SAUDI CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
WITH
INDEPENDENT AUDITOR'S REPORT

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR’S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

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Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
الطابق ١٦، برج البرغش
٦١٨٩ طريق الأمير تركي، الكورنيش
ص.ب ٤٨٠٣
الخبر ٣٤٤١٢ - ٣١٤٦
المملكة العربية السعودية
سجل تجاري رقم ٢٠٥١٠٦٢٣٢٨

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Saudi Cement Company (A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of **Saudi Cement Company ("the Company") and its subsidiary (collectively referred as "the Group"),** which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report (continued)

To the Shareholders of Saudi Cement Company (A Saudi Joint Stock Company)

Key audit matter **Recognition of revenue**	
Referring to note 3 for the accounting policy of the revenue and note 21 for the disclosure of revenue.	
The key audit matter	**How the matter was addressed in our audit**
During the year ended 31 December 2023, the Group has recognized revenue from sales of goods amounting to SR 1.46 billion. Revenue from sales of goods is recognised at point in time when control over the goods are transferred to the customer on delivery of the goods in accordance with "IFRS 15 -Revenue from contracts with customers". Revenue is one of the core indicators for measuring performance, and consequently, there are inherent risks through recognizing revenue with more than its actual value or not recognizing in correct accounting period, in order to increase profitability. Therefore, the revenue recognition process has been considered as a key audit matter. In addition, revenue was also considered an area of significant audit risk as part of the audit process due to inherent risk related to fraud.	The auditing procedures we performed in relation to revenue included, among other procedures, are following: - Evaluated the appropriateness of the Group's accounting policies related to recognition of revenue from sales as well as assessing compliance with the requirements of applicable accounting standards and performed inquiry procedures with respect to risk of fraud; - Evaluated the design and implementation of the internal control procedures related to revenue recognition, including anti-fraud control procedures; - Performed testing of revenue transactions on a sample basis with underlying supporting documentation including dispatch documents and sales invoices; - Tested on a sample basis, revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue was recognised in the correct period; and - Assessed the adequacy of the disclosures relating to the revenue in the accompanying consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Independent Auditor's Report (continued)

To the Shareholders of Saudi Cement Company (A Saudi Joint Stock Company)

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

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

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

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

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

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

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

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report (continued)

To the Shareholders of Saudi Cement Company (A Saudi Joint Stock Company)

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

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

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

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

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

KPMG Professional Services

Nasser Ahmed Al Shutairy
License No: 454

Al Khobar, 12 March 2024G
Corresponding to: 2 Ramadan 1445H

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023
(Expressed in Saudi Riyals in thousands, unless otherwise stated)

	Note	**31 December 2023 SR '000**	31 December 2022 SR '000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**2,003,995**	2,137,937
Right-of-use-assets	7	**42,354**	18,849
Intangible assets	8	**10,889**	11,462
Investment in an associate	9	**48,497**	46,494
Equity investment designated at fair value through other comprehensive income (FVOCI)	10	**-**	3,187
Total non-current assets		**2,105,735**	2,217,929
Current assets			
Inventories	11	**563,670**	552,178
Trade receivables	12	**387,366**	380,026
Prepayments and other current assets	13	**42,445**	35,992
Cash and cash equivalents	14	**114,916**	91,476
Total current assets		**1,108,397**	1,059,672
Total Assets		**3,214,132**	3,277,601
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**1,530,000**	1,530,000
Statutory reserve	15	**459,000**	459,000
Fair value reserve	10	**-**	327
Retained earnings		**170,311**	303,635
Total equity		**2,159,311**	2,292,962
Liabilities			
Non-current liabilities			
Employees' benefits	16	**126,331**	106,248
Lease liabilities	7	**38,871**	16,634
Provision for site restoration	17	**6,049**	-
Total non-current liabilities		**171,251**	122,882
Current liabilities			
Lease liabilities – current portion	7	**6,722**	6,071
Short term loans	18	**400,000**	325,000
Trade payables		**60,922**	134,116
Dividend payable	19	**226,090**	238,174
Accruals and other current liabilities	20	**141,655**	117,919
Contract liabilities	21	**26,699**	20,326
Provision for zakat	25	**21,482**	20,151
Total current liabilities		**883,570**	861,757
Total Liabilities		**1,054,821**	984,639
Total equity and liabilities		**3,214,132**	3,277,601

Finance Manager	**Designated Member / CEO**	**Chairman**
Evan Abaza	**Mohammed A. AlGarni**	**Khaled Abdulrahman Al-Rajhi**

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The accompanying notes 1 through 35 on pages 1 to 48 form an integral part of these consolidated financial statements.

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2023
(Expressed in Saudi Riyals in thousands, unless otherwise stated)

	Note	2023 SR '000	2022 SR '000
Revenue	21	**1,461,832**	1,419,821
Cost of revenue		**(888,901)**	(850,946)
Gross Profit		**572,931**	568,875
Selling and distribution expenses	22	**(130,317)**	(89,293)
General and administrative expenses	23	**(80,225)**	(75,671)
Operating Profit		**362,389**	403,911
Other income		**54,908**	14,138
Share of profit of investment in an associate	9	**2,058**	9,087
Finance cost	24	**(29,170)**	(16,298)
Gain on disposal of financial asset through FVOCI	10	**8,842**	**-**
Profit before Zakat		**399,027**	410,838
Zakat expense	25	**(18,000)**	(12,000)
Profit for the year		**381,027**	398,838
Other comprehensive income			
Item that will not be reclassified to the consolidated statement of profit or loss in subsequent periods:			
Re-measurement loss on defined benefit obligations	16	**(17,373)**	(3,322)
Fair value change in equity investment designated at FVOCI	10	**-**	(346)
Share of other comprehensive income of investment in an associate	9	**(55)**	-
Total other comprehensive loss		**(17,428)**	(3,668)
Total comprehensive income for the year		**363,599**	395,170
Earnings per share:		**SR**	SR
Basic and diluted earnings per share attributable to the shareholders of the Company	26	**2.49**	2.61

Finance Manager	**Designated Member / CEO**	**Chairman**
Evan Abaza	**Mohammed A. AlGarni**	**Khaled Abdulrahman Al-Rajhi**

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The accompanying notes 1 through 35 on pages 1 to 48 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023
(Expressed in Saudi Riyals in thousands, unless otherwise stated)

	Attributable to shareholders of the Company				
	Share capital	**Statutory reserve**	**Fair value reserve**	**Retained earnings**	**Total equity**
Balance at 1 January 2022	1,530,000	459,000	673	443,619	2,433,292
Total comprehensive income for the year					
Profit for the year	-	-	-	398,838	398,838
Other comprehensive loss for the year	-	-	(346)	(3,322)	(3,668)
Total comprehensive income for the year	-	-	(346)	395,516	395,170
Transactions with owners in their capacity as owners					
Dividend (note 19)	-	-	-	(535,500)	(535,500)
Balance at 31 December 2022	**1,530,000**	**459,000**	**327**	**303,635**	**2,292,962**
Balance at 1 January 2023	**1,530,000**	**459,000**	**327**	**303,635**	**2,292,962**
Total comprehensive income for the year					
Profit for the year	**-**	**-**	**-**	**381,027**	**381,027**
Other comprehensive loss for the year	**-**	**-**	**-**	**(17,428)**	**(17,428)**
Transfer of fair value reserve (note 10)	**-**	**-**	**(327)**	**327**	**-**
Total comprehensive income for the year	**-**	**-**	**(327)**	**363,926**	**363,599**
Transactions with owners in their capacity as owners					
Dividend (note 19)	**-**	**-**	**-**	**(497,250)**	**(497,250)**
Balance at 31 December 2023	**1,530,000**	**459,000**	**-**	**170,311**	**2,159,311**

Finance Manager	Designated Member / CEO	Chairman
Evan Abaza	**Mohammed A. AlGarni**	**Khaled Abdulrahman Al-Rajhi**

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The accompanying notes 1 through 35 on pages 1 to 48 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2023
(Expressed in Saudi Riyals in thousands, unless otherwise stated)

