NORTHERN REGION CEMENT COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED FINANCIAL STATEMENTS
TOGETHER WITH THE INDEPENDENT
AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022

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mazars

Al Kharashi & Co.
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Independent Auditor's Report

To the **Shareholders of The Northern Region Cement Company**
(A Saudi Joint Stock Company)
Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of **Northern Region Cement Co.** (A Saudi Joint Stock Company) and its subsidiaries referred together as the "Group", which comprise the consolidated statement of financial position as of December 31, 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements presents fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Charted and professional Accountants (SOCPA).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) 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 professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have also fulfilled our ethical responsibilities in accordance with these requirements.We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter, a description of how our audit addressed the matter is set out below:

Key Audit Matters	How we dealt with key issues during the Audit
Assessing the decline in the value of goodwill: As of December 31, 2022, the value of goodwill amounted to SAR 506 million (December 2021: SAR 506 million). Evaluating the decline in value of goodwill, an intangible asset with unspecified production ages, is a key audit matters due to the amount of the balance and the important diligence exercised by management. the main assumptions is related to the future cash flows for the main activities in addition to the applied discount rate to achieve the related net present value. The decline in the value of goodwill and intangible assets with unspecified production ages is tested annually. Please refer to the accounting policies no. 4/2 for the policy on the decline in the value of goodwill and intangible assets and note (7) for more details on goodwill and intangible assets.	We have obtained all the decline in value tests provided by the Management and have done the following tests: • We have confirmed that the calculations of refundable amounts are based on the latest business plans. • We assessed the reasonableness of the action plan by comparing implied growth rates with market forecasts and analysts. • We also compared the actual results of the current year with the estimated figures in the decline in value tests made in previous years. • We assessed the extent to which management showed the result of comparing the estimated figures with actual figures in its current assessment and the extent to which it adjusted actual revenue growth rates and operating margins in the current year model

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Independent Auditor's Report (Continued)
Key Audit Matters (continued)

Key Audit Matters (Continued)	How we dealt with key issues during the Audit (Continued)
Revenue recognition: During the year ended 31 December 2022, Group's revenue amounted to SAR 618 million (31 December 2021: SAR 562 million). The Group continues to be under pressure to meet goals and expectations which may lead to misstatements in revenue. Revenue recognition is a key audit matter because there is a risk that management may override controls to misrepresent revenue transactions.	We have performed the following procedures regarding revenue recognition: - Evaluating the appropriateness of the accounting policies related to the revenue recognition of the Group by taking into consideration the requirements of IFRS 15 "Revenue from Contracts with Clients". - Evaluating the design, implementation and testing of the operational effectiveness of the Group's control procedures, including the control procedures to prevent fraud when recognizing revenue in accordance with the Group's policy. - Testing sales transactions, on a sample basis, and perform cut-off tests of revenue made at the beginning and end of the year to assess whether the revenue has been recognized in the correct period. - Testing sales transactions, on a sample basis, and verify the supporting documents, which included delivery notes signed by customers, to ensure the accuracy and validity of revenue recognition.
Inventory: As at 31 December 2022, the Group's inventory balance amounted to SAR 600.6 million, representing 77% of total current assets and 18% of the Group's total assets (31 December 2021: SAR 462.6 million, representing 68% of total current assets and 14% of the Group's total assets), the inventory include raw materials and Clinker stocks in the form of piles in yards and hangars set up for this purpose. Whereas, determining the weight of this stock is not practically possible. The management estimates the available quantities at the year-end by measuring the stockpiles and converting the measurements into unit volumes using the stability angle and the quantitative density. To do this, management assigns an independent inspection expert to estimate quantities at the year end. In addition, the management calculates the cost of sales and the value of inventory at year end based on costs incurred, quantities produced and the inventory balance at year end. Thus, the existence and valuation of inventory and cost of sales are affected by the above-mentioned inventory count process at year end. With reference to the importance of inventory balance and related valuations and assumptions used, this matter was considered a key audit matter.	We have performed the following procedures regarding existence and valuation of inventory balance: - Attending the physical inventory count held by the group and the independent inspection expert. - Obtaining the stock inventory report submitted by the independent inspection expert regarding the stock of raw materials, especially clinker. - Evaluating the design and effectiveness of internal control procedures for the inventory accounting cycle. - Evaluating the appropriateness and adequacy of disclosures related to inventory in the financial statements. - Testing the validity of inventory measurement at lower of cost or net realizable value.

Other information included in the Group's annual report for the year ended 31 December 2022.

Other information included in the Group's annual report for the year ended 31 December 2022, other than the consolidated financial statements and the auditor's report thereon. Which is expected to be produced to us after the date of this report.

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Independent Auditor's Report (Continued)

Other information included in the Group's annual report for the year ended 31 December 2022 (continued)

Our opinion on the consolidated financial statements does not cover other information, and we do not and will not express any form of assurance conclusion thereon. In our audit of the consolidated financial statements, it is our responsibility to read the information described above. In doing so, we consider whether the other information is not materially consistent with the financial statements or knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and those charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation for the consolidated financial statements in accordance with IFRSs, that are endorsed in Saudi Arabia and other standards and pronouncements issued by SOCPA. And the applicable requirements of the regulations for companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of 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 are responsible for overseeing the Group's consolidated 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We are 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.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

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Independent Auditor's Report (Continued)

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

- 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.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or commercial activities within the group, to express an opinion on the consolidated financial statements. We are responsible for directing, supervising, and implementing the group review process. We remain solely responsible for the 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.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

For Al-Kharashi Co.

Abdullah S. Al Misned
License No. (456)

الخـــراشـــي وشـــركـــاه
محاسبون ومراجعون قانونيون
س ت: C.R.: 1010327044
Certified Accountants
& Auditors
AL-Kharashi Co.

Riyadh:
Sha'ban 30, 1444 H
March 22, 2023 G

Northern Region Cement Company
A Saudi Joint Stock Company
Consolidated Statement of Financial Position
As of December 31, 2022
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	As of December 31, 2022	2021
Assets			
Non-current assets:			
Property, plant and equipment, Net	6	1,919,059,785	1,884,347,176
Intangible assets, Net	7	555,097,111	552,986,071
Right -of- use assets, Net	8	3,238,231	3,791,742
Investment in associate Companies, Net	9	155,925,115	138,604,585
Total non-current assets		**2,633,320,242**	**2,579,729,574**
Current assets:			
Inventory	10	600,626,939	462,551,746
Prepayments and other debit balances	11	43,618,390	59,525,760
Trade receivables, Net	12	60,276,421	86,686,991
Due from related parties	13	11,671,135	29,531,452
Notes receivable	14	44,231,685	28,146,593
Cash and cash equivalents	15	17,874,227	18,294,771
Total current assets		**778,298,797**	**684,737,313**
Total assets		**3,411,619,039**	**3,264,466,887**
Share holders' Equity and Liabilities			
Share holders' Equity:			
Share capital Paid		1,800,000,000	1,800,000,000
Statutory reserve	16	156,077,396	144,875,054
Retained earning		284,073,944	273,252,866
Employees Defined Benefit Obligations Remeasurement Reserve		(4,279,816)	(3,163,239)
Foreign Currency Translation Reserve		(7,454,543)	(5,686,166)
Total shareholders' equity attributable to parent Company		**2,228,416,981**	**2,209,278,515**
Non-controlling interest		4,663,131	4,331,385
Total Share holders' Equity		**2,233,080,112**	**2,213,609,900**
Non-current liabilities:			
Long-term loans	17	337,073,739	264,863,636
Non-current portion of leases liabilities	8	3,163,731	3,467,920
Employees defined benefit obligations	18	21,355,952	20,030,311
Total non-current liabilities		**361,593,422**	**288,361,867**
Current liabilities:			
Short-term loans	17	415,000,000	460,253,378
Current portion of long-term loans	17	123,789,899	94,545,455
Trade payables		118,077,754	93,841,529
Accrued expenses and other credit balance	19	120,146,389	82,474,807
Current portion of leases liabilities	8	459,322	699,322
Zakat and income tax provision	20	39,472,141	30,680,629
Total current liabilities		**816,945,505**	**762,495,120**
Total liabilities		**1,178,538,927**	**1,050,856,987**
Total shareholders' equity and liabilities		**3,411,619,039**	**3,264,466,887**

CFO VP CEO Managing Director

The accompanying notes are an integral part of these consolidated financial statements.

Northern Region Cement Company
A Saudi Joint Stock Company
Statement of Consolidated profit or loss and other comprehensive income
For the year ended December 31, 2022.
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31 2022	2021
Revenue, Net	22	617,958,173	561,912,703
Cost of sales		(402,463,388)	(362,061,281)
Gross profit		**215,494,785**	**199,851,422**
Operating Expenses:			
Selling and Marketing expenses	23	(36,162,193)	(39,763,568)
General and administrative expenses	24	(39,740,093)	(37,880,692)
Impairment in value of Prepayment and other debit balances	11	(9,466,923)	(1,128,194)
Impairment in value of Trade Receivables	12	(476,432)	(310,000)
Reversal of Impairment in value of Trade Receivables	12	2,000,000	-
Capital loss from sale of property, plant & equipment	6	-	(667,123)
Profit from operations		**131,649,144**	**120,101,845**
Finance Cost	25	(28,112,350)	(19,429,578)
Share in net results of associates Companies	9	29,512,718	20,209,623
Reversal of impairment in value of associates Companies	9	-	8,405,537
Other income	26	9,286,989	7,286,129
Profit before zakat and income tax		**142,336,501**	**136,573,556**
Zakat	20	(21,541,886)	(21,405,535)
Income taxes of subsidiaries	20	(7,926,235)	(8,026,113)
Government contributions of subsidiaries	20	(417,110)	(465,112)
Net profit for the year		**112,451,270**	**106,676,796**
Net profit for the year attributable to:			
Shareholders of the parent company		112,023,420	106,062,313
Non-controlling interest		427,850	614,483
Earnings per share	27		
Basic and diluted earnings per share from profit from operations		0.73	0.67
Basic and diluted earnings per share from profit before zakat & income tax		0.79	0.76
Basic and diluted earnings per share from net profit for the year		0.62	0.59
Items of Other comprehensive income:			
Other comprehensive income that will not be subsequently reclassified to profit or loss:			
Losses from re-measure the Employee defined benefit obligations	18	(1,116,577)	(1,812,816)
Other comprehensive income items that will later be reclassified to profit or loss:			
Losses in the translation of financial statements in foreign currencies		(1,864,481)	(7,669,211)
Total other comprehensive loss for the year		**(2,981,058)**	**(9,482,027)**
Total comprehensive income for the year		**109,470,212**	**97,194,769**
Comprehensive income for the year attributable to:			
Shareholders of the parent company		109,138,466	96,975,595
Non-controlling interest		331,746	219,174

CFO VP CEO Managing Director

The accompanying notes are an integral part of these consolidated financial statements.

