

SAUDI LIME INDUSTRIES COMPANY
(Closed Joint Stock Company)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022

SAUDI LIME INDUSTRIES COMPANY
(Closed Joint Stock Company)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022

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Independent Auditor's Report

To the Shareholders

Saudi Lime Industries Company

(Closed Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

Opinion:

We have audited the financial statements of Saudi Lime Industries Company (the "Company"), which comprise the statement of financial position as at December 31, 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

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 Financial Statements" section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) 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.

Key Audit Matters:

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The following is a description of the key audit matter and how it was addressed during our audit.

Key audit matter	How the key audit matter was addressed in our audit
Revenue recognition The Company recognized revenues of SR 142.4 million for the year ended December 31, 2022 (2021: SR 131.6 million). Considering the importance of the amount of revenues and the associated risk of misstatement resulting from overstatement of recognizing the revenues, we have considered the revenue recognition process as a key audit matter.	We have performed the following procedures among other matters, based on our professional judgment: <ul style="list-style-type: none"> • Reviewing the revenue recognition policy and its appropriateness with the requirements of IFRS. 15 - "Revenue from Contracts with Customers". • Understanding the revenue recognition and trade receivables as well as testing the design and implementation of internal control procedures related to revenue recognition and their operational effectiveness. • Implementing analytical audit procedures for revenues by comparing sales quantities and prices for the current year with the prior year and determining whether there are any significant trends or fluctuations that need additional examination. • Reviewing the supporting documents for revenues transactions on a sample basis to validate the revenue recognition. • Cut-off procedures to verify recording revenues in its correct periods.
Please refer to the policy in note (5) and the related disclosure notes (6 and 22).	

Independent Auditor's Report (Continued)

To the Shareholders

Saudi Lime Industries Company

Other Information:

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

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above when it becomes available to us and, in doing so, we consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we conclude that there is a material misstatement in this other information, we are required to report that fact to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations for Companies and the Company's Bylaws and such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, i.e., the Board of Directors, are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements:

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

Independent Auditor's Report (Continued)

To the Shareholders

Saudi Lime Industries Company

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

BAKER TILLY MKM & CO.
Certified Public Accountants

Majid Muneer Alnemer

License No. 381

Riyadh on Shawwal 6, 1444H

Corresponding to April 26, 2023G



SAUDI LIME INDUSTRIES COMPANY
(Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022
(Expressed in Saudi Riyals)

	Note	December 31, 2022	December 31, 2021 (Restated note 32)
ASSETS			
Non-current assets			
Property, plant and equipment	7	195,349,052	187,384,896
Right of use assets	8	2,530,928	2,828,485
Investment in an associate – non-current portion	9	-	23,508,965
Total Non-Current Assets		197,879,980	213,722,346
Current assets			
Investment in an associate - current portion	9	23,677,774	-
Inventories	10	27,363,190	28,930,799
Trade receivables	11	32,249,163	34,616,904
Prepaid expenses and other debit balances	13	8,914,282	5,982,817
Cash and cash equivalents	14	24,948,699	25,114,884
Total Current Assets		117,153,108	94,645,404
Total Assets		315,033,088	308,367,750
EQUITY AND LIABILITIES			
Equity			
Share capital	1	200,000,000	200,000,000
Statutory reserve	15	27,628,988	26,046,381
Other reserve	16	(4,742,553)	(5,024,880)
Retained earnings		14,378,208	10,134,748
Total Equity		237,264,643	231,156,249
Non-current liabilities			
Employee defined benefits obligations	18	7,408,364	7,929,520
Lease liabilities – non-current portion	8	1,952,050	2,117,335
Long term loans – non-current portion	19	2,300,000	13,950,003
Total Non-Current Liabilities		11,660,414	23,996,858
Current liabilities			
Lease liabilities – current portion	8	420,308	519,110
Long term loans – current portion	19	12,310,700	20,140,413
Due to a related party	12	18,756,360	1,294
Trade payables		15,220,137	12,480,299
Accrued expenses and other credit balances	20	16,519,577	17,258,587
Dividends due to shareholders	17	1,377,531	1,223,280
Zakat provision	21	1,503,418	1,591,660
Total Current Liabilities		66,108,031	53,214,643
Total liabilities		77,768,445	77,211,501
TOTAL EQUITY AND LIABILITIES		315,033,088	308,367,750

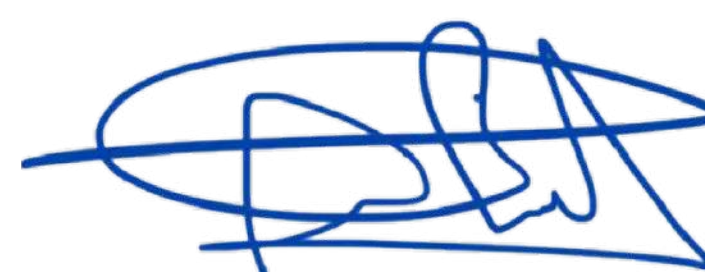
Chief Financial Officer



Chief Executive Officer



Chairman of Board of Directors



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

SAUDI LIME INDUSTRIES COMPANY

(Closed Joint Stock Company)

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

(Expressed In Saudi Riyals)

	Note	2022	2021
Revenues	22	142,381,406	131,593,842
Cost of revenues	23	(79,060,264)	(72,878,312)
Gross profit		63,321,142	58,715,530
Selling and distribution expenses	24	(30,413,809)	(29,702,604)
General and administrative expenses	25	(17,074,445)	(19,223,809)
Expected credit loss	11	(131,180)	-
Profit from main operations		15,701,708	9,789,117
Share in results of an associate	9	(1,331,191)	(1,239,490)
Reversal of impairment losses on investment in an associate	9	1,500,000	-
Finance cost	26	(588,549)	(607,145)
Other income	27	2,018,067	4,915,015
Profit before Zakat		17,300,035	12,857,497
Zakat	21	(1,473,968)	(1,596,666)
Net profit for the year		15,826,067	11,260,831
Other Comprehensive Income (OCI)			
<i>OCI that will not be reclassified to profit or loss in subsequent years:</i>			
Re-measurements of employees defined benefits obligation	18	282,327	(539,981)
Other comprehensive income (Other comprehensive loss)		282,327	(539,981)
Total comprehensive income for the year		16,108,394	10,720,850
Basic and diluted EPS from:			
Profit from main operations	28	0.79	0.49
Net profit for the year		0.79	0.56

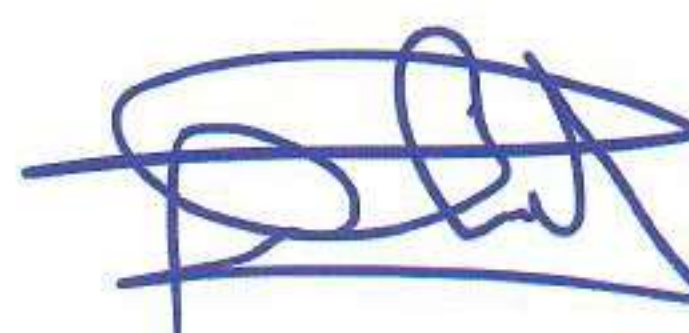
Chief Financial Officer



Chief Executive Officer



Chairman of Board of Directors



The accompanying notes form an integral part of these financial statements

SAUDI LIME INDUSTRIES COMPANY
(Closed Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed In Saudi Riyals)

	Note	Share Capital	Statutory Reserve	Other Reserve	Retained Earnings (accumulated losses)	Total equity
Balance as at January 1, 2021		200,000,000	53,357,764	(4,484,899)	(28,437,466)	220,435,399
Net profit for the year		-	-	-	11,260,831	11,260,831
Other comprehensive losses for the year		-	-	(539,981)	-	(539,981)
Total comprehensive income for the year		-	-	(539,981)	11,260,831	10,720,850
Absorption of accumulated losses from statutory reserve		-	(28,437,466)	-	28,437,466	-
Transfer to statutory reserve	15	-	1,126,083	-	(1,126,083)	-
Balance at December 31, 2021		200,000,000	26,046,381	(5,024,880)	10,134,748	231,156,249
Balance at January 1, 2022		200,000,000	26,046,381	(5,024,880)	10,134,748	231,156,249
Net profit for the year		-	-	-	15,826,067	15,826,067
Other comprehensive income for the year		-	-	282,327	-	282,327
Total comprehensive income for the year		-	-	282,327	15,826,067	16,108,394
Dividends	17	-	-	-	(10,000,000)	(10,000,000)
Transfer to statutory reserve		-	1,582,607	-	(1,582,607)	-
Balance as at December 31, 2022		200,000,000	27,628,988	(4,742,553)	14,378,208	237,264,643