	Note	2023 SR '000	2022 SR '000
Cash flows from operating activities			
Profit for the year		**381,027**	398,838
Adjustment for:			
Depreciation - property, plant and equipment	6	**214,017**	220,042
Depreciation - right-of-use assets	7	**5,383**	7,382
Amortization - intangible assets	8	**573**	3,479
Loss on disposal of property, plant and equipment		**8**	31
Share of profit of investment in associate	9	**(2,058)**	(9,087)
Zakat expense	25	**18,000**	12,000
Provision for employees' benefits	16	**11,757**	9,523
Provision for site restoration	17	**5,917**	-
Gain on disposal of equity investment designated as FVOCI	10	**(8,840)**	-
Provision / (reversal) for spare parts	11	**9,983**	(6,612)
Finance cost	24	**29,170**	16,298
		664,937	651,894
Changes in:			
Inventories		**(21,475)**	(28,496)
Trade receivables		**(7,340)**	14,454
Prepayments and other current assets		**(6,453)**	3,597
Trade payables		**(73,194)**	76,711
Accruals and other current liabilities		**20,900**	(40,565)
Contract liabilities		**6,373**	8,564
Retention payable		**-**	(1,400)
Cash generated from operating activities		**583,748**	684,759
Finance cost paid		**(24,624)**	(15,347)
Zakat paid	25	**(16,669)**	(17,011)
Employees benefits paid	16	**(9,047)**	(10,852)
Net cash generated from operating activities		**533,408**	641,549
Cash flows from investing activities			
Additions to property, plant and equipment	6	**(80,226)**	(74,718)
Proceeds from disposal of property, plant and equipment		**143**	-
Proceeds on disposal of equity investment designated as FVOCI	10	**12,027**	-
Net cash used in investing activities		**(68,056)**	(74,718)
Cash flows from financing activities			
Payment of lease liability	7	**(7,578)**	(7,976)
Proceeds from short term loans		**500,000**	450,000
Repayment of short term loans		**(425,000)**	(475,000)
Dividend paid		**(509,334)**	(523,875)
Net cash used in financing activities		**(441,912)**	(556,851)
Net change in cash and cash equivalents		**23,440**	9,980
Cash and cash equivalents at the beginning of the year		**91,476**	81,496
Cash and cash equivalents at the end of the year	14	**114,916**	91,476

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended 31 December 2023
(Expressed in Saudi Riyals in thousands, unless otherwise stated)

	Note	2023 SR '000	2022 SR '000
Non-cash transactions:			
Addition to right-of-use assets and lease liabilities	7	**30,093**	5,776
Termination of right of use asset and lease liabilities	7	**1,205**	-

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Finance Manager	Designated Member / CEO	Chairman
Evan Abaza	Mohammed A. AlGarni	Khaled Abdulrahman Al-Rajhi

The accompanying notes 1 through 35 on pages 1 to 48 form an integral part of these consolidated financial statesents.

(Expressed in Saudi Riyals in thousands, unless otherwise stated)

1 CORPORATE INFORMATION

Saudi Cement Company ("the Company") is a Saudi Joint Stock Company incorporated under Royal Decree number 6/6/10/726 dated 8 Rabi' II 1375 H (corresponding to 23 November 1955) and registered in the Kingdom of Saudi Arabia, in the city of Dammam under Commercial Registration number 2050000602 dated 6 Dhul Qadah 1377 H (corresponding to 24 May 1958). The Company is engaged in manufacturing and selling cement and its related products.

The Company obtained under the Royal Decree number 10/6/6/8500 dated 26 Rajab 1370H corresponding to 3 May 1951, the right of the mining concession for the extraction of limestone, gypsum and clay and all the necessary materials for the manufacture of cement in Al Hassa for 30 years period.

Thereafter, the Company obtained the licenses for the existing quarries under the Royal Decree number M/11 dated 29/04/1405H (corresponding to 22/01/1985) which gives mining concession for the extraction of limestone, gypsum and clay and all the necessary materials for the manufacture of cement for 30 years period.

In the year 1985, a Saudi Bahraini Company obtained the right of the mining concession for the extraction of limestone, gypsum and clay under the Royal Decree number M/12 dated 29/04/1405H (corresponding to 22/01/1985) which was merged with the Saudi Cement Company in 1990. Accordingly, the Ministry of Petroleum and Mineral Resources resolved on 04/01/1412H (corresponding to 15/07/1991) to transfer all quarries and related licenses of Saudi Bahraini Company to the Saudi Cement Company.

In the year 2020, all of the above licenses which have been issued under the Royal Decree numbers M/11 and M/12 dated 29/04/1405H (corresponding to 22/01/1985) were renewed by the Ministry of Industry and Mineral Resources for a period of 30 years started from 29/4/1435 H (corresponding to 01 March 2014) except quarry license for Aba Hamama area in Al-Ahsa region which has been renewed for 10 years started from 11/12/1441 (corresponding to 01 August 2020).

The accompanying consolidated financial statements includes the activities of the Company and its following subsidiary (collectively referred to as “the Group”):

Name	**Country of incorporation**	**Percentage of holding**	
		31 December 2023	31 December 2022
United Cement Company W.L.L	Kingdom of Bahrain	100%	100%

United Cement Company W.L.L. (UCC), ("the Subsidiary"), is a limited liability company incorporated in the Kingdom of Bahrain on 15 March 1989 with the Ministry of Industry, Commerce and Tourism under commercial registration number 20906.

The principal activities of UCC include import, export and sale of cement in different forms. The registered office of UCC is situated at Mina Salman Industrial Area, P.O. Box 26719, Mina Salman Industrial Area, Kingdom of Bahrain.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The accompanying consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

2 BASIS OF PREPARATION (continued)

2.2 Basis of measurement

These consolidated financial statements are prepared under the historical cost convention, using the accruals basis of accounting, except for certain employees' benefits which are measured at present value of the defined benefit obligation using the projected unit credit method and equity investment at FVOCI which is measured at fair value.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals (SR) which is the Company's functional and Group's presentation currency.

2.4 Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiary as at the reporting date. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the period are included in the consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control over its subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Non-Controlling Interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. The Group and its subsidiary have the same reporting periods.

2 BASIS OF PREPARATION (continued)

2.5 New Company Law

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). In the current year, the management has assessed the impact of the New Companies Law, accordingly amended its By-Laws and obtained approval in annual general meeting that was held during the year.

3 MATERIAL ACCOUNTING POLICIES

The Group also adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments did not result in any material changes to the accounting policies themselves and the accounting policies information disclosed in the financial statements.

The amendments require the disclosure of “material”, rather than “significant”, accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in certain instances in line with the amendments.

The accounting policies stated below have been consistently applied to all periods presented in these consolidated financial statements unless otherwise stated.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in statement of income as incurred. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a ‘concentration test’ that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value with the exception of liabilities related to employee benefit arrangements which are recognized and measured in accordance with IAS 19 - “Employee benefits”.

The Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value. Any resulting gain/loss is recognized in the statement of income. The fair value of previously held interest in the acquiree is then derecognized and included in the calculation of goodwill.

3 MATERIAL ACCOUNTING POLICIES (continued)

Business combination (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS. Any additional investment made in a subsidiary (not wholly owned) is treated as equity transaction and the difference between the carrying value of non-controlling interests and consideration paid is recorded in retained earnings of the Group.

The initial accounting for a business combination can be determined provisionally by the end of the measurement period (not exceeding 12 months from the acquisition date) and the business combination is accounted for using provisional amounts. Adjustments to provisional amounts and the recognition of newly identified asset and liabilities are made within the 'measurement period' where they reflect new information obtained about facts and circumstances that were in existence at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9: Financial Instruments, is measured at fair value with the changes in fair value recognized in the other comprehensive income.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects (qualifying assets), if the recognition criteria are met. Where such assets are constructed in-house, their cost includes all amounts necessary to bring the asset to the present condition and location to be ready for intended use by management and excludes all costs such as general and administrative expenses and training costs.

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item, and where such parts/components have a useful life different than other parts and are required to be replaced at different intervals, the Group shall recognize such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection is performed, its directly attributable cost is recognized in the carrying amount of the property, plant and equipment if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of profit or loss and other comprehensive income as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. The Group will periodically assess the expectation and estimation for the decommissioning liability.

Depreciation is calculated from the date the item of property, plant and equipment are available for its intended use or in respect of self-constructed assets from the date such assets are ready for the intended use.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

Buildings and civil works	13 to 33 years
Plant and equipment	3 to 30 years
Transportation equipment	4 to 10 years
Furniture, fixtures and office equipment	4 to 10 years

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at each financial year–end.

3 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Assets under construction, which are not ready for its intended use, and land are not depreciated.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction work in progress (CWIP)
CWIP is recognized at cost less accumulated impairment, if any. CWIP is transferred to the related property and equipment when the construction or installation and related activities necessary to prepare the property and equipment for their intended use have been completed and the property and equipment are ready for operational use.

Goodwill and Intangible assets

Goodwill arising on acquisition of a business is included in intangible assets and is initially measured at cost (being the excess of the aggregate of the fair value of consideration transferred and the amount recognised for non-controlling interest and fair value of any previous interest held) over the fair value of net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired in excess of the aggregate consideration transferred, the group re-assess whether it has correctly identified all of the assets acquired and all the liabilities assumed and review the procedures used to measure the amounts to be recognised at the business combination date. If the re-assessment still results in a excess of the fair value of the net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of income. Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less impairment losses.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets are not capitalized and expenditure is recognized in the consolidated statement of profit or loss and other comprehensive income when it is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

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

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

Softwares are amortised using straight-line method over 10 years. Cost of obtaining / renewing quarry licenses to extract minerals is capitalised as intangibles and is amortised over the term of the licensing period (10 to 22 years) using straight-line method.