Northern Region Cement Company
A Saudi Joint Stock Company
Statement of Consolidated Changes in Shareholders' Equity
For the year ended December 31, 2022.
(All amounts are in Saudi Riyals unless otherwise stated)

	Share Capital Paid	Statutory Reserve	Retained Earnings	Employees Defined Benefit Obligations Remeasurement Reserve	Foreign Currency Translation Reserve	shareholders' equity of the parent Company	Non-Controlling Interest	Total Share holders' Equity
Balance as of January 1, 2021	1,800,000,000	134,268,823	271,244,784	(1,350,423)	1,465,309	**2,205,628,493**	5,099,528	**2,210,728,021**
Prior years adjustments	-	-	(3,448,000)	-	122,427	**(3,325,573)**	(987,317)	**(4,312,890)**
Dividends paid	-	-	(90,000,000)	-	-	**(90,000,000)**	-	**(90,000,000)**
Net profit of the year	-	-	106,062,313	-	-	**106,062,313**	614,483	**106,676,796**
Transfer to statuary reserve	-	10,606,231	(10,606,231)	-	-	-	-	-
Total other comprehensive loss for the year	-	-	-	(1,812,816)	(7,273,902)	**(9,086,718)**	(395,309)	**(9,482,027)**
Balance as of December 31, 2021	**1,800,000,000**	**144,875,054**	**273,252,866**	**(3,163,239)**	**(5,686,166)**	**2,209,278,515**	**4,331,385**	**2,213,609,900**
Balance as of January 1, 2022	1,800,000,000	144,875,054	273,252,866	(3,163,239)	(5,686,166)	2,209,278,515	4,331,385	2,213,609,900
Dividends paid (Note 28)	-	-	(90,000,000)	-	-	(90,000,000)	-	(90,000,000)
Net profit of the year	-	-	112,023,420	-	-	112,023,420	427,850	112,451,270
Transfer to statuary reserve	-	11,202,342	(11,202,342)	-	-	-	-	-
Total other comprehensive loss for the year	-	-	-	(1,116,577)	(1,768,377)	(2,884,954)	(96,104)	(2,981,058)
Balance as of December 31, 2022	**1,800,000,000**	**156,077,396**	**284,073,944**	**(4,279,816)**	**(7,454,543)**	**2,228,416,981**	**4,663,131**	**2,233,080,112**

CFO　　VP　　CEO　　Managing Director

The accompanying notes are an integral part of these consolidated financial statements.

Northern Region Cement Company
A Saudi Joint Stock Company
Statement of Consolidated Cash Flow
For the year ended December 31,2022
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31 2022	2021
Cash flows from operating activities:			
Profit before zakat and income tax		142,336,501	136,573,556
Adjustments to non-cash transaction			
Depreciation and Amortization	6,7,8	73,013,218	76,822,464
Capital loss from sale of property, plant & equipment	6	-	667,123
Interest on leases obligations	8	145,811	154,134
Reversal of impairment in value of associates Companies	9	-	(8,405,537)
Share in net results of associates Companies	9	(29,512,718)	(20,209,623)
Impairment in value of Prepayment and other debit balances	11	9,466,923	1,128,194
Impairment in value of Trade Receivables	12	476,432	310,000
Reversal of Impairment in value of Trade Receivables	12	(2,000,000)	-
Employee defined benefit obligation expenses	18	2,283,146	1,974,952
		196,209,313	**189,015,263**
Change in working Capital			
Trade and Notes Receivables		11,849,046	26,903,146
Inventory		(138,077,739)	(35,646,423)
Due from related Parties		17,860,317	(11,640,743)
Prepayments and other debit balances		10,360,148	16,436,524
Trade payables		24,236,226	(2,972,700)
Accrued expenses and other credit balances		37,674,130	19,788,582
		160,111,441	**201,883,649**
Zakat and income tax paid and translation differences of foreign currencies		(21,093,718)	(22,539,141)
Employee defined benefit obligation payment	18	(2,074,083)	(1,967,113)
Net cash flow generated from operating activities		**136,943,640**	**177,377,395**
Cash flows from investing activities:			
Additions to property, plant and equipment	6	(110,616,635)	(122,878,398)
Change in strategic spare parts	6	1,849,109	1,628,878
Proceeds from disposal of property, plant and equipment		-	586,956
Additions to Intangible asset	7	(4,435,534)	(520,406)
Dividends received from investing in associates Companies	9	12,192,188	11,665,931
Net cash flow used in investing activities		**(101,010,872)**	**(109,517,039)**
Cash flows from financing activities:			
Payments of loans	17	(917,298,831)	(602,768,696)
Proceeds from loans	17	973,500,000	623,753,377
Dividends paid		(90,000,000)	(90,000,000)
Lease obligation payments	8	(690,000)	(690,000)
Non-controlling interest		(96,104)	(395,309)
Net cash flow used in financing activities		**(34,584,935)**	**(70,100,628)**
Net change in cash and cash equivalents		1,347,833	(2,240,272)
Cash and cash equivalents at the beginning of the year		18,294,771	27,808,945
Impact of change in the exchange rate of translating financial statements in foreign currencies		(1,768,377)	(7,273,902)
Cash and cash equivalents at the end of the year	15	**17,874,227**	**18,294,771**
Non-monetary effects			
Profits to re-measure employee-defined benefit obligation	18	(1,116,577)	(1,812,816)
Accumulated Depreciation adjustment against the retained earnings		-	1,165,514
Transfer from the projects under construction to other debit balances	6	(3,919,704)	7,329,656
Accrued expenses and other credit balances against the retained earnings		-	(3,147,375)
Impairment in value of Trade receivable used against Trade and notes receivables	12	(476,432)	-

CFO VP CEO Managing Director

- The accompanying notes are an integral part of these consolidated financial statements.

1. Company information:

A. Establishing the company

Northern Region Cement Company (SA) is a Saudi joint stock company, registered in Tarif, Saudi Arabia under the Commercial Register No. 3451002618 on 19 01431 H (March 19, 2006).

B. The company's share capital

The company put the company's shares to public offering and transferred it from a closed Saudi joint stock company to a joint stock company with its rights and obligations, a decision was issued by the Capital Market Authority No. 4/585 on 23 Rabe Awal 1434 (February 4, 2013) to approve the announcement of the company's transformation from a closed Saudi joint stock company to a Saudi joint stock company. The company has put forward 50% of its shares for the IPO to complete the rest of its capital by offering 54 million shares worth 540 million SR, bringing the company's capital to SR 1,800 SR million divided into 180 million shares with a nominal value of 10 Saudi riyals.

C. The nature of the company's activity

The main activity of the company is the production of ordinary Portland cement and resisting and managing and operating Portland cement factories of all kinds and wholesale and retail in the company's products and building materials including import and export abroad, rock pieces and white cement under license 900 issued on 28 February 1426 H 5 June 2005. On Rabi 'Al-Akher 7, 1442 AH, the license was amended by Resolution No. 421102108487 to include white cement within the company's activities.

D. Fiscal year

The company's financial year is twelve months from the beginning of January until the end of December each calendar year.

E. Presentation currency and activity

The financial statements are prepared in Saudi Riyals, which is the currency of activity and offer for the company, all the numbers are rounded to the nearest Riyal, unless otherwise indicated.

2. Group information

The consolidated financial statements include the financial statements of The Northern Region Cement Company and the financial statements of all companies controlled by the company (its subsidiaries) that were established or acquired as of June 30, 2016. They are as follows:

Company Name	Country	Legal entity	Percentage of ownership (%) As of	
			December 31, 2022	December 31, 2021
North Cement (1)	The Hashemite Kingdom of Jordan	Public joint stock	99.382	99.382
Deyaar Nagd for contracting & Trading Ltd. Co. (2)	U.A.E	Limited liability	100	100
Sama Yamamah (2)	U.A.E	Limited liability	100	100
North Gulf (2)	U.A.E	Limited liability	100	100
Through The North for The Cement and Building Materials (2)	U.A. E	Limited liability	100	100
Al Hazm for cement trading and derivatives Limited (2)	U.A. E	Limited liability	100	100
Um-Qasr Northern Cement Co. Ltd.(3)	U.A. E	Limited liability	100	100
Um-Qasr Northern Cement Co. Ltd.(3)	IRAQ	Limited liability	94.845	94.845

2- Group information (Continued):

1) Northern Cement's consolidated financial statements include the Hashemite Kingdom of Jordan. The financial statements of its subsidiary (White Stars Mining Investment Ltd) which 100% owned by the subsidiary, and for the purposes of preparing these consolidated financial statements, all important balances and operations have been excluded and settled between the company and its subsidiary (Northern Cement Jordan).

   In addition to the profits (losses) resulting from these operations with the subsidiary, the subsidiary's activity includes the clinker industry, grinding, cement industry and the implementation of industrial projects.

   During 2020, the participation in The Northern Cement Company of The Hashemite Kingdom of Jordan was increased to buy shares through the subsidiaries of Deyaar Nagd for contracting & Trading Ltd. Co. and Sama Al Yamamah.
2) The above subsidiaries are private-purpose companies established in the United Arab Emirates for the purpose of owning stakes in Northern Cement, a public joint stock company registered in Amman, Jordan.
3) During the first quarter of 2018, the company acquired the entire shares Um-Qasr Northern Cement Co. Ltd, which is registered in The Jebel Ali area of Dubai with a capital of AED 6,064,527. Which in turn owns 70% of the shares of Um-Qasr Northern Cement Co. Ltd, an Iraqi limited liability company that has the right to implement a contract to qualify, operate and participate in the production of basra cement plant in the Republic of Iraq, while the subsidiary of Northern Cement - Jordan owns 20%of the shares of the Iraqi company referred to above (Note 9).