Chief Financial Officer



Chief Executive Officer



Chairman of Board of Directors

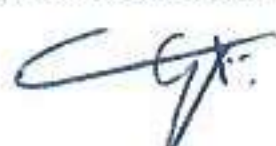


The accompanying notes form an integral part of these financial statements

SAUDI LIME INDUSTRIES COMPANY
(Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed In Saudi Riyals)

	2022	2021 (Restated note 32)
OPERATING ACTIVITIES		
Profit before Zakat	17,300,035	12,857,497
Adjustments for non-cash transactions:		
Depreciation of property, plant and equipment	12,838,107	11,981,286
Depreciation of rights of use assets	439,714	548,757
Share in results of an associate	1,331,191	1,239,490
Provision of slow moving inventories	181,123	-
Expected credit losses	131,180	-
Reversal of impairment losses on investment in an associate	(1,500,000)	-
Employees defined benefits obligation	1,162,020	1,126,378
Gains from disposal of property, plant and equipment	(39,999)	(3,646,117)
Finance cost	372,073	277,155
Changes in the operating assets and liabilities:		
Inventories	1,386,486	110,589
Trade receivables	2,236,561	(10,142,174)
Prepaid expenses and other debit balances	(2,931,465)	269,085
Due to a related party	(744,934)	(244,559)
Accounts payable	2,739,838	(1,159,505)
Accrued expenses and other credit balances	(739,010)	(5,017,917)
Cash generated from operating activities	34,162,920	8,199,965
Zakat paid	(1,562,210)	(1,188,156)
Employee defined benefits obligation paid	(1,659,461)	(3,505,857)
Net cash generated from operating activities	30,941,249	3,505,952
INVESTING ACTIVITIES		
Additions of property, plant and equipment	(20,802,264)	(13,740,383)
Proceed from the disposal of property, plant and equipment	40,000	4,058,081
Proceed from an associate	19,500,000	-
Net cash used in investing activities	(1,262,264)	(9,682,302)
FINANCING ACTIVITIES		
Dividends	(9,845,749)	(135,716)
Long term loans	(19,479,716)	13,642,272
Lease liabilities paid	(519,705)	(519,069)
Net cash (used in) generated from financing activities	(29,845,170)	12,987,487
Net changes in cash and cash equivalents	(166,185)	6,811,137
Cash and cash equivalents on January 1	25,114,884	18,303,747
CASH AND CASH EQUIVALENTS ON DECEMBER 31	24,948,699	25,114,884
NON-CASH TRANSACTIONS		
Transfer from spare parts inventories to property, plant and equipment	-	2,091,682

Chief Financial Officer



Chief Executive Officer



Chairman of Board of Directors



The accompanying notes form an integral part of these financial statement

SAUDI LIME INDUSTRIES COMPANY

(Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

1. ORGANIZATION AND ACTIVITY

Saudi Lime Industries Company - Saudi Joint Stock Company ("the Company") was established under Commercial Registration No. 1010011738 dated in Rabi' al-Thani 10, 1397 H, the Company also operates under industrial license No. 11 dated Rabi' al-Thani 5, 1441 H. The Company's activities are represented in the manufacturing of quick and hydrated lime, quicklime powder, the manufacturing of lime sand bricks of various sizes, and the manufacturing of calcium carbonate.

The Company's headquarter is located in Al-Kharj Road - Second Industrial City, PO Box 355208, Riyadh 11383, Kingdom of Saudi Arabia.

Shareholders subscribed to all the shares of the Company amounting to 20,000,000 ordinary shares, with a total value of SR 200,000,000, the value of each share being SR (10). On June 29, 2022, the Extraordinary General Assembly of Shareholders approved the conversion of the Company into a public joint stock Company by increasing its capital by offering 2,000,000 new ordinary shares for public subscription in the parallel market ("Nomu").

On December 26, 2022, corresponding to Jumada al-Akhirah 2, 1444 H, the Board of the Capital Market Authority issued a decision approving the Company's request to register its shares and offer 2,000,000 shares representing (9.09%) of its shares in the parallel market.

The accompanying financial statements include the results, assets, liabilities, and activities of the company and its following branches.

Branch name	City	Commercial Registration No	Branch registration date
Saudi Factory for Lime Sand Bricks and Building Materials	Jeddah	4030038260	Jumada al-Akhirah 1, 1403 H
Saudi Lime Industries Company	Riyadh	1010831123	Rabi' al-Awwal 6, 1444 H
Saudi Lime Industries Company	Riyadh	1010839140	Rabi' al-Thani 12, 1444 H

2. BASIS OF PREPARATION

Statement of compliance

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and pronouncements as endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Measurement basis

These financial statements are prepared on a historical cost basis, except for defined benefits plans which are measured at the present value of future obligations using the projected credit unit method. In addition, these financial statements are prepared using the accrual basis of accounting and the going concern basis.

Functional and presentation currency

These financial statements are presented in Saudi Riyal ("SR"), which represents the Company's functional currency, and all amounts are rounded to the nearest Saudi Riyal, unless otherwise indicated.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of the financial statements of the Company in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that may affect the recorded of revenues, expenses, assets, and liabilities disclosure of contingent liabilities. Uncertainty about these assumptions and estimates may result in a material adjustment in the future to the book values of the assets or liabilities that will be affected. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized during the period in which the estimates are revised if the changed estimates affect the current and future periods. The Company's significant judgments, estimates, and assumptions relating to future reasons are set out below.

SAUDI LIME INDUSTRIES COMPANY
(Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS (CONTINUED)

Uncertain assumptions and estimates

Uncertain assumptions and estimates of significant risks that may cause significant changes in the carrying amounts of assets and liabilities during the year are included in the following notes:

- Note 11 – Expected credit loss on trade receivables.
- Note 18 - Measurement of employees' defined benefits obligation in addition to gains or losses from changes in actuarial assumptions.
- Note 10 Inventories – Impairment of obsolete and slow-moving inventories.

Estimates and assumptions.

Impairment of inventories and provision for slow moving Inventories

At the reporting date, the Company's management determines whether there is any impairment in inventories or slow-moving inventories. The determination of impairment requires significant decisions to be made involving valuation factors that include the nature of the industry and market conditions.

Expected credit loss of trade receivables.

Based on the future vision, the Company evaluates the expected credit losses associated with its debt instruments as part of its financial assets carried at amortized cost and fair value through comprehensive income.

Regarding receivables, the Company applies the simplified approach, which requires recording the expected losses based on age from the date of initial recognition of receivables. To measure expected credit losses, receivables have been grouped based on the common credit risk characteristics and the number of aging days. The expected loss rates have been inferred from the Company's historical information and adjusted to reflect the expected future outcome which also includes future information on macroeconomic factors such as inflation and GDP growth rate.

Other financial assets such as employee receivables and bank balances have low credit risk, so the effect of applying ECL is not significant.

Useful lives of property, plant and equipment

The Company determines the estimated useful lives of property, plant and equipment to calculate depreciation. This estimate is determined by calculating the expected use of the asset or the physical tear and wear factors from use. The management revises the residual value and useful lives annually and the future depreciation expense is adjusted when management considers that the useful lives differ from previous estimates.

Impairment of property plant and equipment

The Company's management assesses the impairment of property and equipment in certain events or changes in circumstances indicating that the carrying amount may not be recoverable. Factors that are significant and which may lead to a review the impairment within other factors include:

- Significant changes in technology and regulatory environment.
- A manual of internal reports indicates that the economic performance of the asset is expected to be bad or will be bad.