3 MATERIAL ACCOUNTING POLICIES (continued)

Goodwill and Intangible assets (continued)

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

Right of use assets and leases
<u>The Group as a lessee</u>

The Group assesses whether a contract is or contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. Currently, the Group has no contract which includes lease and non-lease component.

The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

3 MATERIAL ACCOUNTING POLICIES (continued)

Right of use assets and leases (continued)

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. The Group applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired.

<u>Variable lease payments</u>

In case of leases which contain variable payment linked to the usage or performance of the leased assets, such payments are recognized in the consolidated statement of profit or loss and other comprehensive income.

<u>Extension and termination options</u>

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

Investments in associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. This is generally the case where the Group holds between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. In addition, when there has been a change recognised directly in the equity of the investee, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealised gains on transactions between the Group and investees are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

3 MATERIAL ACCOUNTING POLICIES (continued)

Investments in associates (continued)

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and associate and its carrying value, then recognizes the loss as 'Share in results of equity-accounted investees' in the consolidated statement of profit or loss and other comprehensive income. Dividends from associates are adjusted against carrying amount when the right to receive the dividend is established which in the case of quoted securities is the ex-dividend date.

Impairment of goodwill and other non-financial assets

Goodwill

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the cash-generating units ("CGU") that are expected to benefit from the synergies of the combination and represents the lowest level at which goodwill is monitored for internal management purposes. A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on pro-rata based on the carrying amount of each asset in the CGU. Any impairment loss is recognized immediately in the consolidated statement of income. Impairment of goodwill is not subsequently reversed.

Other non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the assets recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. In assessing the value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate (pre-zakat) that reflects current market assessment of the time value of money and the risks specific to the asset.

The Group's impairment calculation is based on detailed budgets and forecast calculations which are prepared for the Group as whole, as the Group considered as single CGU. These budgets and forecast calculations are generally covering a five-year period. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the budget period.

Impairment losses of continuing operations, including impairment on working capital, if applicable, are recognized in the consolidated statement of profit or loss and other comprehensive income in those expense categories consistent with the function of the impaired asset.

Irrespective of whether there is any indication of impairment, the Group shall also test intangible assets with an indefinite useful life (including goodwill) for impairment on annual basis.

3 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of goodwill and other non-financial assets (continued)

Other non-financial assets (continued)

For assets other than above, an assessment is made at each financial year-end as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. This reversal is limited such that the recoverable amount doesn't exceed what the carrying amount would have been, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss and other comprehensive income.

Inventories

Inventories, including raw materials, finished goods and consumables (spares) are valued at the lower of cost i.e. historical purchase prices based on the weighted average principle plus directly attributable costs (primarily duty and transportation) and the net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to complete a sale.

Inventories of finished goods include cost of materials, labor and an appropriate proportion of variable and fixed direct overheads.

The cost of inventories is assigned by using weighted average cost formula. The Group is using the same cost formula for all inventories having a similar nature and use to the Group. For inventories with a different nature or use, different cost formulas are used.

Abnormal inventory losses due to quality or other issues and overheads incurred during unplanned maintenance / shut down period are excluded from inventory costs. The allocation of overheads at period end for the purpose of inventory valuation are based on the higher of normal capacity or actual production for the period. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Management reduces the inventory to its net realizable value if the cost of the inventory is not recoverable or the inventory is damaged or become an obsolete in whole or in part, or if the selling price is lower than cost or any other factors that cause the net realizable value to become less than the carrying amount. Management valuation of net realizable value is based on the most reliable evidence at the time the estimates are used. These estimates take into account fluctuations in prices or costs directly attributable to events occurring after the date of the financial statements to the extent that they confirm that the circumstances of such events exist as at end of the financial period.

Consumable spare parts

Consumables are ancillary materials which are consumed in the production of semi-finished and finished products. Consumables may include engineering materials, one-time packaging materials and certain catalysts.

Spare parts are the interchangeable parts of property, plant and equipment, which are considered to be essential to support routine maintenance, repair and overhaul of plant and equipment or to be used in emergency situations for repairs.

3 MATERIAL ACCOUNTING POLICIES (continued)

Inventories (continued)

Spares, equipment items and other consumables are capitalized as part of property, plant and equipment where the capitalization criteria is met. Depreciation starts from the date of purchase or installation of items in the plant and is charged over the period which is shorter of the item's useful life or the remaining useful life of the property, plant and equipment in which it is to be utilized. General spares, equipment items and other consumables which do not meet the recognition criteria for property, plant and equipment are recorded under inventory and are subject to assessment for provision.

Work in process and finished goods

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

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet, if any.

Statutory reserve

In accordance with the previous Regulations for Companies in the Kingdom of Saudi Arabia, the Company established a statutory reserve by the appropriation of 10% of net income until the reserve equaled 30% of the share capital. This reserve is not available for distribution. During the year, the Company has updated its By-Laws as per the New Companies Law. Furthermore, the forthcoming general assembly meeting will decide on the action towards this reserve.

Employees' benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, air fare, child education allowance, furniture allowance that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in consolidated statement of financial position.

Employees' end of services benefits

The liability recognized in the consolidated statement of financial position in respect of the defined end of service benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method.

The net interest cost is calculated by applying the discount rate to the net balance of the defined end of service benefit obligation. This cost is included in employee benefit expense in the consolidated statement of profit or loss and other comprehensive income. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. Remeasurements are not reclassified to profit or loss in subsequent periods. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in consolidated statement of profit or loss and other comprehensive income as past service costs.

3 MATERIAL ACCOUNTING POLICIES (continued)

Employees' benefits (continued)

Employees' saving fund

The Group operates a saving plan to encourage its employees to make savings in a manner that will warrant an increase in their income and contribute to securing their future according to the established plan. The saving contributions from the participants are deposited in a separate bank account other than the Group's normal operating bank accounts (but not in any separate legal entity) and is only used for saving funds. For the purpose of presentation in the consolidated financial statements, it is offset with the related liability under the savings plan and net liability.

Provisions

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

Decommissioning liability

Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the relevant asset. The cash flows are discounted at a rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed in the consolidated statement of profit or loss and other comprehensive income as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied, are added to or deducted from the cost of the asset.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Liabilities which are probable, are recorded in the consolidated statement of financial position under accounts payable and accruals. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable. A contingent asset becomes a realized asset recordable on the consolidated statement of financial position when the realization of cash flows associated with it becomes relatively certain.

3 MATERIAL ACCOUNTING POLICIES (continued)

Zakat

Zakat is provided in accordance with the Zakat, Tax and Customs Authority Regulations (ZATCA) in the Kingdom of Saudi Arabia. The provision is charged to the consolidated statement of profit or loss and other comprehensive income. The zakat charge is computed on the Saudi shareholders' share of the zakat base or adjusted net profit whichever is higher. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

Value added tax

Expenses and assets are recognised net of the amount of value added tax ("VAT"), except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the ZATCA, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of VAT included.
- The net amount of VAT recoverable from, or payable.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Accounts receivable and debt securities issued are initially recognised when they are originated. All other financial instruments are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

The Group determines the classification of its financial assets at initial recognition. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

i. Initial recognition and measurement

At initial recognition, the Group measures a financial asset (unless it is an accounts receivable without a significant financing component) at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of profit or loss and other comprehensive income as incurred. Accounts receivable without a significant financing component is initially measured at the transaction price.

ii. Subsequent measurement

The financial assets are classified in the following measurement categories for the purpose of subsequent measurement:

a) Those to be measured subsequently at fair value (either through other comprehensive income, or through statement of profit or loss), and

b) Those to be measured at amortized cost.

3 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets at fair value

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL. Net gains and losses, including any interest or dividend income, are recognised in consolidated statement of profit or loss. Dividends on financial assets at FVOCI are recognized as income in consolidated statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

For assets measured at fair value, gains and losses are either be recorded in consolidated statement of profit or loss or other comprehensive income. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

Financial assets at amortized cost

Subsequent measurement of financial assets at amortized cost depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies financial assets at amortised cost based on the below:

a) The asset is held within a business model with the objective of collecting the contractual cash flows, and
b) The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Shareholder loans to joint venture entities are carried at amortized cost. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The Group's financial assets at amortized cost include trade receivables, due from related parties and cash and cash equivalents.

Trade receivables are stated at the amortized cost, which generally correspond to face value (original invoice amount), do not bear interest, and generally have a 30 to 90 days term, less any provision for doubtful debts and impairment. An allowance for doubtful debts is made based upon Company's best estimate of expected credit losses related to those receivables. Such estimate is based on customers' financial status and historical write-off experience. Account balances are written off against such allowance after all means of collection have been exhausted and potential of recovery is remote. Bad debts written off as such are recorded in the consolidated statement of profit or loss and other comprehensive income as incurred.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

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

3 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets – Business model and assessment

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

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

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

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

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

3 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

De-recognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Impairment of financial assets

The Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets and credit risk exposure that are debt instruments and are measured at amortized cost e.g., trade receivables, cash and banks etc.

