**
Eastern Industrial Company	**2022**	**41,268,824**
	2021	41,268,824
Less: Impairment allowance	**2022**	**(41,268,824)**
	2021	(41,268,824)
Total	**2022**	**-**
	2021	**-**

26 RELATED PARTY DISCLOSURES (continued)

An impairment was made for the full amount due from Eastern Industrial Company because the shareholders of Eastern Industrial Company have resolved to liquidate it, and the management expect that it will not be able to recover these amounts.

Compensation of key management personnel

	2022	2021
	SR	*SR*
Short term employee benefits	**3,490,344**	3,026,921
Termination benefits	**263,362**	252,243
Total compensation of key management personnel	**3,753,706**	3,279,164

27 COMMITMENTS AND CONTINGENCIES

Contingency

The Group is contingently liable for bank guarantees and letters of credit issued in the normal course of business amounting SR 2,918,087 as at 31 December 2022.

28 EMPLOYEE BENEFITS, DEPRECIATION, AMORTISATION, AND IMPAIRMENT INCLUDED IN THE STATEMENT OF PROFIT OR LOSS

	2022	2021
Included in cost of sales:	***SR***	*SR*
Employee benefits	**13,817,536**	15,141,714
Depreciation of property, plant and equipment	**29,358,455**	27,297,083
Depreciation of right-of-use assets	**-**	-
Amortisation	**376,525**	-
Included in selling and marketing expenses:		
Employee benefits	**3,110,161**	2,911,738
Depreciation of property, plant and equipment	**1,991,167**	1,684,812
Amortisation	**-**	-
Included in general and administrative expenses:		
Employee benefits	**10,110,015**	8,984,260
Depreciation of property, plant and equipment	**726,996**	1,404,957
Depreciation of right-of-use assets	**222,835**	230,215
Amortisation	**-**	-

29 SEGMENT REPORTING

The Group has one business segment which is mainly represented in the production and sale of ordinary (Portland) cement, salt-resistant cement, agglomerated cement (clinker) and pozzolanic cement. The Group operates in the city of Turaif in the Kingdom of Saudi Arabia.

30 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

30.1 Fair value measurements of financial instruments

The following table shows the carrying amounts and fair values of financial assets, other than cash and cash equivalents, and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	31 December 2022						
	Carrying amount			Fair value			
	Fair value	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR	SR	SR	SR
Financial assets							
Equity instruments at FVTPL	8,508,563	-	8,508,563	-	8,508,563	-	8,508,563
Trade receivables	-	48,791,495	48,791,495	-	-	-	-
	8,508,563	48,791,495	57,300,058	-	8,508,563	-	8,508,563
Financial liabilities							
Trade payables	-	144,238,797	144,238,797	-	-	-	-
Long-term loans	-	596,817,892	596,817,892	-	-	-	-
Provision against loan guarantee	-	39,594,920	39,594,920	-	-	-	-
	-	780,651,609	780,651,609	-	-	-	-

30 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

30.1 Fair value measurements of financial instruments (continued)

	31 December 2021						
	Carrying amount			Fair value			
	Fair value	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR	SR	SR	SR
Financial assets							
Equity instruments at FVTPL	9,174,155	-	9,174,155	9,174,155	-	-	9,174,155
Trade receivables	19,590,304	-	19,590,304	-	-	-	-
	28,764,459	-	28,764,459	9,174,155	-	-	9,174,155
Financial liabilities							
Trade payables	-	120,051,920	120,051,920	-	-	-	-
Long-term loans	-	620,502,905	620,502,905	-	-	-	-
Provision against loan guarantee	-	49,549,920	49,549,920	-	-	-	-
	-	790,104,745	790,104,745	-	-	-	-

30 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

30.1 Risk Management of Financial Instruments

The Group's activities expose it to a variety of financial risks such as credit risk, liquidity risk and market price risk.

Credit Risk:
Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on its contract assets, trade receivables and bank balances as follows.

	31 December 2022	31 December 2021
	SR	*SR*
Trade receivables	**48,791,495**	19,590,304
Other receivables	**21,655,740**	20,648,232
Bank balances	**16,977,082**	13,115,855
	87,424,317	53,354,391

The carrying amount of financial assets represents the maximum credit exposure.