Uncertain Zakat positions

The Company's current zakat payable relates to management's assessment of the zakat amount due for the year. It is possible that the final result will differ when the final assessment is issued by the Zakat, Tax and Customs Authority ("ZATCA") in future periods. The status of zakat assessments has been disclosed in note (21).

Judgments

The management makes the following judgments that have a material impact on the amounts included in the Company's financial statements, when applying the Company's accounting policies.

SAUDI LIME INDUSTRIES COMPANY
(Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS(CONTINUED)
Property, plant and equipment components

The Company's property, plant and equipment plant have been determined into important components and are depreciated on a straight-line basis over their useful lives. Judgment is required when verifying the important components of the major assets, and while determining the importance of the component, the management considers the quantitative importance of this component as well as qualitative factors such as a difference in the useful life compared to the related asset.

Determine control, joint control, and significant influence.

With regard to the investee company, the Company's management concluded that it exercises significant influence on it in accordance with the requirements of the International Financial Reporting Standards approved in the Kingdom of Saudi Arabia. Significant influence is defined as the power to participate in decisions about the financial and operating policies of the investee and is not 'control' or 'joint control'. The international standards adopted in the Kingdom of Saudi Arabia provide various indicators of significant influence, including representation on the Board of Directors and participation in decision-making, and the company's representatives are entitled to attend the general meetings of the investee company, and to participate in the formulation of operational and financial policies and decision-making. The management believes that the Company exercises significant influence over this investee ("associate").

4. APPLICATION OF NEW AND REVISED IFRSS

4.1 New and amended IFRS applied with no material effect on the financial statements.

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments IFRS 3 Business Combination updating a reference to the Conceptual Framework.
- Amendments to IAS 16 Property, Plant and Equipment prohibiting a Company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company is preparing the asset for its intended use.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets regarding the costs to include when assessing whether a contract is onerous.
- Annual Improvements to IFRS 2018 – 2020 Cycle amending IFRS 1, IFRS 9, IFRS 16 and IAS 41.

SAUDI LIME INDUSTRIES COMPANY
(Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

4. APPLICATION OF NEW AND REVISED IFRSS (CONTINUED)

4.2 New and revised IFRSs in issue but not yet effective and not early adopted.

The Company has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

<u><i>New and revised IFRSs</i></u>	<i>Effective for annual periods beginning on or after</i>
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely
Amendments to IAS 1 Presentation of Financial Statements regarding the classification of liabilities.	1 January 2024
Amendments to IFRS 16 Leases regarding the treatment for sale and leaseback transactions.	1 January 2024
IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).	1 January 2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates.	1 January 2023
Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction.	1 January 2023

5. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies used by the Company in preparing these financial statements:

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement for assets and liabilities is based on the presumption that participants will benefit when pricing assets and liabilities and that they seek to achieve their best economic interests.

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

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

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

SAUDI LIME INDUSTRIES COMPANY
(Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Classification of assets and liabilities into current or non-current

The Company presents assets and liabilities in the statement of financial position on a current or non-current basis.

An asset is classified under current assets if:

- The expectation that the asset will be realized or there is an intention to sell or consume it during the normal business cycle
- The asset is held primarily for trading
- Expect the asset to be realized within 12 months after the statement of financial position date, or
- Being cash or cash equivalent unless it is prohibited to exchange the asset or use it to settle a liability within at least 12 months from the date of the statement of financial position.

All other assets are classified as non-current assets.

The obligation is considered among the current liabilities in the event of:

- Expect settlement of the liabilities during the normal business cycle
- The liabilities is held mainly for trading purposes
- Expect to settle the liabilities within 12 months after the date of the statement of financial position or
- There is no unconditional right to postpone the settlement of the liabilities for at least 12 months after the date of the statement of financial position.
- The Company classifies all other liabilities as non-current liabilities.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses if any. The initial cost includes the purchase price and any directly attributable cost of bringing the property, plant and equipment to the operating site and making it operational. Expenses incurred after the operation of property, plant and equipment, such as repairs, maintenance, and full refurbishment, are included in the statement of profit or loss and other comprehensive income in the period in which they are incurred. Where it is clearly shown that the expense has resulted in an increase in the future economic benefits expected to be obtained from the use of an asset to a higher extent than the originally defined benchmark, these expenses are capitalized as an additional cost to the property, plant and equipment.

If significant and important parts of an item of property, plant and equipment have different useful lives they are accounted for as separate items (major components) of property, plant and equipment, depreciation is calculated on a straight-line basis over the estimated useful lives of the items of property, plant and equipment. The estimated useful life of some machines and equipment is as follows:

Item	Depreciation ratio
Buildings and constructions	3-5 %
Machinery and equipment	5-20 %
Motor vehicles	20-25 %
Tools	10-20 %
Furniture	10-20 %
Improvements to machinery and equipment	20 %
Strategic spare parts	5 %

Property, plant and equipment are written down to their recoverable amount if their carrying amount exceeds their estimated recoverable amount. The useful life, residual value, and depreciation method are reviewed periodically to ensure that the method and period of depreciation are in line with the expected economic benefit of each item of property, plant and equipment. The change in estimates is accounted for from the beginning off the financial year in which the change occurs. When the assets and equipment are sold or disposed of, their cost, accumulated depreciation, and accumulated impairment losses are eliminated from the accounts and any gain or loss resulting from their disposal is included in profit or loss.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (CONTINUED)

Capital work in progress includes the purchase price, progress or development costs, and any costs directly attributable to the asset being constructed or acquired by the Company. Capital work in progress is measured at cost less any impairment losses recognized. Capital work in progress is depreciated only when assets can function as management deems appropriate after capitalizing them to the appropriate class of assets.

Strategic spare parts are recognized under property, plant and equipment when they meet the definition of property, plant and equipment and are otherwise classified as inventories. During year 2022, the Company implemented this policy and reclassified the strategic spare parts (refer to Note No. 32).

Impairment of assets – property, plant and equipment

The Company assesses at each reporting date to determine whether there is any indication that an asset has been impaired. If such an indication arises, or when an impairment test is required, the Company estimates the recoverable amount of that asset (or cash-generating unit). The recoverable amount of an asset (or cash-generating unit) is the fair value of the asset (or cash-generating unit) less costs to sell or value in use, whichever is greater and is determined for each individual asset unless the asset's cash flow is substantially independent of that produced by the asset or another group of assets and the recoverable amount is then assessed as part of the cash-generating unit to which the asset belongs. When the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset is impaired and is reduced to its recoverable amount. In assessing value in use, estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the specific risks of the asset (or cash-generating unit). An impairment loss must be recognized immediately in profit or loss.

Investments in the associate company

An associate is neither a subsidiary nor a joint venture and the company exercises significant influence on it. A significant influence is the power to participate in the financial decisions and operating policies of the investee but does not reach control or joint control over those policies. The Company's investment in the associate is accounted for using the equity method, according to which the investment in the associate is recorded in the statement of financial position at cost adjusted for changes in the Company's share in the net assets of the associate and then adjusted to recognize the Company's share of the profit or loss and other comprehensive income of the associate. In the event that any direct changes in the equity of the associate are established, the Company shall recognize its share in the change and disclose that, when applicable, in the statement of changes in equity.

After applying the equity method, the Company determines whether it is necessary to recognize an impairment loss in the value of its investment in the associate. On each reporting date, the Company checks whether there is objective evidence of an impairment in the value of the investment in the associate. When such evidence exists, the Company calculates the amount of the impairment by calculating the difference between the fair value of the associate company and the cost of acquisition and records the amount in the profit or loss.

Right of use assets and leases liabilities

At the contract inception, the company assesses whether the contract contains a lease. The Company recognizes the right of use asset and lease liabilities in connection with all lease arrangements at which the company is a lessee.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Right of use assets and leases liabilities (CONTINUED)

Right-of-use assets

The Company recognizes the right to use the assets on the lease commencement date (ie the date the underlying asset is available for use). Right-of-use assets are measured at cost less than any accumulated impairment losses and amortization, adjusted for any re-measurement of the lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made on or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use asset is depreciated on a straight-line basis over the shorter of the estimated useful life and lease term. If the terms of the lease provide for a transfer of ownership of the underlying asset or the cost of the right-of-use asset reflects the Company's expectation to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the asset. Depreciation begins on the lease start date. Right-of-use assets are presented as a separate line item on the statement of financial position. The Company applies IAS 36 to determine whether the right-of-use asset is impaired, and the impairment loss is determined as described in the "Impairment of Non-Financial Assets" policy.