Expected credit losses are the probability-weighted estimate of credit losses (i.e. present value of all cash shortfalls) over the expected life of the financial asset. A cash shortfall is the difference between the cash flows that are due in accordance with the contract and the cash flows that the Group expects to receive. The expected credit losses consider the amount and timing of payments and hence,

A credit loss arises even if the Group expects to receive the payment in full but later than when contractually due. The expected credit loss method requires assessing credit risk, default and timing of collection since initial recognition. This requires recognizing allowance for expected credit losses in the consolidated statement of profit or loss and other comprehensive income even for receivables that are newly originated or acquired.

Impairment of financial assets is measured as either 12 month expected credit losses or life time expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. ‘12 month expected credit losses’ represent the expected credit losses resulting from default events that are possible within 12 months after the reporting date. ‘Lifetime expected credit losses’ represent the expected credit losses that result from all possible default events over the expected life of the financial asset.

Trade receivables are of a short duration, normally less than 12 months and hence the loss allowance measured as lifetime expected credit losses does not differ from that measured as 12 month expected credit losses. The Group applies simplified approach for measuring expected credit losses for trade receivables.

3 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities

The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value. Financial liabilities accounted at amortized cost like borrowings are accounted at the fair value determined based on the effective interest rate method (EIR) after considering the directly attributable transaction costs.

The financial liabilities are classified in the following measurement categories:
a) Those to be measured as financial liabilities at fair value through profit or loss, and
b) Those to be measured at amortized cost.

The Group classifies all financial liabilities as subsequently measured at amortized cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

The effective interest rate ("EIR") method calculates the amortized cost of a debt instrument by allocating interest charge over the relevant effective interest rate period. The effective interest rate is the rate that exactly discounts estimated future cash outflow (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. This category generally applies to borrowings and trade payables.

The Group's financial liabilities include trade and other payables, borrowings including bank overdrafts and amounts due to related parties. The Group measures financial liabilities (except derivatives) at amortized cost.

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

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

Transactions and balances in foreign currency

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

Differences arising on settlement or translation of monetary items are recognized in the consolidated statement of profit or loss and other comprehensive income.

3 MATERIAL ACCOUNTING POLICIES (continued)

Foreign operation

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Saudi Riyals at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Saudi Riyals at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI (if any).

Fair value measurement

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a who le) at the end of each reporting period. The Group determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

Revenue

The Group is engaged in manufacturing and selling cement and its related products. The sale is performed by sale invoices and / or specific contracts independently entered into with customers.

Sale of cement and its related products (clinker) is the sole performance obligation. The Group has concluded that revenue from sale should be recognized at a point in time when control of asset is transferred to the customer, which is generally at the date of delivery.

3 MATERIAL ACCOUNTING POLICIES (continued)

Revenue (continued)

The Group recognizes revenue at the point in time at which the customer obtains control of a promised asset and the entity satisfies the performance obligations. Revenue is measured at the fair value of the consideration received or receivable, considering contractually defined terms of payment. No element of financing component is deemed present as the sales are either made on cash or credit terms with less than 12 months.

Expenses

Cost of revenue

All expenses are recognized on an accrual basis. Operating costs are recognized on a historical cost basis. Production costs and direct manufacturing expenses are classified as cost of sales. This includes raw material, direct labor or employee cost, depreciation, amortization and other attributable overhead costs. Other costs related to selling costs are recorded as selling and distribution expenses while all remaining other costs are presented as general and administrative expenses.

Selling and distribution expenses

These include any costs incurred to carry out or facilitate all selling activities at the Group. These costs typically include marketing and distribution and logistics expenses as well as commissions. These also include allocations of certain general overheads.

General and administrative expenses

These pertain to operation expenses which are not directly related to the production of any goods or services. These also include allocations of general overheads which are not specifically attributed to cost of sales or selling and distribution expenses.

Allocation of overheads between cost of sales, selling and distribution expenses, and general and administrative expenses, where required, is made on a consistent basis based on predetermined rates as appropriate by the Group.

Other income

Other income relates to income from non-operating activities which is recognized when earned. It mainly relates to the scrap sales of assets and materials.

Earnings per share

Basic earnings per share are calculated by dividing:

- the net income attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares, if any.

Diluted EPS is calculated by dividing the net profit attributable to ordinary shareholders of the Company (after adjusting for interest on the convertible preference shares, if any) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion, (if any) of all the dilutive potential ordinary shares into ordinary shares.

3 MATERIAL ACCOUNTING POLICIES (continued)

Current / non-current classification

The Group classifies assets and liabilities in the statement of financial position based on current/non-current classification. Asset is classified as current when it is:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Group classifies all other liabilities as non-current.

Segment information

An operating segment is a company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. A geographical segment is associated with the provision of products or services in a specific economic environment that is subject to risks and rewards that differ from those of segments of business in economic environment.

Dividend

Interim dividends are recorded as liability in the period in which these are approved by the Board of directors. Final dividends are recorded in the consolidated financial statements in the period in which these are approved by the shareholders**.**

4 USE OF JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

4.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material carrying amounts of assets and liabilities within the financial year include:

Useful lives of property, plant and equipment

Management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value (if any) and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model.

The cash flows are derived from the budget and marketing terms forecast for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the growth rate used for extrapolation purposes.

Provisions

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

4 USE OF JUDGMENTS AND ESTIMATES (continued)

4.1 Key sources of estimation uncertainty (continued)

Long-term assumptions for employees' benefits

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

Provision for spare parts

The Group holds spare parts inventory for the machinery of its plant held longer than one reporting period, which may be ultimately disposed or sold below cost as a result of obsolescence or retirement of the related machinery. Management estimate the appropriate level of provisioning for spare parts at the end of each reporting period. Factors influencing this estimate includes management's expectations for future utilization, disposal or sale plans for the spare parts.

Existence of inventory

Inventories comprise of raw materials (mainly limestone, iron ore, bauxite and gypsum) and work in process (mainly clinker which are stored in stockpiles). Since the weighing of these inventories is not practicable, management assesses the quantities on hand at the year-end by obtaining measurements of the stockpiles and converting these measurements to unit of volumes by using the angle of repose and the bulk density. In doing so, management appoints external surveyors to estimate the quantities by using certain scientific systematic measurements calculations, after which management applies the density conversion method which is applied for similar stock in the cement industry.

Zakat

The Company is subject to Zakat in accordance with the Zakat, Tax and Custom Authority ("ZATCA") regulations. Zakat computation involves relevant knowledge and judgement of the Zakat rules and regulations to assess the impact of Zakat liability at a particular period end. This liability is considered an estimate until the final assessment by ZATCA is carried out until which the Company retains exposure to additional Zakat liability.

(Expressed in Saudi Riyals in thousands, unless otherwise stated)

5 STANDARDS, INTERPRETATIONS, AMENDMENTS TO EXISTING STANDARDS

New standards, interpretations and amendments effective in the current year

The following are the new interpretations and amendments to the standards that are effective in the current year and which either do not give rise to significant changes or not applicable to the Group's accounting policies:

Title	**Effective date**
Amendments to IFRS 17	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes	1 January 2023
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)	1 January 2023

New and amended IFRS Standards that are not yet effective

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Group does not foresee any material impact on consolidated financial statements upon the adoption of these amendments to standards.

Title	**Effective date**
Classification of liabilities as current or non-current (Amendments to IAS 1)	1 January 2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
Non-current Liabilities with Covenants (Amendments to IAS 1)	1 January 2024
Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024
IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*	1 January 2024
Lack of Exchangeability – Amendments to IAS 21	1 January 2025
Sale or Contribution of assets between an Investor and its associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	effective annual periods yet to be determined

Amendments IAS 1 – Non-current liabilities with covenants and Classification of Liabilities as Current or Noncurrent Amendments

These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

(Expressed in Saudi Riyals in thousands, unless otherwise stated)

6 PROPERTY, PLANT AND EQUIPMENT

	Land SR '000	Buildings and civil works SR '000	Plant and equipment SR '000	Tools and transportation equipment SR '000	Furniture, fixtures and office equipment SR '000	Construction work in progress (CWIP) SR '000	Total SR '000
Cost:							
1 January 2023	69,607	1,744,317	5,276,842	299,952	53,193	154,824	7,598,735
Additions	-	-	40,798	2,529	1,665	35,234	80,226
Transfer from CWIP	-	2,377	8,562	3,390	1,222	(15,551)	-
Disposals	-	-	(11,075)	(9,050)	(216)	-	(20,341)
31 December 2023	69,607	1,746,694	5,315,127	296,821	55,864	174,507	7,658,620
Accumulated depreciation:							
1 January 2023	-	1,230,433	3,911,078	270,159	49,128	-	5,460,798
Charge for the year	-	32,705	170,214	9,229	1,869	-	214,017
Disposals	-	-	(10,956)	(9,223)	(11)	-	(20,190)
31 December 2023	-	1,263,138	4,070,336	270,165	50,986	-	5,654,625
Net book value:							
At 31 December 2023	69,607	483,556	1,244,791	26,656	4,878	174,507	2,003,995

6.1 Certain property, plant and equipment are constructed on the land provided under the right of the mining concession by the government (note 1).