The Group seeks to limit its credit risk with respect to trade receivables by setting credit limits for individual customers and by monitoring outstanding balances on an ongoing basis. The receivable balances are monitored with the result that the Group's exposure to bad debts is not significant. The five largest customers account approximately for 59% of outstanding trade receivables at 31 December 2022 (2021: 57%).

Bank balances are held with banks with sound credit ratings.

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 the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities of financial liabilities at the end of the reporting period .

	31 December 2022			
	Carrying amount	**Less than 1 year**	**1 year to 5 years**	**More than 5 years**
Financial Liabilities	**SR**	**SR**	**SR**	**SR**
Trade payables	**144,238,797**	**144,238,797**	**-**	**-**
Long-term loans	**596,817,892**	**112,658,165**	**258,159,727**	**226,000,000**
Warranty provision	**39,594,920**	**39,594,920**	**-**	**-**
	780,651,609	**296,491,882**	**258,159,727**	**226,000,000**

	31 December 2021			
	Carrying amount	Less than 1 year	1 year to 5 years	More than 5 years
Financial liabilities	SR	SR	SR	SR
Trade payables	120,051,920	120,051,920	-	-
Long-term loans	620,502,905	282,859,257	71,143,648	266,500,000
Warranty provision	49,549,920	49,549,920	-	-
Lease liabilities	561,034	206,927	354,107	-
	790,665,779	452,668,024	71,497,755	266,500,000

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and credit facilities are available to meet the Group's future commitments.

30 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

30.1 Risk Management of Financial Instruments (continued)

Market Risk:
Market price risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices, such as foreign exchange rates and interest rates, and will affect the Group's profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency Risk:
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that's not the Company's currency. The Group's exposure to foreign currency risk is primarily limited to transactions in United State Dollars ("USD"). Management believes that their exposure to currency risk associated with USD is limited as the Company's currency is pegged to USD. The fluctuation in exchange rates against other currencies is monitored on a continuous basis.

Interest Rate Risk
Interest rate risk is the exposure associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. Variable rate financial liabilities as at 31 December 2022 amounted to SR 596,817,892 (2021: SR 620,502,905).

An increase of 100 basis points in the interest rate would have increased finance costs for the year ended 31 December 2022 by SR 6.1 million (2021: SR 6.4 million).

31 SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements:

BASIS OF CONSOLIDATION
The consolidated financial statements comprise the consolidated financial statements of the Group and its subsidiaries as at 31 December 2022.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group directly or indirectly has:

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

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

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

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

31 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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

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

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

CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Group 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 the 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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

FAIR VALUE MEASUREMENT

The Group measures financial instruments, such as financial derivatives, at fair value at each reporting date.

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

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

31 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE MEASUREMENT (CONTINUED)

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

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

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group 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.

FOREIGN CURRENCIES

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group at the spot rate ruling at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss,

Group companies

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Construction in progress and lands are not depreciated. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Repair and maintenance costs are recognized in profit or loss as incurred.

31 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Class	Useful life	Salvage value
Machinery and equipment	40 Years	10%
Buildings	50 Years	10%
Roads	50 Years	-
Motor vehicles	4 Years	-
Tools	4 Years	-
Office equipment and furniture	5-10 Years	-
Strategic spare parts	10 Years	-

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets are not capitalized and expenditure is recognized in the statement of profit or loss when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

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

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

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

BORROWING COSTS

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

31 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES

The determination of whether an arrangement is, or contains, a lease is decided at the inception date. An arrangement is, or contains, a lease if it grants the right to control a particular asset or assets for a period of time in exchange for compensation.

Group as a lessee

A- Right-of-use assets

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

B- Lease liabilities

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

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

C- Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low value assets are items that do not meet the Group's capitalization threshold and are considered to be insignificant for the statement of financial position for the Group as a whole. Payments for short-term leases and leases of low value assets are recognized on a straight-line basis in the consolidated statement of profit or loss.

Group as a lessor

Leases where the Group does not substantially transfer all risks and rewards of ownership are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue once they are earned.

INVENTORIES

Inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

Raw materials and spare parts:

- Purchase cost on a weighted average basis.

Finished good and work in progress:

- Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

31 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

Impairment losses of continuing operations are recognized in the consolidated statement of profit or loss in those expense categories consistent with the function of the impaired asset. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Such reversal is recognized in the consolidated statement of profit or loss.