Lease obligations

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

When calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease start date if the interest rate implicit in the lease is not readily determinable. After the start date, the amount of the lease obligations is increased, to reflect the accrual of interest and reduce 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 secured fixed lease payments, or a change in the valuation for the purchase of the underlying asset.

Short term leases

The Company applies the short-term lease recognition exemption to short-term leases of property, plant and equipment (ie leases that have a term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments under short-term leases are recognized as an expense on a straight-line basis over the lease term.

Inventories

Inventories are stated at a cost or net realizable value whichever is lower. The cost is determined by using the weighted average method. The raw materials are valued cost basis or net realizable value whichever is lower through the weighted average cost. The cost of total production and production in progress includes the cost of raw materials, direct wages, and indirect operating expenses. When necessary, a provision is made for slow-moving and obsolete inventories. The net realizable value is the actual or estimated selling price of the inventories during the ordinary course of business, less the cost of completion of inventory production (if it needs to be completed) and all necessary expenses expected to be incurred for the sale of inventories.

Inventory of spare parts is valued at cost or net realizable value. Cost is determined on a weighted average cost basis. Provision for obsolete and slow-moving items (if any) is estimated at the reporting date.

The goods in transit consist of the value of the purchases that the Company has contracted and has not yet received up to the date of the financial statements taking into consideration that the terms of shipment and receipt and the returns and risks of the commodity in the possession of the Company.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets of low credit value

The Company assesses at each reporting date whether the financial assets carried at amortized cost have a low credit value. A financial asset is considered to be "impaired" when one or more events have had an adverse effect on the estimated future cash flows of the financial asset.

Presentation of impairment

Losses from provisions for financial assets measured at amortized cost are deducted from the total carrying amount of the total assets.

Trade receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest method less any impairment in its value, in accordance with IFRS 9 ("Financial Instruments"). Amortized cost is calculated by calculating any discount or premium on the acquisition, fees, or costs that represent an integral part of the effective interest method. The amortization of the effective interest method is included in the statement of profit or loss and other comprehensive income. Impairment losses are recognized in the statement of profit or loss and other comprehensive income.

De-recognition of financial assets

A financial asset (or part of a financial asset or a part of a group of similar financial assets or a similar asset) is derecognized when:

- A) The right to receive cash flows from the asset has expired.
- B) The Company transfers the right to receive the cash flows from the asset or, in return, bears an obligation to pay the cash expenses received in full without material delay to another party under the "receipt and payment" arrangement; (a) the Company transfers all significant risks and rewards of the asset; (b) the Company has neither transferred nor retained substantially all the significant risks and rewards of the asset but has lost control over that asset.

When the Company has transferred its rights to receive cash flows from the asset or has entered into the "receipt and payment" arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset or lost control over the asset, the asset is recognized to the extent that the Company continues to control the asset. In this case, the Company shall also record the relevant obligation. The transferred asset and the related liability are measured on a basis that reflects the rights and obligations that the Company holds.

Impairment of financial assets

At each reporting date, the Company determines whether there is objective evidence that an asset or a group of financial assets other than financial assets at fair value through profit or loss is impaired. Impairment losses are recognized immediately in profit or loss.

A financial asset or a group of financial assets is deemed to have been impaired only if objective evidence of impairment exists as a result of one or more events occurring after the initial recognition of the asset ("event of loss incurred") and the loss event has an impact on the estimated future cash flows of the financial asset or group of assets which can be measured reliably. Evidence of impairment may include indications that the debtor or group of debtors is experiencing significant financial difficulties, default or delay in the payment of principal payments or proceeds, or the possibility of bankruptcy or other financial arrangements such as restructuring of amounts owed to the Company. Also, when observable data indicates that there is a measurable decrease in estimated future cash flows, such as changes associated with arrears or changes in economic conditions associated with delays.

If the Company's share in losses exceeds its share in the associate company, the Company reduces the book value of its investments to zero, and no additional losses are discontinued, except for legal or expected obligations incurred or amounts paid on behalf of the investee companies.

Unrealized gains resulting from transactions with investee companies are eliminated according to the equity method against investment to the extent of the Company's share in the investee company, and losses are also eliminated in the same way as unrealized profits, but only to the extent that there is no evidence of impairment in value.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Company first determines whether there is an individual impairment of individually significant financial assets or a group of financial assets that are not individually significant. If the Company has found that no objective evidence of impairment for an individual financial asset, whether material or not, it includes the asset in a group of financial assets with similar credit risk that are collectively assessed for impairment. Assets that are individually assessed for impairment and that were or being recognized, are not included in the collective assessment of impairment. An impairment loss is estimated as the difference between the carrying amount of the asset and the present value of the estimated future cash flows (excluding expected future credit losses that have not been incurred). After deducting the present value of expected future cash flows using the average effective interest rate used primarily for the financial asset.

The carrying amount of the asset is reduced through the use of the provision account and the loss is recognized in the statement of profit or loss and other comprehensive income. If a positive change occurred in the subsequent period on an impairment loss that its relation can be determined with events that occurred after the impairment losses objectively recognized, the previously recognized impairment losses are reversed through the statement of profit or loss and within the limits of carrying amount of the asset when the impairment loss is reversed and that does not exceed amortized cost if no impairment loss has previously been recorded. A financial asset is de-recognized when the Company's right to receive the cash flows from the asset expires or when the Company transfers substantially all the risks and rewards of ownership of the asset to another party.

Financial liabilities

The Company's financial liabilities include amounts due to trade payables, accrued expenses and other credit balances. The Company's financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Amounts due to trade payables.

Liabilities are recognized at amounts to be paid in the future for goods or services received, whether billed by the supplier or not. payables are classified as current liabilities if payments are due within one year or less (or during the normal business cycle if they are longer). If they are not, the payables balances are classified as non-current liabilities.

De-recognition of financial liabilities

Financial liability is de-recognized when the obligation associated with the liability is discharged, canceled, or expired. When an existing financial liability is replaced by another from the same creditor on significantly different terms or substantially modified the existing financial liability terms, the change or adjustment is treated as a de-recognition of the original liability. The new financial liability is recognized and the difference in the relevant carrying amount is recognized in the statement of profit or loss.

Financial liabilities are eliminated only when the liability is discharged or settled. The difference between the carrying amount of the liability and the consideration paid and the creditors are recognized in the statement of profit or loss and other comprehensive income.

Offsetting

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position when there is an enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liabilities simultaneously. The right in force should not depend on future events and should be effective in the normal course of business and in the event that the Company or counterparty is exposed to insolvency or bankruptcy.

Cash and cash equivalent

Cash and cash equivalent on the statement of financial position include of cash on hand and at banks and short-term deposits, which are not subject to a significant risk of change in value. The book value of these assets is approximately equal to their fair value. For the purposes of the statement of cash flows, cash, and cash equivalent include cash on hand and bank balances, as it is considered an integral part of the Company's cash management.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employees' defined benefits obligation

Obligations stated on the statement of financial position relating to the employee-defined benefit plan are measured at the present value of the expected future payments at the date of the financial statements, using the projected unit credit method, and recorded as non-current liabilities. The defined benefit obligation is calculated at the end of each annual reporting period by an independent actuary using the projected unit credit method. The actuarial evaluation process takes into account the provisions of the Saudi labor law and the Company's policy. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using commission rates for high-quality corporate bonds registered in the currency in which the benefits will be paid and have terms that approximate those of the related obligations (or, if they are not available, use market rates on government bonds). Commission cost is calculated by applying the discount rate to the net defined benefit obligation balance and this cost is recognized in the profit or loss.

The cost of the defined benefit obligation is calculated using actuarially determined retirement costs at the end of the previous financial year, adjusted for significant market fluctuations and any significant one-time events such as program modification, downsizing, and payment. In the absence of significant market fluctuations and one-off events, the actuarial obligations are extended based on the assumptions made at the beginning of the year. In the event that there are significant changes in assumptions or arrangements during the year, they must be considered to re-measure these obligations and related costs.