3. The Foundations of the preparation:

3/1- Statement of compliance:

The group's consolidated financial statements were prepared in accordance with the international standards of the financial report adopted in Saudi Arabia and other standards and issues issued by the Saudi Association of Chartered Accountants.

- The Capital Market Authority issued the decision of the Board of Commissioners on 15 Muharram 1438H (16 October 2016) to require listed companies to apply the cost model when measuring the assets of property and equipment, investment properties and intangible assets when adopting the IFRS for a period of 3 years beginning from the date of adoption of the International Financial Reporting Standards, as of December 31, 2019. The fiscal periods for the year beginning on January 1, 2022, were extended and continue to comply with the requirements for disclosure of IFRS adopted in the Kingdom of Saudi Arabia, which require disclosure of fair value.

Standards issued and not yet applied:

The following are the new standards and amendments to the standards applicable for the years commencing on or after 1 January 2023 with early application permitted, but not applied by the Group when preparing these consolidated financial statements.

Amendments to IAS 1, "Presentation of Financial Statements", to the classification of liabilities.

These narrow amendments to IAS 1, "Presentation of Financial Statements", clarify that liabilities are classified as current or non-current, depending on the rights at the end of the reporting period. The classification is not affected by the entity's expectations or by events after the reporting date (e.g., receipt of a waiver or breach of an undertaking) The amendment also clarifies what IAS 1 means when it refers to the "settlement" of an obligation.

Amendments to IAS 1, Statement of Practice 2 and IAS 8

The amendments aim to improve accounting policy disclosures and help users of financial statements distinguish between changes in accounting estimates and changes in accounting policies.

Amendment to IAS 12 - Deferred tax on assets and liabilities arising from a single transaction

These amendments require companies to recognize deferred tax on transactions that, on initial recognition, result in equal amounts of deductible and taxable temporary differences.

3. The Foundations of the preparation (Continued):

3/2- Basis of measurement:

Consolidated financial statements are prepared in accordance with the principle of historical cost and using Accrual basis and the concept of continuity of activity, excluding financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss and investments in associate companies which are recorded in accordance with the method of equity and employee defined benefit Obligation which is measured at present value of future obligations using Projected Unit Credit Method.

3/3- Functional and presentation currency:

The consolidated financial statements are presented in Saudi Riyal, which is the Group's functional currency.

3/4- Going concern:

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to manage liquidity to ensure, as far as possible, that it will have sufficient liquidity to meet its obligations as they fall due under both normal and abnormal conditions.

3/5- Significant accounting estimates and judgments

The preparing the consolidated financial statements requires management to use judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenditures recorded. Such estimates and judgments are evaluated on an ongoing basis based on past experience and some other factors, including expectations of future events that are believed to be reasonable according to the circumstances and data, and as a result, they form the basis for making judgments about the carrying amounts of assets and liabilities that are not visible from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are examined on the basis of the going concern concept. A review of accounting estimates is included in the period in which the estimates are examined, if the examination affects only that period or in the review period and future periods if the examination affects both current and future periods.

When applying the Group's accounting policies, the management made assumptions and estimations for uncertainties, which are important to the consolidated financial statements:

A- Impairment in value of Trade receivable and other debit balances

Accounts receivable and other receivables are stated at amortized cost which is reduced by provisions related to the estimated non-recoverable amounts. The estimated non-recoverable amounts are based on the ages of the receivables and historical experience adjusted appropriately for future projections. Individual trade receivables are written off when management believes that they cannot be collected.

B- Useful life for property, plant and equipment

The Group's management determines the estimated useful lives of property and equipment for the purpose of calculating depreciation. These estimates are determined after considering the expected usage of the assets or the depreciation to which these assets are exposed. The management reviews the residual value and the useful lives annually, and the annual depreciation expenses are adjusted when the management believes that the useful lives differ from previous estimates.

C- Measurement of defined benefit liabilities

The Group's net obligation in respect of defined benefit programs is calculated by estimating the value o of future benefits that employees received in exchange for their service in the current and prior periods. These obligations are discounted to determine their present value and the fair value of any assets is discounted.

The present value of the obligation is determined based on the actuarial valuation at the consolidated statement of financial position date by an independent expert using the unit projected credit method which recognizes each service period as leading to an additional unit of employee benefits and measures. The liability is measured at the present value of the estimated future cash flows. The discount rates used to determine the present value of the obligation under the defined benefit plan are determined by reference to the yield on US bonds (since the Riyal is pegged to the US dollar), adjusted for any additional risks.

3. The Foundations of the preparation (Continued):

3/5- Significant accounting estimates and judgments (Continued):

D- Impairment in value of tangible and intangible assets

The Group's management makes an assessment to ascertain whether there are indications of an impairment in tangible and intangible assets (Note 4/4)

E- Significant judgements in determining the lease term for contracts that include renewal options:

The Group defines the lease term as the irrevocable term of the lease, together with any periods covered by the option to extend the lease if that right can reasonably be exercised, or any periods covered by the option to terminate the lease, if it is reasonably certain that it will not exercise this right.

F- Significant Judgements in the application IFRS 15:

Determining the transaction price

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgement the Group assesses the impact of any variable consideration within the contract. In determining the variable consideration, the Group uses the "most-likely amount" method whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts.

Determining the timing of satisfaction of performance obligations

Revenue from Production and the sale of goods are recognized at a point in time because the customer does not simultaneously receive and consume the benefits provided by the Group. In practice the Group records revenues when we deliver the goods. The change of control over goods is satisfied when we deliver goods to customers accordingly the risk of defect and loss is transferred to customer at that point in time.

Determination of whether the Group or a part of it is acting as a principal or agent

The principles of IFRS 15 revenue from customer contracts are applied by identifying each specific good or service pledged to the customer in the contract and assessing whether the company retains control over the specified good or service before transferring it to the customer. This evaluation requires significant judgment based on specific facts and circumstances.

3.6 The basis for consolidating consolidated financial statements.

The consolidated financial statements include the financial statements of the parent company Northern Region Cement Company Saudi Joint Stock Company and its subsidiaries (collectively, the "Group") as at 31 December 2022. Control over the invested business is achieved when it has the right to obtain different returns as a result of its participation in the investee company, and it has the ability to influence these returns by exercising its influence over the investee company. In particular, the Group controls the investee if, and only if, the Group has:

- Leverage over the investee company (for example: it has the right that gives it the power to control the activities of the investee company).
- Exposure to risks and the right to obtain variable returns as a result of its participation in the investee company.
- The ability to use its influence over the investee company to affect its returns.

In general, there is an assumption that the majority of voting rights will lead to control. To support this assumption and when the Group has a lower level than the majority of voting rights or similar rights in the investee company, the Group takes into account all relevant facts and

3. The Foundations of the preparation (Continued):

3.6 The basis for consolidating consolidated financial statements (Continued):

circumstances when assessing whether the Group has control over the investee company, and these facts and circumstances include the following:
- Contractual agreements with voting rights holders of the investee company.
- Rights resulting from other contractual agreements.
- The Group's right to vote and potential voting rights.
- Any additional facts or circumstances that indicate that the Group has or does not have the current ability to control activities related to decision-making, including voting on cases in previous shareholder meetings.

The Group performs a reassessment to ascertain whether or not it exercises control over the investee company, when facts and circumstances indicate that there is a change in one or more elements of control. Consolidation of a subsidiary begins when the Group has control of the subsidiary and ceases when the Group relinquishes exercising such control.

The assets, liabilities, income and expenses of the subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date control is transferred to the Group and until the Group relinquishes exercising such control.

Income and each component of comprehensive income which relates to the equity holders of the parent company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When it is necessary, the financial statements of subsidiaries are amended so that their accounting policies are prepared in line with the Group's accounting policies.

All intercompany balances in the Group such as assets, liabilities, equity, income, expenses and cash flows resulting from operations between the Group companies are completely eliminated upon consolidation of the financial statements.

Any change in ownership interests in the subsidiary, without loss of control, is treated as an equity transaction. In the event that the Group loses control over the subsidiary, it will cease to recognize the related assets and liabilities, non-controlling equity and other elements of equity, and the resulting gains or losses are recognized in the consolidated statement of profit or loss. The investment retained is recognized at fair value.

In the event that the Group loses control over the subsidiaries:

i. The assets (including goodwill) and liabilities associated with the subsidiary are excluded.
ii. Exclusion of the present value of any rights not controlled.
iii. Exclusion of cumulative balance differences recorded in equity.
iv. Recognition of the fair value of the assets received.
v. Recognition of the fair value of any remaining investments.
vi. Recognition of any surplus or deficit in profits or losses.

Reclassification of the parent company's share in subsidiaries previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as it becomes a requirement if the Group directly disposes of assets and liabilities.

3/6/1- ASSOCIATES COMPANIES

Associates are companies over which the Group exercises significant influence and not joint control or control. In general, this occurs when the Group owns a share of 20% to 50% of the voting rights in the associate. The investment in associates is accounted for according to the equity method after initial recognition of cost of investment.

3/6/2- EQUITY METHOD

Based on the equity method, investments are recognized primarily at cost and subsequently adjusted to reflect the Group's share of profits or losses after the acquisition as profits and losses resulting from the investment in the investee company. The Group's contribution to

3. The Foundations of the preparation (Continued):

3.6 The basis for consolidating consolidated financial statements(Continued):

3/6/2- EQUITY METHOD(Continued):

comprehensive income after the acquisition is also recognized in the statement of comprehensive income. If after reducing the contribution to the investee company to zero, liabilities are recognized only if there is an obligation to support the investee's operating operations or any payments made on behalf of the investee company. Distributions received or receivables from associates and joint ventures are booked to reduce the net value of the investments.

The goodwill related to an associate or joint venture is included in the carrying amount of the investment and is not independently tested for impairment.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in the comprehensive income of the investee companies is shown as part of the Group's comprehensive income. In addition, in the event that any change is recognized directly within the equity of the associate or the joint venture, the Group shall recognize its share in any changes, when applicable, in the consolidated statement of changes in owners' equity as unrealized profits and losses resulting from the transactions between the Group and the associate and joint venture to the extent of the Group's interest in the associate or joint venture. The financial statements of subsidiaries and joint ventures are prepared for the same financial year as the Group.