6.2 Property, plant and equipment includes construction work in progress which majorly represents the ongoing construction work of a bulk railway loading facility and its railway link (collectively referred to as “the railway project”) and other construction projects. In order to facilitate and complete the railway connection work, in March 2022, the Group received an offer letter for additional cost of SR 7.50 million to complete the project which was further revised in November 2023, through revised offer letter from Saudi Arabia Railways (SAR) to complete the said project in 2024 with a cost of SR 14 million. The Group is currently evaluating the offer and is in discussion with SAR for finalization of revised scope. As at year ended 31 December 2023, majority of the project work has been completed and final connection is remaining.

(Expressed in Saudi Riyals in thousands, unless otherwise stated)

6 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land SR '000	Buildings and civil works SR '000	Plant and equipment SR '000	Tools and transportation equipment SR '000	Furniture, fixtures and office equipment SR '000	Construction work in progress (CWIP) SR '000	Total SR '000
Cost:							
1 January 2022	69,607	1,896,360	5,390,060	284,538	64,776	217,890	7,923,231
Additions	-	185	44,058	7,971	109	22,395	74,718
Transfer from CWIP	-	4,484	60,148	19,978	851	(85,461)	-
Disposals	-	(156,712)	(217,424)	(12,535)	(12,543)	-	(399,214)
31 December 2022	69,607	1,744,317	5,276,842	299,952	53,193	154,824	7,598,735
Accumulated depreciation:							
1 January 2022	-	1,354,447	3,951,255	274,167	60,070	-	5,639,939
Charge for the year	-	32,668	177,247	8,527	1,600	-	220,042
Disposals	-	(156,682)	(217,424)	(12,535)	(12,542)	-	(399,183)
31 December 2022	-	1,230,433	3,911,078	270,159	49,128	-	5,460,798
Net book value:							
At 31 December 2022	69,607	513,884	1,365,764	29,793	4,065	154,824	2,137,937

(Expressed in Saudi Riyals in thousands, unless otherwise stated)

6 PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciation for the year has been allocated as follows:

	2023	2022
	SR '000	SR '000
Cost of revenue	**210,747**	215,689
Selling and distribution expenses (note 22)	**1,956**	2,365
General and administrative expenses (note 23)	**1,314**	1,988
	214,017	220,042

7 LEASES

The Group has lease agreements for land, buildings, vehicles and equipment. The leases typically run for a period of 3 to 20 years, but may be renewed upon mutual consent of the Group and Lessor. Where practicable, the Group seeks to include extension option to provide operational flexibility. Lease terms are defined as per contract on an individual basis and contain a wide range of different terms and conditions.

The recognized right-of-use assets relate to the following types of assets:

	2023	2022
	SR '000	SR '000
Land	**12,763**	15,442
Building	**1,978**	2,430
Vehicles	**27,613**	977
Total right-of-use assets	**42,354**	18,849

Movement of right-of-use assets

	Land	**Building**	**Vehicles**	**Equipment**	**Total**
	SR '000	**SR '000**	**SR '000**	**SR '000**	**SR '000**
1 January 2023	**15,442**	**2,430**	**977**	**-**	**18,849**
Additions	**-**	**-**	**30,093**	**-**	**30,093**
Depreciation	**(2,679)**	**(224)**	**(2,480)**	**-**	**(5,383)**
Terminations	**-**	**(228)**	**(977)**	**-**	**(1,205)**
31 December 2023	**12,763**	**1,978**	**27,613**	**-**	**42,354**

	Land	Building	Vehicles	Equipment	Total
	SR '000	SR '000	SR '000	SR '000	SR '000
1 January 2022	12,376	2,612	4,886	581	20,455
Additions	5,486	290	-	-	5,776
Depreciation	(2,420)	(472)	(3,909)	(581)	(7,382)
31 December 2022	15,442	2,430	977	-	18,849

The depreciation of right-of-use assets has been allocated as follows:

	2023	2022
	SR '000	SR '000
Cost of revenue	**2,893**	4,236
Selling and distribution expenses (note 22)	**2,075**	2,053
General and administrative expenses (note 23)	**415**	1,093
	5,383	7,382

(Expressed in Saudi Riyals in thousands, unless otherwise stated)

7 LEASES (continued)

Lease liabilities movement

	2023 SR '000	2022 SR '000
1 January	**22,705**	23,608
Additions	**30,093**	5,776
Finance cost	**1,578**	1,297
Terminations	**(1,205)**	-
Payments	**(7,578)**	(7,976)
31 December	**45,593**	22,705

Maturity of lease liabilities is as follows:

	2023 SR '000	2022 SR '000
Non-current portion of lease liabilities	**38,871**	16,634
Current portion of lease liabilities	**6,722**	6,071
Total lease liabilities	**45,593**	22,705

Following are the amounts recognised for lease liabilities and right-of-use assets in the consolidated statement of profit or loss and other comprehensive income:

	2023 SR '000	2022 SR '000
Depreciation on right-of-use assets	**5,383**	7,382
Finance cost for lease liabilities (note 24)	**1,578**	1,297
Total amount recognized in consolidated statement of profit or loss and other comprehensive income	**6,961**	8,679

Amounts recognised in statement of cash flows:

	2023 SR '000	2022 SR '000
Total cash outflow for leases	**7,578**	7,976

The aggregate undiscounted repayment schedule of lease liabilities is as follows:

	2023 SR '000	2022 SR '000
Within one year	**7,373**	5,016
1-2 years	**7,390**	3,010
2-5 years	**19,614**	8,590
Above 5 years	**18,392**	7,823
Lease obligations	**52,769**	24,439

(Expressed in Saudi Riyals in thousands, unless otherwise stated)

8 INTANGIBLE ASSETS

	Softwares SR '000	**Quarry licenses renewal cost SR '000**	**Total SR '000**
Cost:			
1 January 2023 and 31 December 2023	**25,181**	**12,608**	**37,789**
Accumulated amortization:			
1 January 2023	**(25,181)**	**(1,146)**	**(26,327)**
Amortization charge for the year	**-**	**(573)**	**(573)**
31 December 2023	**(25,181)**	**(1,719)**	**(26,900)**
Net book value:			
At 31 December 2023	**-**	**10,889**	**10,889**

	Softwares SR '000	Quarry licenses renewal cost SR '000	Total SR '000
Cost:			
1 January 2022 and 31 December 2022	25,181	12,608	37,789
Accumulated amortization:			
1 January 2022	(22,275)	(573)	(22,848)
Amortization charge for the year	(2,906)	(573)	(3,479)
31 December 2022	(25,181)	(1,146)	(26,327)
Net book value:			
At 31 December 2022	-	11,462	11,462

8.1 Intangibles represent quarry licenses renewal cost of which SR 12.61 million is amortised over the term of the licenses periods.

9 INVESTMENT IN AN ASSOCIATE

Investment in an associate represents 33.33% share in Cement Product Industry Company Limited (CPI). CPI is a limited liability company registered and operating in the Kingdom of Saudi Arabia. The Company is engaged in the manufacturing of cement derivative products and other products necessary for manufacturing and packing cement. The financial results are taken from management accounts as the management believes that un-audited figures would not be materially different from the audited figures.

The movement in investment in associate is as follows:

	2023 SR '000	2022 SR '000
Percentage of ownership	**33.33%**	33.33%
At 1 January	**46,494**	37,407
Share of profit	**2,058**	9,087
Share of OCI	**(55)**	-
At 31 December	**48,497**	46,494

(Expressed in Saudi Riyals in thousands, unless otherwise stated)

9 INVESTMENT IN AN ASSOCIATE (continued)

Financial information of investment in associate is as follows:

	2023	2022
	SR '000	SR '000
Non-current assets	**153,171**	151,878
Current assets	**76,077**	109,368
Non-current liabilities	**29,248**	39,017
Current liabilities	**54,495**	82,749
Net assets	**145,505**	139,480
Group's share of net assets (33.33%)	**48,497**	46,494
Carrying amount of interest in associate	**48,497**	46,494
Revenue	**165,728**	200,527
Profit or loss from continuing operations	**6,175**	27,261
Other comprehensive income	**(55)**	-
Total comprehensive income	**6,120**	27,261
Share of total comprehensive income (33.33%)	**2,058**	9,087

10 EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPRPEHENSIVE INCOME (FVOCI)

The Group designated this investment as equity investment at FVOCI because it represented investment that the Group intended to hold for the long term for strategic purposes.