Remeasurement gains and losses arising from adjustments and changes in actuarial assumptions in the year in which they occur are recognized in other comprehensive income. Changes in the present value of the defined benefit obligation resulting from plan modifications or downsizing are recognized directly in the profit or loss as past service costs.

Short-term employee liabilities

Liabilities related to benefits due to employees, represented in wages, salaries, annual and sick leaves, and travel tickets, which are expected to be paid within the twelve months after the end of the fiscal year in which the employees provide related services, are recorded and measured in the financial statements by the undiscounted amounts expected to be paid upon settlement of obligations.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a period of time to get it ready for use or sale are recognized as part of the cost of that asset. All other costs are recorded as expenses in the period in which they are due. Borrowing costs are the interest costs and other costs incurred by the entity in related to the process of borrowing funds.

Foreign currency transactions

Transactions in foreign currencies are translated into Saudi Riyals using the exchange rates prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Saudi Riyals at the rates of exchange prevailing at the reporting date. Exchange gains or losses are recognized as an expense or revenue in profit or loss. Non-monetary items denominated in foreign currencies at fair value are retranslated at the rates of exchange ruling at the date when the fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies at fair value are translated to Saudi Riyals at the foreign exchange rates ruling at the date of determining the transaction. In the case of non-monetary assets whose change in fair value is recognized directly in other comprehensive income, foreign exchange differences are recognized directly in other comprehensive income. For non-monetary assets whose change in fair value is recognized directly in profit or loss, all foreign exchange differences are included in profit or loss.

Revenue recognition

Revenue comprises the fair value of the consideration received or expected to be received by the Company for the sale of goods or the provision of services through the Company's normal activities. Revenue is shown net of VAT, returns, rebates, and discounts.

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5) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (CONTINUED)

Revenue is recognized when it can be measured reliably, and the entity will likely receive future economic benefits. Recognition requirements are met in accordance with the nature and timing of the fulfilment of the performance obligations and the significant payment terms for the sale of the Company's products, as the customers obtains the control over the products upon delivering the goods to them and acknowledging of their acceptance at their site.

Invoices are issued and recognized as revenue at that time. Credit bills are usually due between 30 to 90 days. Invoices are recognized as revenue net of discounts applied to the products sold. For contracts that allow the customer to return products, in accordance with IFRS 15 Revenue is recognized to the extent that it is probable that there will be no material reversal of the amount of accumulated income that is recognized. Accordingly, the amount of the income recognized is adjusted to the estimated recoveries that are estimated based on historical data.

The Company applies revenues from contracts with customers based on the five-step model as described in IFRS (15) as follows:

- 1) Identify the contract with the customer: A contract is an agreement between two or more parties that creates enforceable rights and obligations and determine the standards that shall be met.
- 2) Identify the performance obligation in the contract: A performance obligation is a promise in a contract with a customer to transfer to the customer.
- 3) Determine the transaction price: The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, except for the amounts collected on behalf of third parties.
- 4) Allocate the transaction price for the performance obligation: for the contract that has more than a performance obligation, the Company will allocate the transaction price for each obligation in an amount determine the value of the consideration which the Company will pay, it expects to be due upon fulfilling the performance obligation.
- 5) Recognize revenue when a performance obligation satisfied.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to include economic benefits to settle the obligation and the amount of the obligation can be estimated reliably. Provisions for future operating loss are not calculated. In the case of several similar obligations, the probability of a resource flow for settlement is determined by considering the category of obligations as a whole. An allowance is recognized when the probability of a flow of resources in respect of any item included in the same category of liabilities is minimal. Provisions are measured at the present value of the best management estimates of the expenditure required to settle the present obligation at the end of the financial period.

The present value is determined by discounting the expected future cash flows that reflect current market assessments of the time value of money and the risks associated to that obligation.

Expenses

Selling and distribution expenses are those expenses resulting from the Company's efforts of marketing, sales and distribution departments. All other expenses, excluding the cost of revenues and finance charges, are classified as general and administrative expenses. Distribution of joint expenses is made between the cost of revenues, selling, and distribution expenses, and general and administrative expenses, when necessary, on a consistent basis.

Dividends

The interim dividends are recognized in the period in which they are approved by the Board of Directors till being approved by the general assembly of the shareholders.

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5) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Earnings per share

Basic earnings per share

If no potential ordinary shares are issued by the Company, the basic earnings per share shall be equal to the diluted earnings per share. Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share are calculated by adjusting the figures used to determine earnings per share, considering the weighted average number of additional ordinary shares that will be on the assumption that all potential ordinary shares are converted into existing shares.

Contingent liabilities

Contingent liabilities are recognized in the financial statements only when the use of economic resources to settle an existing or anticipated legal obligation as a result of past events is probable and the amount expected to be repaid can be estimated significantly. Otherwise, contingent liabilities are disclosed unless the possibility of an economic loss is remote.

Contingent assets are not recognized in the financial statements but are disclosed when economic benefits arising from past events are probable.

Value added tax.

Revenues, expenses and assets are recognized net of value added tax, except in the following cases:

- If the value-added tax is due on the acquisition of assets or services that are not recovered from the competent tax authority, in this case the value-added tax is recognized as part of the cost of purchasing assets or part of the expense item, as the case may be.
- Receivables and payables are shown, including the amount of VAT.

The net value-added tax that can be recovered from - or paid to - the competent tax authority is recorded within the receivables and credits in the statement of financial position.

Zakat

The Company is subject to the instructions of the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia. Zakat is provided according to the accrual principle. The zakat provision is calculated according to the zakat base or the adjusted net profit, whichever is higher. Any differences between the provision and the final assessment are recorded when the final assessment is approved, at which time the provision is closed.

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6. OPERATING SEGMENTS

Operating segment is a separate and distinct segment of the Company engaged in business activities that result in the recognition of revenues or expenses. Operating segments are disclosed on the basis of internal reports reviewed by the chief operating decision-maker, who is responsible for resource allocation, performance evaluation, and strategic decision-making on operational segments. Operating segments with similar economic characteristics, products, services, and similar customer categories are aggregated and recorded where possible as sectors to be reported.

Basis of division

The Company has the following strategic sectors. These sectors provide different services and are managed separately because they have different economic characteristics - such as sales growth trends, rates of return, and capital investment - and they also have different marketing strategies.

The following is a summary of the operations of each sector report.

Sector reports

Operations

Limestone sector	Includes the manufacturing of quicklime in various sizes; hydrated lime in all kinds of packing; and dolomite of all sizes
Carbonate sector	Includes supplying different sizes through crushing processes, as well as grinding and sorting processes for those sizes for the manufacture of glass and filters
Block sector	Includes the manufacturing of sandy building blocks, as well as cladding bricks for building facades, from sandstone
Support services sector	Serves all major sectors

Due to the nature of the Company's business and the structure of its management, it is not possible to allocate the items of current assets and liabilities to the various operating segments. All the Company's assets are located within Saudi Arabia.

Information on segment reporting

The information for each segment is listed below. The total profit of the segment is used to measure performance because management considers that this information is most appropriate to assess the results of the relevant sectors relating to other enterprises operating in the same industries.