When necessary, the accounting policies of subsidiaries and joint ventures are presented to be consistent with the Group's policies. After applying the equity method, the Group checks whether it is necessary to prove any impairment loss in the value of its investment in its associate or joint venture. On the date of preparing each financial statement, the Group ensures that there is objective evidence of a decrease in the value of the investment in any associate or joint venture. When such evidence exists, the Group calculates the amount of the decrease as the difference between the recoverable amount of the associate or joint venture and its carrying value, and the loss is recognized as "share in the loss of an associate and a joint venture" in the statement of consolidated profit or loss.

Upon loss of significant influence over the associate or joint control of a joint venture, the Group measures and recognizes the investment to be held at fair value. The difference between the carrying value of the associate or joint venture upon loss of significant influence or joint control and the fair value of the investment retained (and any proceeds of disposal) will be recognized in the statement of consolidated profit or loss.

3/6/3- Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position and separately from shareholders' equity. Losses applicable to the minority in excess of the minority interest are allocated against the interest of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. A change in the Group's interest in a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

3/6/4- Business combinations and goodwill

Accounting for business combinations is done using the acquisition method. The cost of an acquisition is measured by the total consideration value transferred, which is measured at the fair value at the acquisition date and the amount of non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree at fair value or at the proportionate share of the identifiable net assets of the acquiree. Acquisition costs incurred are expensed and included in administrative expenses. In the event that the

3. The Foundations of the preparation (Continued):

3/6/4- Business combinations and goodwill (continued)

combination is achieved in stages, the retained part of the acquired company is calculated at fair value, the difference is recorded in the profit and loss account.

When the Group acquires a business, the financial assets and liabilities that have been undertaken are estimated for the appropriate classification and allocation according to the contractual terms, economic conditions and conditions prevailing at the date of the acquisition. This includes the separation of derivatives included in other financial instruments in the main contracts by the acquiring company.

Any future contingent liability by the buyer will be added to the fair value at the date of acquisition. All contingent liabilities (except for those classified as equity) are measured at fair value and changes in fair value are accounted for in profit and loss. Contingent liabilities classified as equity are not reassessed or settled, and any subsequent payments are accounted for on an equity basis.

Originally, goodwill is measured at cost (being the difference between the total consideration transferred and the amount of non-controlling interests recognized and any interests held, less the net identifiable assets acquired and liabilities assumed). In the event that the fair value of the net assets acquired exceeds the total consideration transferred, the Group reassesses to ensure that it has correctly identified all the assets acquired and all liabilities that have been transferred, and reviews the procedures used to measure the amounts to be recognized on the date of acquisition. If this reassessment still results in an increase in the fair value of net assets acquired over the total consideration transferred, then the profits are recognized in the statement of consolidated profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of testing for impairment, goodwill acquired in the combination from the date of the acquisition is allocated on the basis of the Group's cash-generating unit that is expected to benefit from the business combination regardless of other assets or liabilities. The acquiring company of these units considers, the "cash generating unit" is the smallest Group of assets that generate cash inflows from continuous use and are largely independent of the cash flows from other assets or Groups. The cash-generating unit is consistently identified from period to period for the same assets or types of assets, unless a change is justified.

3/6/5 Consolidated financial statements report date.

The consolidated financial statements include the financial statements of the parent company Northern Region Cement Company and its subsidiaries (collectively, the "Group"), the financial year of the subsidiaries commencing on the first of January of each calendar year and ending on 31 December of the same year.

4. Significant accounting policies:

The accounting policies applied in these consolidated financial statements are in accordance with the International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPS.

4/1- PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

- Property and equipment is measured at cost after deducting the accumulated depreciation and accumulated depreciation loss, if any, with the exception of land and construction work in progress.
- Cost includes expenditures that are directly attributable to the acquisition of the assets and the cost of self-built assets includes the cost of materials and direct labor and any other costs directly attributable to getting the assets to the condition in which they are operated, the costs of dismantling and removing the materials and returning the site in which they are located and any capitalized borrowing costs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4/1- PROPERTY, PLANT AND EQUIPMENT Continued):

- The profit or loss from the sale of an item of property, plant and equipment is determined by comparing the proceeds from the sale with the carrying value of property, plant and equipment and is stated net in the statement of consolidated profit or loss.

Derecognition

An item of property and equipment is derecognized when it is sold or when future economic benefits are not expected to flow from its use or sale. Gains or losses arising from derecognition of an item of property and equipment are included in the statement of consolidated profit or loss.

Post-acquisition costs

The cost of replacing a component of an item of property and equipment is recognized at the carrying amount of the item when it is probable that future economic benefits will flow to the Group and that their cost can be measured reliably and the carrying value of the replaced component is derecognized. The cost of providing day-to-day service for property and equipment is taken to the statement of consolidated profit or loss as incurred.

Depreciation

Depreciation is based on the cost of assets minus their residual value. The significant components of individual assets are estimated, and if there is a component that has a useful life that differs from the rest of that asset, then that component is depreciated independently.

Depreciation is recorded in the consolidated statement of profit or loss using a straight-line method over the estimated useful life of each component of an item of property and equipment.

Depreciation methods, useful lives and residual value are examined at the date of each consolidated financial position and adjusted whenever appropriate.

Depreciation of the asset begins when it is available for use, and its depreciation stops on the date on which the asset is classified as held for sale or its cease to be utilised whichever is earlier.

- Improvements to buildings to leased land and buildings established on leased land are depreciated over their useful economic lives or the unexpired lease period, whichever is shorter.

The following are the estimated useful lives of the current and comparative periods:

Assets	Estimated Useful life	Assets	Estimated Useful life
Buildings	25-40 years	Furniture, furnishings, and office equipment	4-5 years
Plant and equipment	5-40 years	Water wells	5 years
Vehicles	4-14 years old	Leasehold improvement	3 Years

- Regular maintenance and repair expenses that do not materially prolong the estimated useful life of an asset are included in the consolidated statement of profit or loss when incurred. Major renovations and improvements, if any, are capitalized, and any assets that have been replaced are excluded from the books.

BORROWING COST

Borrowing costs that are directly attributable to the acquisition, creation or production of qualifying assets and which necessarily take a substantial period of time to prepare for their intended use or sale, are capitalized as part of the cost of the relevant asset. All other borrowing costs are charged to the consolidated statement of profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4/1- PROPERTY, PLANT AND EQUIPMENT Continued):

Capital works in progress.

Capital work-in-progress includes purchase price, construction or development costs, and any costs directly attributable to the creation or acquisition of the asset by the company. Capital work in progress is measured at cost less any impairment losses recognized. Capital work under construction is depreciated only when the assets are able to function as intended by management after they have been drawn to the appropriate class of assets.

Strategic parts

Spare parts and spare equipment are property and equipment when the Group expects to use them during more than one accounting period. Similarly, if the use of spare parts and service equipment is linked to property and equipment items, they are considered as property and equipment. The consumption of strategic spare parts begins when it is on site and in the case required to be operational in the manner intended by the Administration and according to its estimated production life or the production life of the asset followed by whichever is shorter.

4/2 Intangible assets

The intangible assets acquired are independently measured at the initial proof of cost. The cost of intangible assets acquired in the process of assembling the facilities at fair value is represented by the date of acquisition. After initial proof, intangible assets are constrained by cost minus accumulated extinguishment and accumulated reduction losses, if any. Intangible assets developed internally, except for capitalized development costs, are not capitalized and charge expenses on the statement of profit or loss and other consolidated comprehensive income for the year in which you incurred.

The productive ages of intangible assets are classified as "specified" or "indefinite" duration. Intangible assets with a specific lifespan are extinguished over their estimated productive life and are reviewed for a decrease in their value when there is evidence of such a decline. The period and method of extinguishing intangible assets with a specified age is reviewed at least once at the end of each fiscal year. Changes in life expectancy or the method of depletion of future economic benefits guaranteed by the asset - processed accountable, by adjusting the period or method of extinguishing, as appropriate, and are considered as changes in accounting estimates. Extinguishing of intangible assets of a specified life is included in the consolidated profit or loss statement and other consolidated comprehensive income as an expense and in line with the function of intangible assets.

Intangible assets that do not have a specific life span are not extinguished but are tested annually to ensure that there is no reduction in their value on their own or at the cash generating unit level. The undetermined production life calendar is reviewed annually to ascertain whether the calendar made for the unspecified productive life is still supported, otherwise the change from "specified age" to "unspecified age" is made on a future basis.

4/3 NON-DERIVATIVE FINANCIAL ASSETS

At the initial recognition, all financial assets are proven at the price of their transactions, which represents fair value, unless the arrangement actually consists of a financing transaction. If the arrangement consists of a financing transaction, the item is measured initially at the current value of future flows discounted at the market interest rate of a similar debt instrument.

After initial recognition, the extinguished cost model (or in some cases the cost model by nature and purpose of the financial asset) is applied to measure the underlying financial instruments.

Loans and Receivable

Receivable and loans are non-derivative financial assets with fixed or identifiable payments that are not listed on an active market. They are part of current assets except those with a maturity date of more than 12 months after the end of the reporting period and are classified as non-current assets. Loans and receivables include accounts of commercial debtors and other debtor assets owed by related parties and cash in the fund and at banks.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade Receivables

The amounts due from customers for goods sold or services performed in the normal business context are represented. Debtors are proven to be the value of the original invoice minus the amount of doubtful amounts. An estimate of doubtful debts is made when there are fundamental doubts that the full amount cannot be collected. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

Cash and cash equivalents in the consolidated balance sheet comprise cash with local and foreign banks and financial institutions and cash on hand.