During the year, the investment of SR 3.19 million representing 4.54% equity stake in Banz Group B.S.C. (c) was sold for an amount of SR 12 million and consequently, the investment was derecognized and the gain on disposal of this investment was recognized in the consolidated statement of profit and loss and other comprehensive income. During the year, fair value loss amounted to SR. Nil (2022: SR 0.35 million)

11 INVENTORIES

	2023	2022
	SR '000	SR '000
Spare parts	**181,906**	183,816
Less: provision for spare parts (note 11.1)	**(17,301)**	(19,743)
	164,605	164,073
Raw materials	**73,773**	63,373
Work in progress	**299,284**	302,226
Finished goods	**26,008**	22,506
At 31 December	**563,670**	552,178

11.1 Movement on provision for spare parts during the year is as follows:

	2023	2022
	SR '000	SR '000
1 January	**19,743**	26,355
Provision / (reversal) for the year *	**9,983**	(6,612)
Written off during the year	**(12,425)**	-
31 December	**17,301**	19,743

*Provision / (reversal) for spare parts has been recorded in cost of revenue.

(Expressed in Saudi Riyals in thousands, unless otherwise stated)

12 TRADE RECEIVABLES

	2023	2022
	SR '000	SR '000
Trade receivable	**387,366**	380,026

Information relating to the Group' s exposure to credit and market risk is disclosed in note 31.

13 PREPAYMENTS AND OTHER CURRENT ASSETS

	2023	2022
	SR '000	SR '000
Prepaid expenses	**22,247**	19,361
Advances to suppliers	**15,672**	11,944
Custom deposits	**2,270**	1,482
Others	**2,256**	3,205
	42,445	35,992

14 CASH AND CASH EQUIVALENTS

	2023	2022
	SR '000	SR '000
Cash in hand	**250**	270
Murabaha investments (note 14.1)	**10,000**	-
Cash at banks	**104,666**	91,206
	114,916	91,476

	2023	2022
	SR '000	SR '000
In local currency	**34,933**	63,917
In foreign currencies	**79,983**	27,559
	114,916	91,476

14.1 Murabaha investments represent placements with banks having original maturity of less than three months and carry interest rate of 5.90% per annum (2022: Nil).

15 SHARE CAPITAL AND STATUTORY RESERVE

Share capital

The authorized issued and paid up capital is SR 1,530 million, which is divided into 153 million shares (31 December 2022: 153 million shares) of SR 10 each.

Statutory reserve

In accordance with the previous Companies Law, the Company was required to transfer 10% of the profit for the year to the statutory reserve until the balance in the reserve equals 30% of the capital. This reserve is not available for distribution. During the year, the Company has updated its By-Laws as per the New Companies Law. Furthermore, the forthcoming general assembly meeting will decide on the action towards this reserve.

(Expressed in Saudi Riyals in thousands, unless otherwise stated)

16 EMPLOYEES' BENEFITS

The Group operates a defined benefit plan in line with the Labour Law requirement in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labour Laws of the Kingdom of Saudi Arabia. Employees' end -of-service benefit plans are unfunded plan.

The amounts recognised in the consolidated statement of profit or loss and other comprehensive income related to employee benefit obligations are as follows:

Total amount recognized in profit or loss:

	2023	2022
	SR '000	SR '000
Current service cost	**7,354**	7,271
Interest cost on benefit obligation	**4,403**	2,252
	11,757	9,523

Total amount recognized in other comprehensive income:

Remeasurement loss arising from:

	2023	2022
	SR '000	SR '000
Actuarial loss due to change in financial assumptions	**288**	1,173
Actuarial gain due to change in demographic assumptions	**(487)**	(988)
Actuarial loss due to change in experience adjustments	**17,572**	3,137
	17,373	3,322

The following table represents the movement of the employees' benefits:

	2023	2022
	SR '000	SR '000
At the beginning of the year	**106,248**	104,255
Current service cost	**7,354**	7,271
Interest cost	**4,403**	2,252
Payments during the year	**(9,047)**	(10,852)
Re-measurement loss	**17,373**	3,322
At the end of the year	**126,331**	106,248

(i) The significant actuarial assumptions are as follows:

	2023	2022
Discount rate used for calculation of interest cost-per annum	**4.60%**	4.65%
Salary increments rate-per annum Year 1	**5.00%**	4.65%
Salary increments rate-per annum Year 2	**3.00%**	4.65%
Mortality rates	**WHO SA19**	WHO SA19
Long term salary increase rate for the fifth year and onwards-per annum	**5.00%**	4.65%
Rate of employee turnover	**Moderate**	Moderate

(Expressed in Saudi Riyals in thousands, unless otherwise stated)

16 EMPLOYEES' BENEFITS (continued)

(ii) The weighted average duration of the defined benefit obligations is 4.62 years (2022: 5.51 years).

(iii) Assumptions regarding future mortality have been based on published statistics and mortality tables. For current year, World Health Organization "WHO" 19 mortality table has been used (2022: World Health Organization "WHO" 19 mortality table was used) for Kingdom of Saudi Arabia. There is no major deviation in the mortality tables used.

(iv) The sensitivity of the defined benefit obligations to changes in the weighted principal assumptions for year ended 31 December, 2023 is as follows:

	2023 SR'000	2022 SR'000
Discount rate +0.5%	**119,573**	98,989
Discount rate -0.5%	**125,229**	104,600
Long term salary increases +0.5%	**124,363**	104,836
Long term salary increases -0.5%	**120,380**	98,739
Withdrawal rate +10%	**121,916**	101,373
Withdrawal rate -10%	**122,677**	101,975
Mortality rate +10%	**122,318**	101,706
Mortality rate -10%	**122,343**	101,727

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

17 PROVISION FOR SITE RESTORATION

	2023 SR '000	2022 SR '000
Balance at 1 January	**-**	-
Provision made during the year	**5,917**	-
Interest on unwinding of restoration provision	**132**	-
Balance at 31 December	**6,049**	-

The management of the Group has recorded provision for Group's quarries sites rehabilitation. The estimated amount is recognized by discounting to its present value and has been charged to cost of revenue.

18 SHORT TERM LOANS

Short term loans represent Tawarruq facilities obtained from various local banks to meet the working capital requirements with a total facility amount of SR 2,000 million (31 December 2022: SR 2,000 million). The utilized balance as of 31 December 2023 amounted to SR 400 million (31 December 2022: SR 325 million). These facilities carry financial costs in excess of SIBOR and are consistent with the terms of each facility agreement that are secured by promissory notes issued by the Company and carry charges agreed with the facilities' providers.

The outstanding financing is classified under current liabilities in the consolidated statement of financial position as these are repayable within 12 months from the reporting date.

(Expressed in Saudi Riyals in thousands, unless otherwise stated)

19 DIVIDEND PAYABLE

On 09 Ramadan 1443H (corresponding to 10 April 2022), the General Assembly approved the Board of Directors' proposal to distribute cash dividend amounting to SR 2.00 per share (SR 306.00 million in total) for the second half of 2021.

On 09 Ramadan 1443H (corresponding to 10 April 2022), the General Assembly authorized the Board of Directors to distribute interim cash dividend. Accordingly, on 02 Dhul Qadah 1443 (corresponding to 01 June 2022), the Board of Directors resolved to distribute interim cash dividend amounting to SR 1.50 per share (SR 229.50 million in total) for the first half of 2022. Payment of this dividend distribution was commenced on 16 Dhul Qadah 1443 (corresponding to 15 June 2022). On 22 Ramadan 1444H (corresponding to 13 April 2023), the General Assembly resolved to approve this distributed interim dividend.

On 22 Ramadan 1444H (corresponding to 13 April 2023), the General Assembly approved the Board of Directors' proposal to distribute cash dividend amounting to SR 1.75 per share (SR 267.75 million in total) for the second half of 2022.

On 22 Ramadan 1444H (corresponding to 13 April 2023), the General Assembly authorized the Board of Directors to distribute interim cash dividend. Accordingly, on 18 Dhul Qidah 1444H (corresponding to 07 June 2023), the Board of Directors resolved to distribute interim cash dividend amounting to SR 1.5 per share (SR 229.50 million in total) for the first half of 2023. Payment of this dividend distribution was commenced on 02 Dhul Hijjah 1444H (corresponding to 20 June 2023).

Subsequent to the year end, on 26 Rajab 1445H (corresponding to 07 February 2024), the Board of Directors proposed to distribute cash dividend amounted to SR 1 per share (SR 153 million in total) for the second half of 2023 subject to the approval of General Assembly.