(Saudi Riyal)					
	Limestone sector	Carbonate sector	Block sector	Support services sector	Total
2022					
Revenues	106,962,690	22,303,784	13,114,932	-	142,381,406
Cost of revenues	(59,225,783)	(12,490,119)	(7,344,362)	-	(79,060,264)
Gross profit	47,736,907	9,813,665	5,770,570	-	63,321,142
2021					
Revenues	99,577,712	21,429,130	10,587,000	-	131,593,842
Cost of revenues	(55,768,016)	(11,452,313)	(5,657,983)	-	(72,878,312)
Gross profit	43,809,696	9,976,817	4,929,017	-	58,715,530
December 31, 2022					
Property, plant and equipment	130,883,865	3,906,981	15,627,924	44,930,282	195,349,052
December 31, 2021					
Property, plant and equipment	126,210,895	4,345,564	15,437,349	41,391,088	187,384,896

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7. PROPERTY, PLANT AND EQUIPMENT

<u>Cost</u>	Land	Buildings and construction*	Machinery and equipment	Motor vehicles	Tools	Office equipment and furniture	Improvements to machinery and equipment	Strategic spare parts	Capital work in progress	Total
SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR
January 1, 2022	30,289,061	246,171,102	157,767,210	7,202,326	2,170,449	6,366,353	8,684,356	2,091,682	10,938,773	471,681,312
Additions	-	211,669	2,158,618	879,078	152,980	781,603	-	3,460,694	13,157,622	20,802,264
Transfer from capital work in progress	-	3,070,247	2,237,198	-	-	-	3,740,375	-	(9,047,820)	-
Disposals	-	-	-	(540,500)	-	-	-	-	-	(540,500)
December 31, 2022	30,289,061	249,453,018	162,163,026	7,540,904	2,323,429	7,147,956	12,424,731	5,552,376	15,048,575	491,943,076

Accumulated depreciation

January 1, 2022	-	131,460,172	131,154,248	6,659,157	1,711,907	5,700,570	7,610,362	-	-	284,296,416
Depreciation for the year	-	8,560,726	2,389,120	250,244	69,029	131,109	1,193,332	244,547	-	12,838,107
Disposals	-	-	-	(540,499)	-	-	-	-	-	(540,499)
December 31, 2022	-	140,020,898	133,543,368	6,368,902	1,780,936	5,831,679	8,803,694	244,547	-	296,594,024

Netbook value

At December 31, 2022	30,289,061	109,432,120	28,619,658	1,172,002	542,493	1,316,277	3,621,037	5,307,829	15,048,575	195,349,052
At December 31, 2021	30,289,061	114,710,930	26,612,962	543,169	458,542	665,783	1,073,994	2,091,682	10,938,773	187,384,896

- The buildings and constructions item include the value of the buildings and constructions of the Company's factories on leased land from government agencies for a nominal rent until 2030.

- The capital work in progress item includes a capitalized borrowing cost during the year 2022 amount of SR900,000 (December 31, 2021: SR600,000).

- The capital work in progress represent the cost of the equipment and decorations, the new building of in addition to the development of the furnaces, amount to SR15 million, and the cost of supplementary works to complete capital works in progress amounting to SR9 million.

- Depreciation charged for the year ended December 31 is as follows:

	Saudi Riyal	
	2022	2021
Cost of revenues	12,410,852	11,596,717
Selling and distribution expenses	31,484	256,149
General and administrative expenses	395,771	128,420
	12,838,107	11,981,286

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7. PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

	Land	Buildings and construction*	Machinery and equipment	Motor vehicles	Tools	Office equipment and furniture	Improvements to machinery and equipment	Strategic spare parts	Capital work in progress	Total
	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR
<u>Cost</u>										
January 1, 2021	30,289,061	245,919,552	174,327,682	24,877,859	2,017,351	6,001,207	8,684,356	-	22,000	492,139,068
Additions	-	251,550	1,579,890	473,926	153,098	365,146	-	-	10,916,773	13,740,383
Transfer from spare parts inventory	-	-	-	-	-	-	-	2,091,682	-	2,091,682
Disposals	-	-	(18,140,362)	(18,149,459)	-	-	-	-	-	(36,289,821)
December 31, 2021	30,289,061	246,171,102	157,767,210	7,202,326	2,170,449	6,366,353	8,684,356	2,091,682	10,938,773	471,681,312
<u>Accumulated depreciation</u>										
January 1, 2021	-	122,966,675	146,939,764	24,099,032	1,657,925	5,507,546	7,022,044	-	-	308,192,986
Depreciation for the year	-	8,493,497	2,328,262	324,203	53,982	193,024	588,318	-	-	11,981,286
Disposals	-	-	(18,113,778)	(17,764,078)	-	-	-	-	-	(35,877,856)
December 31, 2021	-	131,460,172	131,154,248	6,659,157	1,711,907	5,700,570	7,610,362	-	-	284,296,416
<u>Netbook value</u>										
At December 31, 2021	30,289,061	114,710,930	26,612,962	543,169	458,542	665,783	1,073,994	2,091,682	10,938,773	187,384,896

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8. RIGHT OF USE ASSETS AND LEASE LIABILITIES

	(Saudi Riyal)	
	2022	2021
Right of use assets		
Cost		
Balance at January 1,	4,730,123	4,730,123
Additions	142,157	-
Balance at December 31,	4,872,280	4,730,123
Accumulated amortization		
Balance at January 1,	1,901,638	1,352,881
Depreciation for the year (note 25)	439,714	548,757
	2,341,352	1,901,638
Balance at December 31,	2,530,928	2,828,485
Lease liabilities		
Balance at January 1,	2,636,445	3,048,406
Additions during the year	142,157	-
Paid during the year	(519,705)	(519,069)
Finance cost (note 26)	113,461	107,108
Balance at December 31,	2,372,358	2,636,445
Current portion	420,308	519,110
Non-current portion	1,952,050	2,117,335

9. INVESTMENT IN AN ASSOCIATE

The Company owns a 50% share of the associate company "Saudi Insulating Bricks Company" and is accounted for according to the equity method.

	Ownership percentage	(Saudi Riyal)	
		2022	2021
Saudi Insulating Bricks Company	%50	23,677,774	23,508,965

The Saudi Insulating Bricks Company (limited liability Company) is a Saudi Company with GCC capital, registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010260635 on Muharram 10, 1430H (Corresponding January 7, 2009).

The activity of the associate, as stated in its commercial register, is represented in the general construction of residential buildings, the retail sale of building materials such as cement, blocks, gypsum, cement tiles, the manufacture of hollow cement blocks and bricks, and the wholesale sale of bricks, blocks, tiles, stone, marble, ceramics, and porcelain. The associate also has a branch of the Saudi Insulating Bricks Company in Jeddah. The associate operates in the production of light insulating bricks, wholesale trade in light insulating bricks, construction materials and equipment, and general contracting for buildings.

On March 26, 2020, the General Assembly of the Saudi Insulating Bricks Company approved its sale, liquidation, or merger, after the cessation of its operations, knowing that there were no actual indications of the possibility of an actual sale on that date. On May 31, 2022, the associate company's board of directors instructed the executive management to begin taking legal measures to liquidate the Insulating Bricks Company and terminate its license and commercial registration. The actual liquidation process began in the year 2022. Accordingly, the investment in the associate was classified within current assets as at December 31, 2022.

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9. INVESTMENT IN AN ASSOCIATE (CONTINUED)

The movement of investment in an associate is as follows:

	(Saudi Riyal)	
	2022	2021
Balance at January	25,008,965	26,248,455
Share in results of an associate company	(1,331,191)	(1,239,490)
	23,677,774	25,008,965
Provision for impairment losses of the investment	-	(1,500,000)
Balance as at December 31,	23,677,774	23,508,965
Current portion	23,677,774	-
Non-current portion	-	23,508,965

During the year 2022, and as a result of the start of the liquidation process of the associate, the management has more accurate and realistic financial information about the recoverable amount of its investment in the associate, which led it to the reversed of the impairment provision previously recorded in the amount of SR1,500,000.