Impairment in value of financial assets

- The Group applies the expected credit loss model (ECL) to measure and prove the loss of impairment in the value of financial assets and exposure to credit risk for debt instruments and it is measured at amortized cost such as loans, deposits and receivables.
- Expected credit losses are a weighted estimate of the probability of credit losses (that is, the present value of all cash deficits) divided by the expected life of the financial asset. Cash shortages are the difference between the cash flows due according to the contract and the cash flows that the Group expects to receive. Expected credit losses take into account the amount and timing of payments and consequently credit losses arise even if the Group expects to receive the payment in full but later than the due date specified in the contract. The ECL method requires an assessment of the credit risk, default and timing of collection since the initial recognition. This requires that an expected credit loss allowance is recognized in the consolidated statement of profit or loss as well as for newly created or acquired receivables.
- The decline in the value of financial assets is measured by either 12-month expected credit losses or expected credit losses over the life of the asset, depending on whether there has been a significant increase in credit risk since the creation of the asset. 12-month ECL represents expected credit losses arising from default events that may be possible within 12 months after the end of the financial year. Life expectancy of credit losses represent any expected credit losses that would arise from all possible events of delinquency over the expected life of the financial asset.
- Accounts receivables are short-term and usually due in less than 12 months. Therefore, the credit loss allowance is calculated in a manner that does not differ from the 12-month period, which is the expected life of the receivables. The Group uses the practical method in IFRS 9 ("Financial Instruments") to measure expected credit losses for receivables using a provision matrix based on the ages of receivables.
- The Group uses past and historical experiences and loss rates based on the basis of the past 36 months, where historical loss rates are adjusted to reflect information on current conditions and future expectations of future economic conditions. The loss rates differ based on the age of the receivables and are usually higher the older the receivables.

4/4 - FINANCIAL ASSETS

Initial recognition and measurement

- The Group determines the classification of its financial assets upon initial recognition. The classification depends on the nature of the Group's business to manage the financial assets and the contractual terms of the cash flows.

Classification

Financial assets are classified into the following measurement categories:

A- Those that are subsequently measured at fair value (either through consolidated comprehensive income, or through consolidated profit or loss).

B- Those measured at amortization cost.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4/4 - FINANCIAL ASSETS(Continued):

For assets measured at fair value, gains and losses are recorded in the consolidated statement of profit or loss or consolidated statement of comprehensive income. In relation to equity investments, this depends on whether the Group has chosen the method for the initial recognition of the equity investments at fair value through consolidated total comprehensive income.

Measurement

On initial recognition, the Group measures the financial assets at fair value, including if the financial asset is not recognized at fair value through profit or loss, costs incurred directly attributable to the acquisition. The costs of purchasing financial assets are recorded in the consolidated statement of profit or loss at fair value and are recognized as an expense if incurred.

Debt instrument

The subsequent measurement of debt instruments depends on the nature of the Group's use of the assets and the cash flows resulting from the use of that asset. The Group classifies debt instruments at amortized value based on the following:

A- The asset is kept within the business activity in order to obtain contractual cash flows,

B - The contractual terms clarify specific dates for cash flows, which are principal and interest payments calculated on the amount outstanding.

Amortized cost is calculated after taking into account any discount or premium on purchase and fees or costs that are an integral part of the effective interest rate. Employee and shareholder loans to joint venture companies are stated at amortized cost.

Equity instrument

If the Group chooses to present the fair value method for gains and losses from equity investments in the consolidated statement of comprehensive income, then the fair value gains or losses will not be reclassified subsequently in the consolidated statement of profit or loss. Dividends from these investments are recognized in the consolidated statement of profit or loss as other income when the Group's right to receive payment is established. There is no requirement to account for impairment of equity investments measured at FVOCI. Changes in the fair value of financial assets are recognized as profit or loss in the statement of consolidated profit or loss.

DERECOGNITION OF FINANCIAL ASSETS

The Group derecognizes a financial asset when the contractual rights to cash flows expire or upon transfer of the financial asset and the risks and benefits associated with its ownership to another party. If the Group does not transfer or retain all of the risks and rewards of owning the asset and continues to control the transferred asset, the Group recognizes its retained interest in the related assets and liabilities for the amounts that it may have to pay. If the Group retains all risks and rewards of the excluded asset, then the Group continues to recognize the financial asset and also recognizes the guaranteed borrowing of the returns received.

Income recognition

Interest income

For all financial instruments that are measured at amortized cost and interest-bearing financial assets, interest income is recognized using the effective interest rate, which is the rate that discounts estimated future cash receipts over the expected life of the financial instrument or a shorter period, to the net book value of the financial asset.

When the value of loans and receivables decreases, the Group reduces the carrying amount to the recoverable value, which is the estimated future cash flows discounted at the original interest rate of the instrument and books the discount as interest income. Interest income is recognized on financial assets that are impaired in value using the original interest rate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends distribution
Dividends received from financial instruments are recognized in the consolidated statement of profit or loss only when the right to receive the payments is established, and also when it is probable that future economic benefits associated with the dividend will flow, and can be measured accurately.

Impairment of financial assets

At the end of the fiscal year, an assessment is made to ensure that there is no objective evidence of the impairment of any financial asset measured at cost or amortized cost. If there is such evidence of impairment, the impairment loss is recognized in the statement of profit or loss and other comprehensive income for that year. Determines the impairment value as follows:
a) For assets at fair value, impairment represents the difference between cost and fair value, less any impairment losses previously recognized in the statement of profit or loss and other comprehensive income.
b) For cost-listed assets, impairment represents the difference between the listed amount and the present value of future cash flows discounted at the present market rate of return on a similar financial asset item.
c) For assets listed at amortized cost, the impairment represents the difference between the listed amount and the present value of future cash flows discounted at the original actual commission rate.

DECLINE IN THE VALUE OF NON-FINANCIAL ASSETS

- The Group evaluates the carrying value of the non-financial assets, excluding inventories, at each consolidated financial position date, to assess if there is any indication of impairment in their value. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets with no specified useful lives are tested annually to see if there is impairment in their value. An impairment loss is recognized if the carrying amount of the asset or cash-generating unit exceeds its recoverable amount.
- A non-current asset is considered to be impaired if its book value is higher than its recoverable value. In determining an impairment loss, the Group compares the carrying amount of the non-current asset with the estimated undiscounted cash flow of the asset in use. In the event that the carrying value exceeds the undiscounted estimated cash flow of the asset in use, the Group estimates the present value of the estimated future cash flows of the asset. An excess of the carrying amount over the present value of the estimated future cash flows is considered an impairment loss.
- An impairment loss is recognized immediately in the consolidated statement of profit or loss. If the impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable value, so that it does not exceed the carrying amount that would have been determined had no impairment loss been recognized in the asset's value in previous years. The reversal of an impairment loss is recognized immediately in the consolidated income statement.

5/4- FINANCIAL LIABILITIES

- Non-derivative financial liabilities

- All financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are offset and the net amount is included in the consolidated balance sheet when and only when there is a legal right for the Group to set off the amounts realized and when the Group has the intention to settle the assets with liabilities on a net basis or sell the assets and pay the liabilities simultaneously.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Non-derivative financial liabilities include term loans, payables and other payables. These financial liabilities are initially recognized at fair value plus any transaction costs directly attributable to them. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the prevailing (effective) interest rate method. The Group derecognizes a financial liability when the obligation specified in the contract is performed, cancelled or expires.

Derecognition of financial liabilities

The derecognition of a financial liability when the obligation specified in the contract is fulfilled, cancelled or expired, and when an existing financial liability is replaced by another liability from the same lender under substantially different terms, or the terms of the existing financial liability have been modified substantially. This replacement or amendment is treated as a cancellation of the original liability and recognition of the new liability. The differences in the relevant book value are included in the statement of consolidated profit or loss.

Offsetting the financial assets and liabilities

Financial assets and liabilities are offset, and the net amount is included in the consolidated balance sheet when and only when there is a legal right for the Group to set off the amounts realized and when the Group has the intention to settle the assets with liabilities on a net basis or sell the assets and pay the liabilities simultaneously.

Trade payable.

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

4/6- LEASE CONTRACTS

Group as lessee

Upon initiation of a contract, the company assesses whether the contract contains lease arrangements. With regard to such lease arrangements, the company recognizes the right to use assets and lease liabilities, with the exception of short-term leases and low-value asset contracts as follows:

A) Right of use assets:

The Group recognizes the right to use the assets on the date of commencement of the lease contract (the date the underlying asset becomes available for use). Right-to-use assets are measured at cost, less any accumulated impairment losses and aggregate depreciation, and adjusted for any re-evaluation of the lease liability. Right-to-use cost of assets includes the amount of the lease liability recognized, initial direct costs incurred, and lease payments made on or before the commencement date minus any lease incentives received. Unless the Group is reasonably certain that ownership of the leased asset will be acquired at the end of the lease term. The right to use the assets recognized on a straight-line basis is amortized over the estimated useful life or the lease term, whichever is shorter. The right to use asset is subject to impairment reviews.

B) Lease liabilities:

On the date of the commencement of the lease contract, the Group recognizes the lease liability measured at the present value of the lease payments to be made over the term of the lease. Rent payments comprise fixed payments (including embedded fixed payments) minus rental incentives receivable, variable rental payments that are index or rate based and amounts expected to be paid under residual value guarantees. The lease payments may also include the purchase option exercise price that is reasonably certain to be exercised by the Group and the termination penalty payment, if the lease agreement reflects that the Group exercises the termination option. Variable lease payments that do not depend on an index or rates are recognized as an expense in the period in which the event or condition that fulfils the payment requirement occurs.

In computing the present value of lease payments, the Group uses the borrowing rate at the lease commencement date if the rate of return implicit in the lease is not easily determined. After the lease commencement date, the amount of the lease liability is increased to reflect the accumulation of financial expenses and the reduction of the lease payments made.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4/6- LEASE CONTRACTS (continued)

B- Lease Liabilities (continued)

The book value of the lease liability is re-measured if there is an amendment or change in the lease term, a change in the fixed rental payments, or a change in the valuation of the contracted asset purchase.

The main assumptions used for the purposes of computing the present value of lease payments are as follows:

Discount rate for cash flows:	2.5-5%

C) Short-term leases:

The Group applies the exemption granted on short-term leases to such leases (that is, those leases whose lease term is 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as an expense on a straight-line basis over the term of the lease.

D) Significant judgements in determining the lease term for contracts that include renewal options:

The Group defines the lease term as the irrevocable term of the lease, together with any periods covered by the option to extend the lease if that right can reasonably be exercised, or any periods covered by the option to terminate the lease, if it is reasonably certain that the Group will not exercise this right.

Group as a lessor

When the Group is a lessor, it determines, at the commencement of the lease, whether the lease is a finance lease or operating lease.

To classify each lease, the Group performs an overall assessment of whether the lease substantially transfers all risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, otherwise it is an operating lease. As part of this assessment, the Group considers specific indicators such as whether or not the lease term is for the majority of the economic life of the underlying asset.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term in the consolidated statement of profit or loss.