20 ACCRUALS AND OTHER CURRENT LIABILITIES

	2023 **SR '000**	2022 SR '000
Accrued expenses	**121,655**	97,919
Liability for charitable contribution	**20,000**	20,000
	141,655	117,919

(Expressed in Saudi Riyals in thousands, unless otherwise stated)

21 REVENUE

The Group generates revenue primarily from the sale of cement and clinker.

Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market and major products. Revenue is recognized at point in time for all products.

	2023 SR '000	2022 SR '000
Primary geographic markets		
Local	**973,134**	1,082,462
Export	**488,698**	337,359
	1,461,832	1,419,821
Major product types		
Cement	**1,225,173**	1,279,773
Clinker	**236,659**	140,048
	1,461,832	1,419,821

The following table provides information about trade receivables and advance from customers.

	2023 SR '000	2022 SR '000
Trade receivables	**387,366**	380,026
Contract liabilities*	**26,699**	20,326

* Contract liabilities represent advance consideration received from customers for the products to be sold, for which revenue is recognized at point in time. This will be recognized as revenue when the Company deliver the products to the customers and their balances for advances are settled with the revenue made. The amount of SR 20.3 million in contract liabilities as at 31 December 2022 has been recognized as revenue in financial year 2023 (2022: SR 10.4 million).

22 SELLING AND DISTRIBUTION EXPENSES

	2023 SR '000	2022 SR '000
Transportation fees	**67,754**	42,660
Port charges	**34,805**	22,043
Employees' cost	**17,603**	14,446
Electricity, Diesel, and Maintenance expenses	**3,816**	3,782
Depreciation on right-of-use-assets (note 7)	**2,075**	2,053
Depreciation (note 6)	**1,956**	2,365
Others	**2,308**	1,944
	130,317	89,293

(Expressed in Saudi Riyals in thousands, unless otherwise stated)

23 GENERAL AND ADMINISTRATIVE EXPENSES

	2023 SR '000	2022 SR '000
Employees' cost	**50,623**	45,521
Electricity, diesel and maintenance expenses	**6,907**	5,567
Board of directors' remunerations	**6,019**	5,884
Computer licenses and other IT expenses	**4,444**	4,280
Professional fees	**3,226**	2,477
Bank charges and commissions	**1,531**	1,355
Depreciation (note 6)	**1,314**	1,988
Donation	**1,103**	1,401
Printing and stationery expenses	**1,031**	804
Training	**619**	274
Depreciation on right-of-use-assets (note 7)	**415**	1,093
Amortization of intangible assets	**-**	2,907
Others	**2,993**	2,120
	80,225	75,671

24 FINANCE COST

	2023 SR '000	2022 SR '000
Interest on short term loans	**27,460**	15,001
Interest on lease liabilities (note 7)	**1,578**	1,297
Interest on unwinding of restoration provision (note 17)	**132**	-
	29,170	16,298

25 PROVISION FOR ZAKAT

A The principal elements of the zakat base are as follows

	2023 SR '000	2022 SR '000
Non-current assets	**(2,121,946)**	(2,217,929)
Current liabilities	**883,570**	861,757
Opening shareholders' equity	**2,292,962**	2,433,292
Profit before zakat	**381,027**	398,838

B The movement in Company's zakat is as follows:

	2023 SR '000	2022 SR '000
At beginning of the year	**20,151**	25,162
Provision made during the year	**18,000**	12,000
Paid during the year	**(16,669)**	(17,011)
At the end of the year	**21,482**	20,151

C Status of zakat assessment

The Company has submitted its zakat returns up to year ended 31 December 2022, settled zakat as per the returns and obtained the required certificates and official receipts. The Company received a final zakat assessment from Zakat, Tax and Customs Authority ("ZATCA") up to year 2020 which has been settled.

(Expressed in Saudi Riyals in thousands, unless otherwise stated)

26 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

The following reflects the profit and share capital data used in the basic and diluted earnings per share computations:

	2023	2022
Profit attributable to equity holders SR '000	**381,027**	398,838
Number of shares outstanding in '000	**153,000**	153,000
Earnings per share (SR)	**2.49**	2.61

There has been no item of dilution affecting the weighted average number of ordinary shares.

(Expressed in Saudi Riyals in thousands, unless otherwise stated)

27 RELATED PARTY TRANSACTIONS AND BALANCES

The following table provides the total amount of transactions that have been entered into with related parties during the year ended 31 December 2023 and 31 December 2022 and related parties balances as at 31 December 2023 and 31 December 2022.

			Year ended Amount of transaction		Ending balance	
Related party	**Relationship**	**Nature of transaction**	**31 December 2023**	31 December 2022	**31 December 2023**	31 December 2022
			SR '000	SR '000	**SR '000**	SR '000
Cement Product Industry Company Limited	Associate	Purchases of raw materials	**44,105**	46,036	**-**	-
Wataniya Insurance Company	Common directorship	Insurance of property, plant and equipment	**8,203**	7,572	**(31)**	(9)

Terms and conditions of transactions with related parties

Transactions with related parties are made in the ordinary course of business. Outstanding balances at the year ended 31 December 2023 and 2022 are unsecured and settled in cash. There have been no guarantees provided to amounts due to related parties.

Prices and terms for the above transactions are approved by the Group's management.

Key management personnel	**2023**	2022
	SR '000	SR '000
Short term employment benefits	**17,238**	15,545
Post-employment benefits	**1,111**	992
	18,349	16,537

Transfer Pricing

On 20 March 2023, the Board of Directors of Zakat, Tax, and Customs Authority (ZATCA) in the Kingdom of Saudi Arabia (KSA) approved the amendments to the Transfer Pricing Bylaws (TP Bylaws) to bring the following into effect: a) extend applicability of the Transfer Pricing (TP) provisions to Zakat paying entities; and b) introduced Advance Pricing Agreements (APA) provisions for Tax payers and Zakat payers and these amendments were subsequently approved by Ummul Qura on 14 April 2023. The amendments will be applicable for Financial Years (FYs) starting on or after 1 January 2024. Under these new requirements, Zakat paying entities will need to ensure that their transactions with related parties are priced at arm's length and will be required to submit a TP disclosure form and TP Affidavit with their Zakat returns along with other compliances as stipulated in the TP Bylaws. Currently management is assessing the impact of these amendments on transactions with related parties and will make necessary changes in policies, procedures and agreements with its related parties to comply with the requirement of TP By-laws.

(Expressed in Saudi Riyals in thousands, unless otherwise stated)

28 CONTINGENCIES AND COMMITMENTS

(a) As of 31 December 2023, the capital expenditure contracted by the Company but not incurred till 31 December 2023 was approximately SR 26.64 million (31 December 2022: SR 20.90 million).

(b) The Company's bankers have given guarantees, on behalf of the Company, amounting to SR 91.97 million (31 December 2022: SR 89.60 million).

(c) UCC’s bankers have issued guarantees, on behalf of UCC, in favour of various suppliers against purchase and services obtained in the normal course of business amounted to SR 2.52 million (2022: SR 17.24 million).

29 SEGMENT INFORMATION

A segment is a distinguishable component of the Group that is engaged in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

The Chief Executive Officer of the Group reviews the internal management reports of each segment at least quarterly.

The Group’s operations are related to two operating geographical segments which are Saudi Cement Company operating in the Kingdom of Saudi Arabia and United Cement Company operating in Kingdom of Bahrain. Both segments are engaged in cement manufacturing and are sold to local and foreign customers. Accordingly, segment analysis, as presented to the Chief Executive Officer of the Group, is as follows:

	Kingdom of Saudi Arabia	Kingdom of Bahrain	Elimination	Total
For the year ended 31 December 2023				
External revenue	**1,424,379**	**37,453**	**-**	**1,461,832**
Inter-segment revenue	**19,346**	**-**	**(19,346)**	**-**
Total revenue	**1,443,725**	**37,453**	**(19,346)**	**1,461,832**
Cost of revenue	**(864,082)**	**(44,165)**	**19,346**	**(888,901)**
Profit / (loss) for the year	**396,737**	**(3,366)**	**5,656**	**399,027**
Finance cost	**(29,003)**	**(167)**	**-**	**(29,170)**
Depreciation	**(205,935)**	**(7,109)**	**(973)**	**(214,017)**
Depreciation - right-of-use-assets	**(5,282)**	**(101)**	**-**	**(5,383)**
Amortization - intangible assets	**(573)**	**-**	**-**	**(573)**
Share of profit from an associate	**(4,711)**	**-**	**6,769**	**2,058**
Share of loss of OCI from an associate	**(55)**	**-**	**-**	**(55)**
Zakat expense	**(18,000)**	**-**	**-**	**(18,000)**

(Expressed in Saudi Riyals in thousands, unless otherwise stated)