Summary of the financial information about associated company

The tables below provide the summarized financial information of the associate company. The summarized information reflects the amounts appearing in the financial statements available to the relevant investee company and not the Company's share in those amounts:

Statement of financial position

	(Saudi Riyal)	
	2022	2021
Total Non-Current Assets	-	45,848,344
Total Current Assets	50,712,278	5,672,774
Total Current Liabilities	(3,356,726)	(1,503,184)
Net assets	47,355,552	50,017,934
Company's share	50%	50%
Share in the associate	23,677,774	25,008,965
Impairment loss provision on the investment	-	(1,500,000)
Book value of investment in associate	23,677,774	23,508,965

Statement of comprehensive income

	(Saudi Riyal)	
	2022	2021
Gross profit	-	161,102
Operating loss	886,040	(2,139,745)
Net loss	(2,374,827)	(2,478,979)
Comprehensive loss	(2,374,827)	(2,478,979)
Company's share	50%	50%
Share in the associate	(1,187,414)	(1,239,490)
Zakat Settlement	(143,777)	-
Share in results of the associate	(1,331,191)	(1,239,490)

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10. INVENTORIES

	(Saudi Riyal)	
	2022	2021
Spare parts (Note 32)	15,759,340	17,913,592
Finished goods	8,772,834	6,524,587
Work in progress	4,027,906	5,645,229
Raw materials	224,913	88,071
	28,784,993	30,171,479
Provision of obsoleted and slow-moving inventory	(1,421,803)	(1,240,680)
	27,363,190	28,930,799

The movement in the provision of obsoleted and slow-moving inventories during the year December 31, is as follows:

	(Saudi Riyal)	
	2022	2021
Balance at January 1,	1,240,680	1,240,680
Charged for the year	181,123	-
Balance as at December 31,	1,421,803	1,240,680

11. TRADE RECEIVABLES

	(Saudi Riyal)	
	2022	2021
Trade receivables	35,992,347	38,228,908
Expected credit loss	(3,743,184)	(3,612,004)
	32,249,163	34,616,904

The movement in the ECL during the year ended December 31 is as follows:

	(Saudi Riyal)	
	2022	2021
Balance at January 31,	3,612,004	3,612,004
Provided during the year	131,180	-
Balance as at December 31,	3,743,184	3,612,004

The aging analysis for the trade receivables as at December 31 is as follows.

		Balances past due				
		From 1 day to 90 days	From 91 days to 180 days	From 181 days to 365 days	More than 365 days	Total
		SR	SR	SR	SR	SR
December 31, 2022	31,	25,863,627	6,482,145	22,338	3,624,237	35,992,347
December 31, 2021	31,	26,266,297	3,944,184	4,468,302	3,550,125	38,228,908

The credit period granted to customers ranges from 30 to 90 days, and no commissions are calculated on these accounts. The Company records expected credit losses based on several factors, including the age of receivables, and the financial position of customers, where available. Concentrations of credit risk are limited due to the large and unrelated customer base.

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12. BALANCES AND TRANSACTIONS WITH RELATED PARTY

During the year, the Company conducted transactions with the related party, Saudi Insulating Bricks Company, an associate. The terms of these transactions and expenses have been approved by the Company's management.

Due to a related party comprises the following:

	(Saudi Riyal)	
	2022	2021
Saudi Insulating Bricks Company	18,756,360	1,294

Transactions with a related party comprises the following:

	(Saudi Riyal)	
Nature of the transaction	2022	2021
Payments received for the return of investment in an associate	19,500,000	-
Transaction on behalf	2,496,746	793,205
Collection on behalf	1,749,362	505,709
Purchase	2,450	42,938

The benefits of the key management personnel incurred during the year ended December 31, are as follows:

	(Saudi Riyal)	
	2022	2021
Short term benefits	2,516,560	2,106,670
Employee defined benefits obligation (Balance at the end of the year)	1,199,557	117,602
	3,716,117	2,224,272

13. PREPAID EXPENSES AND OTHER DEBIT BALANCES

	(Saudi Riyal)	
	December 31, 2022	December 31, 2021
Advances to suppliers	5,469,643	3,805,362
IPO expenses	1,549,592	-
Prepaid expenses	1,287,144	1,444,406
Staff receivables	299,322	394,513
Margins on letter of guarantee – Note (30)	252,457	252,457
Refundable deposits	46,754	46,754
Value Added Tax	-	39,325
Others	9,370	-
	8,914,282	5,982,817

14. CASH AND CASH EQUIVALENTS

	(Saudi Riyal)	
	2022	2021
Short term deposits	19,000,000	-
Cash at Bank	5,909,342	25,018,752
Cash on hand	39,357	96,132
	24,948,699	25,114,884

15. STATUTORY RESERVE

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

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16. OTHER RESERVE

The movement on other reserve related to employees defined benefits during the year is as follows:

	(Saudi Riyal)	
	2022	2021
Balance at January 1,	(5,024,880)	(4,484,899)
Re-measurements charged on OCI	282,327	(539,981)
Balance at December 31,	(4,742,553)	(5,024,880)

17. DIVIDENDS

On April 25, 2022, the Extraordinary General Assembly approved the distribution of dividends to shareholders in the amount of SR 10 M from the retained earnings on December 31, 2021. The of accrued dividends and unpaid to shareholders as at December 31, 2022, amounted to SR 1.3 million (December 31, 2021: SR 1.2 million).

18. EMPLOYEE DEFINED BENEFITS OBLIGATION

	Saudi Riyal	
	2022	2021
Balance at January 1,	8,856,591	10,558,971
Current service cost	1,162,020	1,126,378
Finance cost	258,612	170,047
Re-measurements charged on OCI	(282,327)	539,981
Closed advanced payments	(351,875)	-
Payments during the year	(1,470,981)	(3,538,786)
	8,172,040	8,856,591
Advance payments to employees	(763,676)	(927,071)
Balance as at December 31,	7,408,364	7,929,520

Actuarial assumptions:

The main actuarial assumptions are:

	December 31, 2022	December 31, 2021
Discount rate	4.98%	1.92%
Salary increases rate for the first period	2%	1.01%

Sensitivity analysis on significant assumptions:

	December 31, 2022	December 31, 2021
Discount rate 0.5% (+/-)		
Increase	7,753,576	7,691,773
Decrease	8,620,889	10,332,267
Change in salary 0.5% (+/-)		
Increase	8,630,874	10,330,803
Decrease	7,740,851	7,672,064

19. LOANS

The Company obtained banking facilities from local banks in the form of long-term loans (Murabaha and Tawarruq). The balance of these facilities as at December 31, 2022, amounted to SR 14.6 million (December 31, 2021: SR 34.1 million), and commission rates are charged based on SIBOR plus agreed margin. The due installments are paid quarterly. These facilities were agreed upon in accordance with the terms stipulated in the facility contracts and are guaranteed by promissory notes. The following is a description of the facilities:

	Saudi Riyal	
	December 31, 2022	December 31, 2021
Long term loan - Current portion	12,310,700	20,140,413
Long term loan - Non-Current portion	2,300,000	13,950,003
	14,610,700	34,090,416

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20. ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	Saudi Riyal	
	December 31, 2022	December 31, 2021
Accrued salaries, wages and benefits	4,184,057	4,352,353
Advance from customers	2,607,952	1,943,422
Accrued expenses	2,100,569	2,230,924
Board of directors' remunerations	1,417,500	1,430,000
Professional consultations	812,394	1,325,420
Value-added tax	354,334	-
Accrued professional fees	315,625	307,500
Employee payables	16,246	25,578
Accrued loan's commission	-	507,216
Other provisions (*)	4,710,900	5,136,174
	16,519,577	17,258,587

(*) The Company recognizes a provision for items for which the determination of the amount due is uncertain, but it is considered that there will be a future cash flow to external parties. Provisions are measured at the best estimate of the amount expected to become payable. The estimation of these provisions depends on the Company's management after consulting specialized and independent parties with previous experience about these matters. The Company's management decided not to disclose the details of the provisions due to harm to the Company's position in potential claims from other parties.

21. ZAKAT PROVISION

The Company submitted the financial statements and zakat returns to the Zakat, Tax and Customs Authority. Zakat is due at the rate of 2.5% of the zakat base or adjusted net profit, whichever is higher. The following are the most important components of the Company's zakat base according to zakat regulations:

	Saudi Riyal	
	2022	2021
Owner equity	221,156,249	231,156,249
Non-current assets	(238,648,285)	(213,722,346)
Beginning balance provision and other adjustment	56,086,588	30,357,183
Adjusted net profit	20,364,161	13,983,876
Zakat base	58,958,713	61,774,962

As a result of the adjustment described in note 32 ("Prior year restatement"), the balance of non-current assets and thus the balance of the zakat base for the year 2021 was adjusted. The effect of the adjustment was not reflected in the zakat expense and provision for the year 2021 due to its immateriality.