4.7 Inventory

The inventory of raw materials, incomplete production, packing bags, etc. is assessed on the basis of cost and the moving weighted average method, and the total production stock is assessed at cost or net value recovered whichever is lower. The inventory is reduced by the value of stagnant and slow-moving items according to management estimates and inventory movement.

Finished goods

Finished goods are measured at the cost of production or net value achievable, whichever is lower. The cost of finished goods is determined by the weighted average method. The cost includes direct materials, direct employment and an appropriate proportion of variable and fixed indirect expenses, the latter being allocated on the basis of normal operating capacity. Net selling value represents the estimated selling price during the normal business cycle minus the estimated completion and estimated costs required to make the sale.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goods in process

The goods in process are measured by cost or net value net achievable value, whichever is lower. The cost of the goods under manufacture is determined by the cost of the production unit for the period based on the completion rate in the phase applied and includes direct materials, direct labor and an appropriate proportion of variable and fixed indirect expenses, the latter being allocated on the basis of normal operating capacity. Net selling value represents the estimated selling price during the normal business cycle, minus the estimated completion costs and estimated costs for the sale.

Spare parts

The stock of spare parts is assessed by cost or net achievable value, whichever is lower. The cost is determined by the cost of the weighted average. The stock of spare parts represents spare parts that qualify to be classified as important parts.

Raw materials

Raw materials are assessed by cost i.e. historical purchase prices based on the weighted average principle plus the costs directly related to them (mainly, fees and transportation) whichever is lower. The cost is determined by the cost of the weighted average. Net selling value represents the estimated selling price during the normal business cycle, minus the estimated completion costs and estimated costs for the sale. A suitable custom for outdated and slow-moving goods is spared, if necessary.

4.8 Investments

A) Investments in associate companies

- Associate companies are entities over which the Group exercises significant influence and are not subject to the control of the company. They are generally accompanied by an ownership interest of between 20% and 50% of the voting rights. The Group's investments in associates are accounted for using the equity method and are initially recognized at cost. The book value is increased or decreased to account for the share in the profit or loss of the investee company since the date of acquisition. The Group's investment in associates includes goodwill, which is identified on acquisition.

  If the ownership interest in an associate is reduced but significant influence is still retained, then only the proportional share of the amount previously recognized in the consolidated comprehensive income is reclassified to the income statement as appropriate.
- The Group's share in the post-purchase profit or loss is included in the consolidated statement of profit or loss, and its share in the post-purchase movement is included in the comprehensive income with a corresponding adjustment to the book value of the investment.
- If the Group's share of losses in an associate is equal or greater than in that associate, including any unsecured receivables, the Group will stop recognizing the additional losses unless it incurs a statutory or proven obligation for payments to be made on behalf of the associate.
- The Group determines, at the date of each consolidated financial position, whether there is any objective evidence of a decline in the value of the investment in the associate. In the event of such a decline, the Group calculates the amount of the decrease as a difference between the recoverable amount of the associate and its carrying value and recognizes the amount on the consolidated statement of profit or loss. Gains and losses arising from upstreaming and down streaming transactions between the Group and its associates are included in the Group's consolidated financial statements only to the extent of the investor's non owed interest in the associate. The accounting policies of the associates have been changed, as necessary, to ensure consistency with the policies applied by the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B) INVESTMENT IN EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OCI

Upon initial recognition, the company can make an irrevocable decision (on an instrument-by-instrument basis) whereby the decision classifies investments in equity instruments at fair value through other comprehensive income. It is not permitted to classify these investments at fair value through other comprehensive income if they are held for trading.

A financial asset or a financial liability for trading is maintained in the following cases:

- is acquired or incurred primarily for the purpose of selling or repurchasing it in the near term;
- On initial recognition, this is part of a portfolio of specific financial instruments managed together and for which there is evidence of a true pattern of profit taking in the short term. or
- A derivative excluding a derivative of a financial guarantee or specific contract and an effective hedging instrument.

  Investments in equity instruments are initially measured at FVOCI plus transaction costs. Subsequently, it is measured at fair value with gains or losses arising from changes in fair value recognized in other comprehensive income and accumulated in other reserves. Gains or losses on equity instruments are never reclassified to the consolidated statement of profit or loss and no impairment is recognized in the consolidated statement of profit or loss. Investments in unlisted equities that were previously recorded at cost are now measured in accordance with IAS 39 at fair value. The accumulated profit or loss will not be reclassified to the statement of profit or loss on sale of investments.

Dividends on these investments are recognized in the consolidated statement of profit or loss when the company's right to receive the dividend is established in accordance with IAS 18 endorsed in the kingdom of Saudi Arabia , unless the dividends clearly represent a recovery of part of the cost of the investment.

Investment revaluation reserve includes the net cumulative change in the fair value of equity investments measured at FVOCI. When these financial instruments are eliminated, the amount accumulated in the fair value reserve is transferred to retained earnings.

4.9 Loans

Loans are originally fixed at fair value (as received receipts), after deducting the costs of the eligible transaction incurred, if any. After the initial proof, long-term loans are measured at the extinguished cost using the actual commission rate method. Any difference between receipts (after deducting transaction costs) and the recovery amount in the profit or loss statement and other consolidated comprehensive income over the loan period is demonstrated using the actual commission rate method. Fees paid on loan facilities are proven as loan transaction costs to the extent that some or all of the facilities are likely to be withdrawn. In this case, the fee is deferred until the withdrawal occurs.

In the absence of evidence that some or all of the facilities may be withdrawn, the fees are capitalized as prepaid expenses for liquidity services and extinguished over the period of the facilities involved.

Loans are removed from the Consolidated Financial Position Statement when the obligation specified in the contract is waived, cancelled or expired. The difference between the book value of financial liabilities extinguished or transferred to another party and the compensation paid, including non-cash assets transferred or assumed liabilities, is shown in the statement of loss and consolidated comprehensive income as other income or financing costs.

Loans are classified as current liabilities unless the Group has an unconditional right to postpone the commitment settlement for at least 12 months after the preparatory period for consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

4.9 Loans(continued):

The costs of general and specific loans and the financing costs of murabaha directly associated with the purchase, construction or production of eligible assets are capitalized within the time period required to complete and prepare the asset for use or sale. Investment income earned from the temporary investment of specific loans until they are disbursed to eligible assets is deducted from the costs of capitalized loans. The costs of other loans are recorded as an allowance in the period in which they are incurred in the statement of losses and consolidated comprehensive income.

4.10 Provision for employee defined benefit obligations

The Group provides severance pay compensation to its employees in accordance with the provisions of the labor and workers' system in Saudi Arabia, which is entitled on the basis of the employee's final wage, length of service and completion of the minimum period of service. The end-of-service obligation is calculated by estimating the value of future benefits that are due to employees in current and previous periods and the value is deducted to reach the current value.

The group makes assumptions that are used when determining key elements of costs in order to meet these future liabilities. These assumptions are made after consulting the company's actuarial expert and include those used to determine the cost of the normal service as well as the financing elements of liabilities. A qualified actuary calculates the commitment to the specified benefits using the amounts due by unit method.

A reassessment of specific benefit obligations consisting of actuarial profits and losses is recognized directly in the list of other comprehensive income. The Group determines the interest expense on the specific benefit obligations for the year by applying the discount rate used to measure the specific benefit obligations at the beginning of the year after taking into account any change in net benefit obligations specified during the year as a result of contributions and payments for liabilities. Net interest and other expenses related to the benefit plans specified in the consolidated profits or losses statement are recognized.

Retirement benefit costs

The company contributes to the costs of employee retirement benefits in accordance with the regulations of the General Social Insurance Corporation and is calculated as a percentage of employees' wages. Payments to government-managed retirement benefit plans are treated as payments to specific contribution plans as the company's obligations against these plans are equivalent to those established in a specific contribution retirement plan. Payments to retirement benefit plans carry a specific contribution as an allowance when they are due.

4.11 Trade Payables and accruals

These amounts represent the liabilities relating to goods and services provided to the Group before the end of the fiscal year that have not been paid and are considered not guaranteed. Trade payable and payment papers are presented as current liabilities unless the payment is not due within 12 months after the date of the report, originally proven at fair value and is measured by the extinguished cost using the actual commission method.

4.12 Contingent liabilities and assets

Contingent liabilities are not proven in consolidated financial statements but are disclosed only if the possibility of an outflow of resources with economic benefits is excluded. Contingent assets are not confirmed in consolidated financial statements but disclose when economic benefits are likely to be achieved.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 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. When 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 a provision is presented in the 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 determined by discounting expected future cash flows using a current pre-tax rate that reflects, when appropriate, current market assessments of time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Asset restoration	Restoration costs are provided at the present value of expected costs to settle the obligation using the estimated cashflow which are recognized as part of the cost of the particular asset. The cashflows are discounted at a current pre-tax rate that reflects the risks specific to the restoration liability. The unwinding of the discount is expensed as incurred and recognized in the consolidated statement of income as a finance cost. The estimated future cost of restoration is reviewed annually and adjusted as appropriate
Onerous contracts	A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on incremental costs necessary to fulfil the obligation under the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.
Restructuring	A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Zakat and tax

The Company and its subsidiaries in the Kingdom of Saudi Arabia are subject to Zakat in accordance with the regulation issued by the General Authority of Zakat and Income Tax (ZATCA). Zakat provision is calculated according to the consolidated Zakat base of the Company and its directly or indirectly wholly owned subsidiaries. Zakat is levied at a fixed rate of 2.5% on the higher of adjusted zakat profit or zakat base. The management establishes provisions where appropriate on the basis of amounts expected to be paid to the ZATCA and periodically evaluates positions taken in zakat returns in case of any differences. Additional Zakat liability, if any, related to prior years' assessments arising from ZATCA are accounted for in the period in which the assessments are finalized. Subsidiaries outside the Kingdom of Saudi Arabia calculate income tax in accordance with the relevant income tax regulations in those countries. The provision for income tax is charged to the consolidated statement of profit or loss.

Income tax

For offshore subsidiaries, a provision for tax obligations, if any, is sparse in accordance with the tax regulations in the countries in which they operate. The income tax allowance is on the consolidated profit or loss and income statement.

Uncertain zakat and tax conditions

Differences that may arise from final liability are accounted for when the group terminates its links with stakeholders.