29 SEGMENT INFORMATION (continued)

	Kingdom of Saudi Arabia	Kingdom of Bahrain	Elimination	Total
For the year ended 31 December 2022				
External revenue	1,354,213	65,608	-	1,419,821
Inter-segment revenue	38,429	-	(38,429)	-
Total revenue	1,392,642	65,608	(38,429)	1,419,821
Cost of revenue	(824,218)	(65,157)	38,429	(850,946)
Profit / (loss) for the year	399,811	(5,822)	4,849	398,838
Finance cost	(16,020)	(278)	-	(16,298)
Depreciation	(213,432)	(5,637)	(973)	(220,042)
Depreciation - right-of-use-assets	(7,281)	(101)	-	(7,382)
Amortization - intangible assets	(3,479)	-	-	(3,479)
Share of profit from an associate	9,087	-	-	9,087
Zakat expense	(12,000)	-	-	(12,000)

	Kingdom of Saudi Arabia	**Kingdom of Bahrain**	**Elimination**	**Total**
As at 31 December 2023				
Total assets	**3,204,347**	**46,221**	**(36,436)**	**3,214,132**
Total liabilities	**1,045,128**	**14,543**	**(4,850)**	**1,054,821**
As at 31 December 2022				
Total assets	3,268,864	61,006	(52,269)	3,277,601
Total liabilities	972,597	25,962	(13,920)	984,639

30 EMPLOYEES' SAVINGS PLAN

The Company has established an employees' saving plan for its employees, which was approved by the Ministry of Labor on 11 Jumada' I 1414H (corresponding to 27 October 1993). The contributions from the Company and the participants are deposited in separate bank account as thrift saving account. This bank account with a total balance of SR 26.86 million (31 December 2022: SR 24.17 million) do not form part of the Company's available cash resources and have been accounted for, together with the related liability against the contributions, in its own standalone accounting records, as required by the saving plan's by laws, and has not been integrated with the Company's accounting records.

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise Islamic financing, trade payables, financial guarantee contracts, accrual and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include trade and other receivables, and cash and bank balances that derive directly from its operations. The Group's management reviews and agrees policies for managing each of these risks which are summarized below.

(Expressed in Saudi Riyals in thousands, unless otherwise stated)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: commission rate risk, currency risk and commodity risk.

Commission rate risk
Commission rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market commission rates. The Group's exposure to the risk of changes in market commission rates relates primarily to the Group's Islamic financing with floating commission rates. The Group manages its exposure to this risk by continuously monitoring movements in commission rates. The sensitivity of the income to possible changes in commission rate by 100 basis points, with all other variables held constant, is not considered material by the management.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group deals mainly in US Dollar and Saudi Riyal (SR). As the SR is pegged to the US Dollar, balances in SR are not considered to represent significant currency risk.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its bank balances, deposits and receivables as follows:

	2023	2022
	SR '000	SR '000
Cash and cash equivalents	**114,916**	91,476
Trade receivables	**387,366**	380,026
Custom deposits	**2,270**	1,482
Other current assets	**203**	115
	504,755	473,099

The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables and obtaining bank guarantees from certain customers. Funds are placed in banks with sound credit ratings. Financial position of related parties is stable.

(Expressed in Saudi Riyals in thousands, unless otherwise stated)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

As at 31 December, aging of trade receivables is as follows:

	2023	2022
	SR '000	SR '000
Not due yet	**251,206**	242,877
Past due - 1 to 30 days	**48,856**	69,982
Past due - 31 to 90 days	**53,392**	36,692
Past due - 91 to 180 days	**11,735**	6,844
Past due - 180 days more	**22,177**	23,631
	387,366	380,026

Trade and other receivables are basically due from customers in local markets and most balances are pledged against effective bank guarantees from local banks with sound credit ratings and are stated at their estimated realizable values. Trade receivables amounting to SR 331.62 million (December 31 2022: SR 334.88 million) are secured against bank guarantees. The impact of expected credit losses on trade receivables as of 31 December 2023 and 31 December 2022 was insignificant and accordingly no provision has been recorded.

Impairment of cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short-term maturities of the exposure. The Group considers that its cash and cash equivalents have low credit risk as wherever required the Group secure support from its partners to satisfy short term funding requirements. Funds are placed with banks having good credit ratings and therefore are not subject to significant credit risk.

Excessive risk concentration
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group’s performance to developments affecting a particular industry. Trade receivables outstanding balance comprises of 96% in KSA, 1% in GCC (other than KSA) and 3% other than KSA and GCC. The five largest customers account approximately for 89% of outstanding trade receivables at 31 December 2023. Out of total trade receivables balance, 88% are secured by bank guarantees and 12% are receivable from government entities and therefore considered as secured. There is no history of losses.

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group manages its liquidity risk by ensuring bank facilities are available when required. The Company's terms of sales require amounts to be paid within 60 to 90 days of the date of sale. Trade payables are normally settled within 60 to 120 days of the date of purchase.

(Expressed in Saudi Riyals in thousands, unless otherwise stated)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The table below summarizes the maturities of the Group's financial liabilities at 31 December, based on contractual payment dates and current market interest rates:

2023	**Carrying amount SR '000**	**Up to 1 Year SR '000**	**From 1 year to 5 year SR '000**	**Above 5 years SR '000**	**Total SR'000**
Lease liabilities	**45,593**	**7,373**	**27,004**	**18,392**	**52,769**
Short-term loans	**400,000**	**400,000**	**-**	**-**	**400,000**
Trade payables	**60,922**	**60,922**	**-**	**-**	**60,922**
Other payables	**118,948**	**118,948**	**-**	**-**	**118,948**
	625,463	**587,243**	**27,004**	**18,392**	**632,639**

2022	Carrying amount SR '000	Up to 1 year SR '000	From 1 year to 5 year SR '000	Above 5 years SR '000	Total SR '000
Lease liabilities	22,705	5,016	11,600	7,823	24,439
Short-term loans	325,000	325,000	-	-	325,000
Trade payables	134,116	134,116	-	-	134,116
Other payables	114,073	114,073	-	-	114,073
	595,894	578,205	11,600	7,823	597,628

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Note	**Short-term loans SR '000**	**Lease liabilities SR '000**	**Total SR '000**
Balance at 1 January 2023		**325,000**	**22,705**	**347,705**
Changes from financing cash flows				
Proceeds from short-term loans		**500,000**	**-**	**500,000**
Repayment of short-term loans		**(425,000)**	**-**	**(425,000)**
Payment of lease liabilities	7	**-**	**(7,578)**	**(7,578)**
Total changes from financing cash flows		**75,000**	**(7,578)**	**67,422**
Other changes				
Addition to lease liabilities	7	**-**	**30,093**	**30,093**
Termination of lease liability	7	**-**	**(1,205)**	**(1,205)**
Finance cost	7	**-**	**1,578**	**1,578**
Total liability related changes		**-**	**30,466**	**30,466**
Balance at 31 December 2023		**400,000**	**45,593**	**445,593**

(Expressed in Saudi Riyals in thousands, unless otherwise stated)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities **(continued)**

	Note	Short-term loans SR '000	Lease liabilities SR '000	Total SR '000
Balance at 1 January 2022		350,000	23,608	373,608
Changes from financing cash flows				
Proceeds from short-term loans		450,000	-	450,000
Repayment of short-term loans		(475,000)	-	(475,000)
Payment of lease liabilities	7	-	(7,976)	(7,976)
Total changes from financing cash flows		(25,000)	(7,976)	(32,976)
Other changes				
Addition to lease liabilities	7	-	5,776	5,776
Finance cost	7	-	1,297	1,297
Total liability related changes		-	7,073	7,073
Balance at 31 December 2022		325,000	22,705	347,705

Capital management

For purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the Group. The primary objective of the Group's capital management is to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue shares. The Group's adjusted net liabilities to equity ratio was as follows:

	2023 SR '000	2022 SR '000
Total liabilities	**1,054,821**	984,639
Less: cash and cash equivalents	**(114,916)**	(91,476)
Net liabilities	**939,905**	893,163
Total shareholders' equity	**2,159,311**	2,292,962
Net liabilities to equity ratio	**0.44**	0.39

32 FAIR VALUES OF FINANCIAL INSTRUMENTS

As of 31 December 2023 and 31 December 2022, all of the Group's financial instruments have been carried at amortized cost and the Group does not hold any financial instruments measured at fair value except investment designated at FVOCI which has been classified in level 3 of fair value hierarchy. The carrying value of the other financial assets and liabilities in the consolidated statement of financial position approximates to their fair values due to their short-term maturity or bearing no interest.

33 EVENTS AFTER THE REPORTING DATE

Except as disclosed in note 19 to these consolidated financial statements, there have been no significant subsequent events since the year ended 31 December 2023 till the date of authorization of these consolidated financial statements by the Board of Directors that require either an adjustment or disclosure in these consolidated financial statements.

34 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to comply with the current period presentation of the consolidated financial statements.

35 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issue and approved on March 06, 2024G corresponding to Shaban 25, 1445H by the Board of Directors of the Group.