The movement of zakat provision during the year ended December 31, is as follows:

	Saudi Riyal	
	2022	2021
Balance as at January 1	1,591,660	1,183,150
Charged during the year	1,473,968	1,596,666
Payments	(1,562,210)	(1,188,156)
Balance as at December 31	1,503,418	1,591,660

Status of Zakat

The Company has submitted zakat declarations up to the year ended December 31, 2021, according to which the Company has paid the zakat due and obtained a valid zakat certificate until April 30, 2023.

During the year 2022, the Company finalized the zakat assessment for the year 2016 with the Zakat, Tax and Customs Authority ("ZATCA"), and the zakat declarations for the years from 2017 to 2021 are still under review by the authority. The Authority requested an examination of the years 2017 and 2018 and the Company is currently working on providing the Authority with the requirements.

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22. REVENUES

	Saudi Riyal	
	2022	2021
Local revenue	122,260,245	102,349,328
Export revenue	23,453,441	31,572,946
Returns and discounts	(3,332,280)	(2,328,432)
	142,381,406	131,593,842

23. COST OF REVENUES

	Saudi Riyal	
	2022	2021
Cost of raw materials	28,603,334	26,074,522
Salaries, wages, and others	13,820,810	13,624,524
Depreciation of property, plant and equipment	12,410,852	9,992,832
Equipment rent	7,246,579	6,419,007
Maintenance	5,886,439	6,789,607
Quarry fees	1,754,462	2,411,558
Health insurance	741,636	700,898
Water and electricity	618,865	526,076
Hospitality and cleaning	383,589	348,988
Penalty and government expenses	392,212	386,195
Insurance	331,954	268,368
Consumable tools	27,259	20,789
Other	6,842,273	5,314,948
	79,060,264	72,878,312

24. SELLING AND DISTRIBUTION EXPENSES

	Saudi Riyal	
	2022	2021
Shipping and transportation of limestone	26,805,916	24,976,197
Salaries, wages, and others	1,331,626	1,727,413
Advertising and marketing	1,330,885	887,440
Water, electricity, and fuel	251,154	518,039
Maintenance	138,607	350,981
Sales commissions	137,241	512,810
Depreciation of property, plant and equipment	31,484	256,149
Other	386,896	473,575
	30,413,809	29,702,604

25. GENERAL AND ADMINISTRATIVE EXPENSES

	Saudi Riyal	
	2022	2021
Salaries, wages, and others	9,272,612	6,990,733
Bonus	2,506,422	2,456,000
Board of directors' remunerations	1,430,000	1,430,000
Professional fees	1,331,408	3,519,726
Health insurance	654,249	475,028
Depreciation of right of use assets	439,714	548,757
Depreciation of property, plant and equipment	395,771	128,420
Consumable material	158,472	220,099
Water, electricity, and fuel	104,777	97,835
Other	781,020	3,357,211
	17,074,445	19,223,809

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26. FINANCE COST

	Saudi Riyal	
	2022	2021
Employees defined benefits obligation	258,612	170,047
Bank interest and commission	216,476	329,990
Right of use assets	113,461	107,108
	588,549	607,145

27. OTHER REVENUES

	Saudi Riyal	
	2022	2021
Gain from sale of property, plant and equipment	39,999	3,646,117
Income from deposits commissions	255,176	-
Other miscellaneous revenues	1,722,892	1,268,898
	2,018,067	4,915,015

28. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding.

Earnings per share had been calculated for the year ended on December 31, 2022, based on the weighted average number of outstanding shares during the year, which aggregated 20,000,000 shares (2021: 20,000,000 shares). There are no dilutive or potential ordinary shares.

29. FINANCIAL INSTRUMENTS

Foreign exchange risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Foreign exchange risk arises when future business transactions and recognized assets and liabilities are denominated in a currency different from the Company's presentation currency. The Company's exposure to foreign exchange risk is primarily limited to transactions in US dollars. The Company's management believes that it has very limited exposure to currency risks linked to the US dollar. The fluctuation in exchange rates against other currencies is monitored continuously.

Credit risk

Credit risks are the risks that expose the Company to a financial loss if the customer or the counterparty in a financial instrument fails to meet its contractual obligations.

The Company is exposed to credit risk on asset balances as follows:

	Saudi Riyal	
	December 31, 2022	December 31, 2021
Trade receivables	32,249,163	34,616,904
Other debit balances	598,533	733,049
Cash at banks	24,909,342	25,018,752
	57,757,038	60,368,705

The carrying value of the financial assets represents the maximum exposure to credit risks.

The Company manages the credit risk regarding trade receivables by monitoring them in accordance with defined policies and procedures. The Company seeks to reduce credit risk regarding customers by create credit limits for each customer and monitoring uncollected receivables on an ongoing basis.

The concentration of trade receivables is represented in four customers, as they constitute 51% of the total receivables as at December 31, 2022, and their sales amounted to 42% of the Company's total sales during the year 2022 (December 31, 2021: 52% and 46%, respectively).

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29. FINANCIAL INSTRUMENTS (CONTINUED)

liquidity risk

Credit risk is the risk that one party to a financial instrument will fail to meet its obligations and cause the other party to incur a financial loss. The Company is exposed to credit risk on asset balances as follows:

<u>December 31, 2022</u>	<u>Saudi Riyal</u>		
	<u>Book value</u>	<u>Less than one year</u>	<u>More than a year</u>
Lease liabilities	2,679,905	504,425	2,175,480
Long-term loans	14,949,481	12,630,383	2,319,098
Due to a related party	18,756,360	18,756,360	-
Trade payables	15,220,137	15,220,137	-
Other credit balances	9,200,725	9,200,725	-
Dividends to shareholders	1,377,531	1,377,531	-
Total	62,184,139	57,689,561	4,494,578

<u>December 31, 2021</u>			
Lease liabilities	3,199,610	519,705	2,679,905
Long-term loans	35,697,291	20,747,810	14,949,481
Due to a related party	1,294	1,294	-
Trade payables	12,480,299	12,480,299	-
Other credit balances	10,178,991	10,178,991	-
Dividends to shareholders	1,223,280	1,223,280	-
Total	62,780,765	45,151,379	17,629,386

Liquidity risk is managed by monitoring on a regular basis and ensuring that sufficient funds, banking, and other credit facilities are available to meet the future obligations of the Company.

Market risk

Market price risk is the risk that the value of financial instruments will fluctuate due to changes in market prices, such as foreign exchange rates and interest rates, which will affect the Company's income or the value of financial assets. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimizing return.

30. CONTINGENT LIABILITIES

The Company has contingent liabilities represented in letters of guarantee as at December 31, 2022 in the amount of SR3,525,890 and a cash margin of SR252,457 (2021: SR 3,922,479, SR252,457) in addition to letters of credit amounted of SR 1,029,318 (2021: nil).

There are contractual capital obligations related to capital work in progress amounting to SR 9.1 million.

31. SUBSEQUENT EVENTS TO THE DATE OF PREPARATION OF THE FINANCIAL STATEMENTS

According to the Company's management, there are no events after the date of the report and before the issuance of these financial statements that may require modification or disclosure in these financial statements.

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32. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation of the financial statements, and this did not result in any impact on the net profit or equity.

Prior year restatement

The Company's management discovered an accounting error during the year 2022 related to the classification of strategic spare parts within the inventory item instead of the property, plant, and equipment item. Accordingly, the management identified and reclassified the strategic spare parts. The following is the adjustment on the statement of financial position as at December 31, 2021:

	December 31, 2021		December 31, 2021
	Saudi Riyals Before restatement	Saudi Riyals Restatement	Saudi Riyals After restatement
Property, plant, and equipment	185,293,214	2,091,682	187,384,896
Inventory	31,022,481	(2,091,682)	28,930,799
	<u>216,315,695</u>	<u>-</u>	<u>216,315,695</u>

During the year 2022, the Company implemented this policy and reclassified the strategic spare parts for the comparative year under the property, plant and equipment item with an amount of SR 2.1 million, and there was no material impact on the profit or loss for the year 2021, as the total depreciation charge for the strategic spare parts for the year 2021 amounted to SR 53,000 has been recorded in year 2022 – refer to note No. (7).

33. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on Shawwal 6, 1444H (corresponding April 26, 2023G).