Value added tax

Income, expenses and assets are recognized as net from VAT value except in the following cases:

- If VAT is due to the acquisition of assets or services that are not recovered from the tax authority, in which case VAT is recognized as part of the cost of purchasing the assets or part of the expenses line as the case.
- The receivables and credits appear, including the VAT amount.
- Net value-added taxes that can be recovered from or paid to the tax authority are included in the other debit balances or other credit balances in the consolidated statement of financial position .

withholding tax

The Group creates a provision for withholding tax on payments to non-resident parties within the Kingdom of Saudi Arabia in accordance with the income tax system in force in the Kingdom of Saudi Arabia and pays it to the Zakat, Income and Customs Authority in accordance with the regulations issued by the Authority.

4.15 Revenue from contracts with customers

The Group's revenues consist mainly of renting road billboards, media advertising, stationary artboards, distribution of educational materials, stationery and books, sale of convenience products to travelers, food and beverage, film and video series production, commercial and awareness advertisements.

The Group recognizes revenue from contracts with customers according to IFRS 15, using the following five-steps model:

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Step 1: Identify the contract with the customer	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met
Step 2: Identify the performance obligations	A performance obligation is a contract with a customer to transfer a good or service to the customer
Step 3: Determine the transaction price	The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties
Step 4: Allocate the transaction price	For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation
Step 5: Revenue recognition	The Group recognizes revenue (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract

Identify the contract with the customer.
The Group carefully evaluates the terms and conditions of the contracts with its customers because revenue is recognized only when performance obligations in contracts with customers are satisfied. A change in the scope or price of a contract (or both) is considered as a contract modification and the Group determines whether this creates a new contract or whether it will be accounted for as part of the existing contract.

Identifying the performance obligations
Once the Group has identified the contract with a customer, it evaluates the contractual terms and its customary business practices to identify all the agreed services within the contract and determine which of those agreed services (or bundles of agreed services) will be treated as separate performance obligations.

Determine the transaction price.
The Group determines transaction price as the amount by which it expects to be entitled. It includes an estimate of any variable consideration, the effect of a significant financing component (i.e. the time value of money), the fair value of any non-cash consideration and the effect of any consideration paid or payable to a customer, if any. Variable considerations are limited to the amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The amount of consideration is fixed based on the transaction price agreed with the customers and there are no other promised obligations in the contract with the customers that are determined as separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the services, the Group considered the effects of variable considerations, the existence of significant financing components, noncash consideration and considerations payable to the customer (if any) and has concluded that there are no such considerations included in the transaction price.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract modifications, e.g. variation orders, are accounted for as part of the existing contract, with a cumulative catch up adjustment to revenue. For material contract modifications a separate contract may be recognised, based on management's assessment of the following factors:

• the scope of the contract increases because of the addition of agreed goods or services that are distinct; and

• the price of the contract increases by an amount of consideration that reflects the Group's stand-alone selling prices of the additional agreed goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular contract

There were no material amendments to the contracts during the financial year ended 31 December 2022.

Allocation of transaction price

Once the performance obligations have been identified and the transaction price has been determined, the transaction price is allocated to the performance obligations, generally in proportion to their stand-alone selling prices (i.e., on a relative stand-alone selling price basis). When determining stand-alone selling prices, the Group is required to use observable information, if any. If stand-alone selling prices are not directly observable, the Group makes estimates based on information that is reasonably available.

Revenue recognition

The Group recognizes revenue in accordance with the terms and conditions contained in the contracts concluded with customers to the extent that performance obligations related to customer contracts are fulfilled by the Group as follows:

Determination of whether the Group or a part thereof is acting as a principal or agent

The principles of IFRS 15 revenue from customer contracts are applied by identifying each specific good or service pledged to the customer in the contract and assessing whether the company retains control over the specified good or service before transferring it to the customer. This evaluation requires significant judgment based on specific facts and circumstances.

Contract assets

Contract assets represent the right to consideration in exchange for services transferred to the customer. If the Group performs by transferring services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Upon achieving billing milestones, if any, in accordance with the contractual terms and acceptance of services received by the customer, the amounts recognised as contract assets are reclassified to accounts receivable. Contract assets is exposed to impairment in value as in according with IFRS 9

Contract liabilities

Contract liabilities represent obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs as per the terms of the contract.

There were no material adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Cost of revenue

The cost of revenue represents expenses directly related to the manufacture and production of products that generate revenue to the group and which include materials, supplies, utilities and other direct costs.

4.17 Operations income

Income from the group's main activities represents continuing income, including income and other expenses related to operational activities. Operating income excludes net financing costs, zakat and income tax.

4.18 Recognition of expenses

All expenses incurred in running the business and maintaining property and equipment in a state of operational efficiency have been charged to the consolidated statement of profit or loss. The allocation between cost of revenue, general and administrative expenses, selling and marketing expenses, is made on a consistent basis. Expenses incurred for the purpose of acquiring, extending or improving assets of a permanent nature through which to continue in business or for the purpose of increasing the ability to earn business are treated as capital expenditures.

4.19 Finance costs

Financing costs directly associated with the acquisition, creation or production of a particular asset that necessarily takes a period to prepare it for use or sale are recognized as part of the cost of that asset. All other financing costs are recorded as expenses in their due period. Financing costs are interest and other costs incurred by the Group in relation to the borrowing of funds.

4.20 Segment Reporting

The Segment is an essential part of the group that provides certain products and services (business Segment) or service products in a particular economic environment (geographical Instruments), and the Instruments is usually exposed to risks and returns of a different nature from other Segments.

Group management uses the operational Segments by distributing resources and evaluating performance. Operational Segments that show similar economic characteristics, products, services and customer categories are grouped as appropriate, and are shown as reporting Segments.

4.21 Earnings per share

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

The Group has not issued any potential ordinary shares, and therefore the underlying share price is the same as the discounted share price.

4.22 Dividends distribution

The Group will prove cash or non-cash distributions to shareholders as liabilities when the distribution is approved, and that the distribution is no longer at the group's disposal. According to Saudi Arabia's companies' regulation, final dividends are confirmed when approved by the General Assembly. Interim dividends are restricted upon approval by the Board of Directors and the corresponding amount is confirmed directly within the equity.

4.23 Foreign exchange

The group's consolidated financial statements appear in Saudi Riyals, which is also the company's functional currency. For each facility, the group determines the functional currency, and the items on the financial statements of each establishment are measured using that functional currency. The group uses the direct consolidation method and when the external process is excluded, the gains or losses reclassified into the consolidated profit or loss statement and other consolidated comprehensive income reflect the amount generated by using this method.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.23 Foreign exchange (continued)

Transactions and balances

Foreign exchange transactions are converted into functional currency at the prevailing conversion rates on transaction dates. The profits and losses of foreign exchange transactions resulting from the payment of these transactions and the transfer of foreign labor-registered cash assets and liabilities are confirmed at the year-end conversion rates in the consolidated profit or loss and consolidated income statement and are deferred in equity if they are qualified to hedge cash flow risk or relate to part of the net investment in a foreign operation.

Non-cash items measured at historical cost - registered in foreign currency - are converted at the prevailing conversion rates on the date of transactions.

Convert non-cash items recorded in foreign currencies that are measured at fair value at the prevailing conversion rates on the date on which the fair value is determined. Transfer differences relating to recorded assets and liabilities are listed at fair value as part of fair value gains or losses. Non-cash asset and liabilities, such as equity-based shares, are proven through the consolidated profit or loss and consolidated income as part of fair value gains or losses, and currency translation differences are included for non-cash assets such as securities classified as financial assets available for sale in the consolidated profit or loss and consolidated income statement.

Group Companies

The results and financial position of external operations (none of which have a high inflation currency) with a functional currency different from the offer currency are converted into the offer currency as follows:

- Transfer of assets and liabilities of each financial position statement displayed at closing prices on the financial position statement
- The income and expenses in each statement transfer profit or loss and the comprehensive income statement with average conversion rates (unless this is not considered a reasonable convergence of the cumulative effect and prevailing prices on transaction dates, at which point the income and expenses are converted at prevailing rates on transaction dates), and all resulting conversion differences are included in the other comprehensive income.

If any external transaction is excluded, the other comprehensive income items of that external transaction are reclassified into the consolidated profit or loss statement and other consolidated comprehensive income.

The reputation resulting from the acquisition of any external transaction, as well as fair value adjustments to the book value of assets and liabilities resulting from the acquisition, is considered as assets and liabilities for the external transaction and is converted to the spot transfer rate prevailing on the date of the preparation of the financial statements.

4.24 SUBSEQUENT EVENT AFTER THE STATEMENT OF FINANCIAL REPORTING DATE

All significant events that occur after the date of the consolidated statement of financial position, and where appropriate, amendments or disclosures made in the relevant notes to the consolidated financial statements are considered.

5. Measuring fair value

The Group measures financial instruments such as assets available for sale and derivatives, (cash flow risk hedging) at fair value on the date of the preparation of consolidated financial statements.

Fair value is the price to be received when an asset is sold or repaid when a liability is transferred under a regular transaction between market traders on the date of measurement. The fair value measurement is determined by assuming that the transaction of the sale of assets or the transfer of liabilities will be either:

- in the main market of assets or liabilities, or
- In the absence of a major market, in the most useful markets for assets or liabilities.

The main or most useful market must be accessible by the group. The fair value of assets or liabilities is measured on the assumption that market participants will benefit when pricing assets and liabilities and that they seek their best economic interests.

Measuring the fair value of non-financial assets takes into account the ability of market traders to achieve economic benefits by making better and maximum use of the asset or selling it to other market clients who use the asset to the fullest.

The group uses appropriate assessment methods according to the circumstances, and has sufficient data to measure fair value, increase the use of observable inputs and reduce the use of non-notable inputs.

All assets and liabilities measured at fair value or disclosed in consolidated financial statements are classified in the hierarchy of the fair value levels listed below and on the basis of important minimum level inputs to measure fair value as a whole:

- Level 1: Prices traded in an active market for similar assets or liabilities (i.e. without modification or price renewal).
- Level 2: evaluating methods that are considered lower-level inputs, important for measuring fair value, to be observed directly or indirectly.
- Level 3: Methods of evaluating the lower-level inputs, important for measuring fair value, are considered unobservable.