FINANCIAL ASSETS

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at amortized cost

After initial measurement, financial assets at amortized cost are measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

Equity instruments designated at fair value through OCI

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of profit or loss.

31 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL ASSETS (continued)

Derecognition

A financial asset is primarily derecognized when:

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

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

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

Impairment of financial assets

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

STATUTORY RESERVE

As required by the Company's bylaws, the Company transfers 10% of its profit for the year to the statutory reserve until the reserve equals 30% of capital. The reserve is not available for distribution as dividends.

PROVISIONS

General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

31 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROVISIONS (continued)

EMPLOYEE TERMINATION BENEFITS

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

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

Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15. The Group recognizes revenue when it transfers control over a product or services to a customer according to the value that reflects the consideration to which the Group expects to be entitled in exchange for this transfer.

Performance obligations

The Group generates revenue mainly from selling products and providing freight service.

Type of products or services	Nature and timing of satisfaction of performance obligations
Sales of products	The performance obligation in products sales contracts is to supply the product to the customer according to the contractual terms. The performance obligation is satisfied at a point in time when the goods are delivered.
Freight services	The performance obligations in contracts for freight services is to freight goods to the customer's location. The performance obligation is satisfied at a point in time when the service is completed.

31 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Volume rebates

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. The Company applies the requirements on constraining estimates of variable consideration and recognizes a refund liability for the expected future rebates.

Trade receivables

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

ACCOUNTS PAYABLE AND ACCRUALS

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether or not billed to the Group.

EXPENSES

Expenses related to operations are allocated on a consistent basis to cost of sales, selling and marketing expenses and general and administration expenses in accordance with consistent allocation factors determined as appropriate by the Company.

ZAKAT

Zakat

The Company provide for zakat in accordance with the regulations of the Zakat, Tax and Customs Authority (ZATCA). The provision is charged to the consolidated statement of profit or loss.

Uncertain zakat positions

Differences that may arise at the finalization of an assessment are accounted for when the assessment is finalized with ZATCA.

Value added tax

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

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

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

32 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards when they become effective. The following new and amended standards are not expected to have a significant impact on the Company's financial statements:

- Deferred Tax related to Assets and Liabilities arising from a single transaction (amendments to IAS 12).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1 "Presentation of Financial Statements").
- IFRS 17 "Insurance Contracts" and related amendments.
- Disclosure of Accounting Policies (Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 "Exercising judgment about materiality").
- Definition of Accounting Estimates (Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors").

33 RESTATEMENT OF CORRESPONDING FIGURES

Management realized that there were accounting errors related to previous periods, and therefore management adjusted the corresponding figures to correct these errors as follows:

A The Group has derecognized property, plant and equipment that did not meet the requirements of International Accounting Standard 16, retrospectively with effect from 1 January 2021, and the net book value of the derecognized property, plant and equipment amounted SR 36.5 million. The impact of this on the consolidated financial statements is a reduction of property, plant and equipment as at 1 January 2021 by SR 36.5 million and an increase in accumulated losses by the same amount.

B The Group did not record a provision against governmental claims amounting SR 10 million for the year ended 31 December 2020. The impact of this on the consolidated financial statements is an increase in accumulated losses as at 1 January 2021 by SR 10 million and an increase in trade payables and other credit balances by the same amount.

C During March 2023, management conducted an impairment test for Property, plant and equipment as at 31 December 2021 (note 4). As a result, the figures for the year ending 31 December 2021 were adjusted as a result of reducing impairment loss by SR 58.8 million. The impact of this adjustment on the consolidated financial statements is to increase Property, plant and equipment as at 31 December 2021 by SR 58.8 million and reduce impairment loss and the loss for the year ended 31 December 2021 by the same amount.

D The Group did not record the differences in the value of the exploitation fees (surface rent) amounting SR 7.9 million for the year ended 31 December 2021 based on the updated prices. The impact of this adjustment is an increase in the loss for the year ended 31 December 2021 by SR 7.9 million and an increase in trade payables by the same amount.

E Management noticed that the balance of other provision as at 31 December 2021 was less than what was required by SR 990,229, while the balance of zakat payable at the same date was higher than what was required by SR 11,033,006. Therefore, the Group corrected the error in the corresponding figures. The impact of this adjustment resulted in a decrease in accumulated losses as at 31 December 2021 by SR 10,042,777.

F The Group noticed that some of the expenses recorded during the year 2022 relate to the year 2021. This resulted in an increase in the net loss for the year 2021 by SR 2,632,725, and an increase in trade and other credit balances by the same amount.

33 RESTATEMENT OF CORRESPONDING FIGURES (CONTINUED)

33.1 The impact of the adjustments above on the consolidated statement of profit or loss and other comprehensive income for the year ended 1 January 2021 is as follows:

		As at 1 January 2021			
	Note	***As previously reported***	***Reclassificat-ion***	***Restatement***	***After restatement***
		SR	***SR***	***SR***	***SR***
Property, plant and equipment	**A**	1,808,693,333	8,551	(36,467,486)	1,772,234,398
Trade payables and other credit balances	**B**	50,989,928	27,644,325	10,000,000	88,634,253
Prepayment and other receivables		20,628,882	(8,551)	-	20,620,331
Other credit balances		16,615,247	(16,615,247)	-	-
Retentions payable		11,029,078	(11,029,078)	-	-
Reserve for remeasurement of employees benefits		(498,824)	498,824	-	-
Accumulated losses	**A-B**	(192,137,481)	(498,824)	(46,467,486)	(239,103,791)

33.2 The impact of the adjustments above on the consolidated statement of financial position as at 31 December 2021 is as follows:

		As at 31 December 2021			
	Note	***As previously reported***	***Reclassificat-ion***	***Restatement***	***After restatement***
		SR	***SR***	***SR***	***SR***
Property, plant and equipment	**A-C**	1,714,828,912	-	22,338,898	1,737,167,810
Trade payables and other credit balances	**B-D-F**	65,647,256	33,891,494	20,513,170	120,051,920
Other credit balances		22,862,416	(22,862,416)	-	-
Retentions payable		11,029,078	(11,029,078)	-	-
Long-term loans		494,103,401	(156,459,753)	-	337,643,648
Non-current portion of long-term loans reclassified to current		-	156,459,753	-	156,459,753
Other provisions	**E**	30,349,903	-	990,229	31,340,132
Zakat payable	**E**	14,426,454	-	(11,033,006)	3,393,448
Reserve for remeasurement of employees benefits		(1,728,804)	1,728,804	-	-
Accumulated losses	**A-B-C-D**	(343,113,599)	(1,728,804)	11,868,505	(332,973,898)

33 RESTATEMENT OF CORRESPONDING FIGURES (CONTINUED)

33.3 The impact of the adjustments above on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021 is as follows:

		For the year ended 31 December 2021			
	Note	***As previously reported***	***Reclassification***	***Restatement***	***After restatement***
		SR	***SR***	***SR***	***SR***
Cost of revenue	**A-B**	(176,421,532)	(18,595,235)	(10,513,170)	(205,529,937)
Allowance for slow-moving inventory	**A**	(18,595,235)	18,595,235	-	-
Impairment of property, plant and equipment		(63,212,554)	-	58,806,384	(4,406,170)
Zakat charge	**B**	(13,000,000)	-	10,042,777	(2,957,223)
Loss for the year	**B**	(150,976,118)	-	58,335,991	(92,640,127)
Total comprehensive loss		(152,208,072)	-	58,335,991	(93,872,081)
Loss per share		(1.06)	-	0.21	(0.85)

33.4 The adjustments above had no impact on the consolidated statement of cash flows for the year ended 31 December 2021, and accordingly it was not disclosed separately.

34 ADJUSTMENT TO THE INTERIM RESULTS

The Group issued the interim condensed consolidated financial statements for the fourth quarter of 2022 on 15 Shaaban 1444H corresponding to 7 March 2023, and the profit for the year ended 31 December 2022 as per those interim financial statements amounted SR 32,498,490.

The following are the adjustments that were made to reach to profit for the year as per these annual consolidated financial statements:

	SR
Profit for the year ended 31 December 2022 as per the interim reporting	32,498,490
Adjustment of standard cost of inventory	(1,585,400)
Adjustment of expenses related to previous years	2,632,725
Depreciation differences	848,099
Recording accrued finance costs	(3,500,000)
Profit for the year ended 31 December 2022 as per this annual reporting	**30,893,914**

35 DATE OF AUTHORIZATION

These consolidated financial statements were authorized for issue by the Company's board of directors on 8 Ramadan 1444H corresponding to 30 March 2023.