For assets and liabilities that are repeatedly demonstrated by fair value in consolidated financial statements, the Group will check whether the conversion between the hierarchy levels of fair value measurement is made by re-evaluating the rating (based on important minimum level inputs to measure fair value as a whole) at the end of each financial period.

For the purpose of disclosing fair value, the Group identified the categories of assets and liabilities based on the nature, characteristics and risks of assets and liabilities and the hierarchy of the levels of fair value measurement mentioned above.

The fair value of assets or liabilities is measured on the assumption that market participants will benefit when pricing assets and liabilities and that they seek their best economic interests. For investments in equity instruments, a reasonable estimate of fair value cannot be determined.

(All amounts are in Saudi Riyals unless otherwise stated)

6. Property, Plant and equipment, Net

a. The following is a summary of property, plant, equipment and depreciation expenses for the year:

	As of December 31,	
	2022	**2021**
Property, Plant and equipment, net	1,847,092,985	1,810,531,267
Strategic spare parts	72,109,187	73,958,296
Provision of impairment in strategic spare parts	(142,387)	(142,387)
Total	**1,919,059,785**	**1,884,347,176**

b. The depreciation of property, plant, equipment is allocated as follows:

	For the year ended December 31,	
	2022	**2021**
Cost of sales	65,809,944	66,779,070
Selling and Marketing expenses	1,238,310	1,254,553
General & administrative expenses	3,086,959	3,100,960
	70,135,213	**71,134,583**

c. Capital loss from sale of property, plant, equipment is allocated as follows:

	As of December 31,	
	2022	**2021**
Proceeds from disposals	-	586,956
Cost of disposals	-	(3,370,294)
Depreciation of disposals	-	2,116,215
Capital Loss from disposal of property, plant and equipment	-	**(667,123)**

(All amounts are in Saudi Riyals unless otherwise stated)

6. Property, Plant and equipment, Net (Continued):

	Land	Buildings	Machinery and equipment	Vehicles	Furniture, fixtures and office equipment	Water wells	Lease Hold Improvement	Capital work in progress	Total
Cost:									
Balance as of January 1, 2022	20,303,930	833,439,804	1,515,694,276	114,001,762	28,646,499	1,832,311	1,087,471	244,972,738	2,759,978,791
Additions	-	387,040	9,723,662	583,403	217,243	58,500	-	99,646,787	110,616,635
Disposals	-	-	-	-	-	-	-	(3,919,704)	(3,919,704)
Transfers from Capital work in progress*	-	-	260,659	-	-	-	-	(260,659)	-
Balance as of December 31, 2022	**20,303,930**	**833,826,844**	**1,525,678,597**	**114,585,165**	**28,863,742**	**1,890,811**	**1,087,471**	**340,439,162**	**2,866,675,722**
Accumulated depreciation:									
Balance as of January 1, 2022	-	258,400,557	568,734,399	92,468,956	27,770,302	1,801,442	271,868	-	949,447,524
Charged for the year	-	22,494,505	42,447,392	4,510,459	318,412	1,955	362,490	-	70,135,213
Balance as of December 31, 2022	-	**280,895,062**	**611,181,791**	**96,979,415**	**28,088,714**	**1,803,397**	**634,358**	-	**1,019,582,737**
Net book value:									
As of December 31, 2022	**20,303,930**	**552,931,782**	**914,496,806**	**17,605,750**	**775,028**	**87,414**	**453,113**	**340,439,162**	**1,847,092,985**
As of December 31, 2021	**20,303,930**	**575,039,247**	**946,959,877**	**21,532,806**	**876,197**	**30,869**	**815,603**	**244,972,738**	**1,810,531,267**

*Capital work in progress

The capital work in progress consist mainly of contracts for the completion of construction and development works for the cement plant in addition to its machinery and equipment in Tarif city and support services projects, and the commitments for the unimplemented works of these projects amounted to SAR zero million Saudi as of December 31, 2022 (2021: SAR 8 million) / (Note 27).

(All amounts are in Saudi Riyals unless otherwise stated)

7. Intangible assets, Net

	Goodwill *	Plant Franchise**	IT Software***	License	Total
Cost					
Balance as of January 1,2022	506,157,403	51,098,899	8,442,732	789,255	566,488,289
Additions	-	4,435,534	-	-	4,435,534
Balance as of December 31, 2022	**506,157,403**	**55,534,433**	**8,442,732**	**789,255**	**570,923,823**
Accumulated amortization					
Balance as of January 1,2022	-	4,769,231	8,425,366	307,621	13,502,218
Amortization for the year	-	2,051,505	9,930	263,059	2,324,494
Balance as of December 31, 2022	-	**6,820,736**	**8,435,296**	**570,680**	**15,826,712**
Net book value					
As of December 31, 2022	**506,157,403**	**48,713,697**	**7,436**	**218,575**	**555,097,111**
As of December 31, 2021	**506,157,403**	**46,329,668**	**17,366**	**481,634**	**552,986,071**

***Goodwill:**

Goodwill represents the fame resulting from the group's acquisition of equity in Northern Cement during the third quarter of 2011, a public joint stock company registered in Amman, Jordan, on May 2, 2007.

Management conducts an impairment test to ensure that there is no impairment at the end of each financial year. The management found that no needs to be recorded impairment loss of value had resulted from this test.

The recoverable value is determined on the basis of the information used to calculate the current value of the expected five-year cash flow based on the management-approved budget.

Sensitivity to changes in assumptions:

Management believes that there are no reasonable potential changes in any of the underlying assumptions below that could result in a reduction in the recoverable value of the cash-generating unit, including substantially the reputation for its book value.

Basic assumptions used to calculate the present value:

Basic assumptions	Percentage
Discount rate	15%
Average estimated profit rate after tax to sales	22.1%
Average annual sales growth rate	8.99%

Plant franchises:

A subsidiary has entered into an agreement with the General Cement Southern Company (one of the companies of the Ministry of Industry and Minerals in the Republic of Iraq) to rehabilitate and operate the Basra cement plant for 26 years from the end of the rehabilitation period, in exchange for free shares of cement produced for the Iraqi government.

Software:

Software Intangible assets are programs and payments for the development of these programs that are extinguished over the estimated production life of 4years.

(All amounts are in Saudi Riyals unless otherwise stated)

8. Lease Contracts

	December 31, 2022	December 31, 2021
Right -of- use assets		
Balance at the beginning of the year	3,791,742	3,199,272
Additions during the year	-	1,238,131
Less: Depreciation charged for the year	(553,511)	(645,661)
Right -of- use assets, net	**3,238,231**	**3,791,742**
Lease liabilities		
Current present value at the beginning of the year	4,167,242	3,464,977
Additions during the year	-	1,238,131
Interest charged for the year (Note 25)	145,811	154,134
Paid during the year	(690,000)	(690,000)
	3,623,053	**4,167,242**
Lease liabilities in the consolidated financial position is classified as the basis of contractual maturity date :		
Lease liabilities - current portion	**459,322**	**699,322**
Lease liabilities - non-current portion	**3,163,731**	**3,467,920**

The lease contracts are represented in the right to use the clay and limestone quarries of the factory with the Ministry of Mineral Resources, and the right to use the company's headquarters located in Riyadh front.

9. Investment in associate companies, Net

The Group's investments in associate companies using the equity method are as follows:

Associate Company Name	Country	Percentage of ownership December 31, 2022	Percentage of ownership December 31, 2021
Sarh Zamzam Company for Project Investment and Rehabilitation	The Hashemite Kingdom of Jordan	50%	50%
Cement Experts Development Company	The Hashemite Kingdom of Jordan	50%	50%

1. The Group had invested in 50% of the ownership rights of Cement Experts Development company (LTD) registered in Amman - Hashemite Kingdom of Jordan and the group's activity includes investment, management and development of industrial, administrative and mining projects where cement experts for development invest in directly in the pioneer contracting and general trade company. Rehabilitation of industrial projects limited (Republic of Iraq) where the latter group signed a contract with the Iraqi government to rehabilitate and operate the Kubaisa cement plant for 26 years in exchange for a free share in production, to be returned to the government after the end of the contract period, and to be completed the rehabilitation period of the project in February 2014,
   During the previous years as a result of unstable political conditions, production at the group plant was suspended and the rehabilitation period of the plant was extended indefinitely, and during the current year the plant was restarted and production started, so the management took the decision to interim refund the previous provision due to improved conditions and resumption of operation.
2. Northern Cement Company- Hashemite Kingdom of Jordan (subsidiary group) invests 50% of The Sarh Zamzam Investment Company's capital of JD 100,000 equivalent to SR 530,000.
3. The Group fully acquired the Um Qasr Northern Cement Limited, which is listed in Jebel Ali area of Dubai with a capital of AED 10,000 with an amount of SR 6,064,527, Um Qasr Northern Cement Ltd. owns 70% of the shares of Umm Qasr Northern Cement Co., Ltd. An Iraqi limited liability company which has the right to execute a contract to qualify, operate and participate in the production of Basra cement plant in the Republic of Iraq, as the subsidiary group Northern Jordan Cement company owns 20% of the shares of Umm Qasr Northern Company.

(All amounts are in Saudi Riyals unless otherwise stated)

9. Investment in associate companies, Net (Continued)

4. The financial year of the above associate companies begins on January 1 and ends on December 31 of each calendar year The share of the parent company in the change in the net assets of Sarh Zamzam Company for Project Investment and Rehabilitation for the year ended December 31, 2022 has been calculated based on the financial statements for the financial year ended December 31, 2022 prepared by the management of this company, the financial statements for the year ended December 31, 2022 of that associate company are still under review. The share of the parent company in the change in the net assets of Cement Experts Development Company for the year was calculated based on the financial statements for the year ended 31 December 2022 prepared by the management of this company, the financial statements for the year ended 31 December 2022 of that associate company are still under review as of the date of approval of the accompanying consolidated financial statements.

	As of December 31,	
	2022	**2021**
Investment:		
Balance at the beginning of the year*	138,604,585	130,060,893
Dividends received	(12,192,188)	(11,665,931)
Share in net results of associate companies	29,512,718	20,209,623
Balance at the end of the year	**155,925,115**	**138,604,585**
Impairment in value		
Balance at the beginning of the year	-	(8,405,537)
Reversal of impairment in value	-	8,405,537
Balance at the end of the year	-	-
	155,925,115	**138,604,585**

*The balance due from the related party (Cement Experts Development Company) has been reclassified with a value of SAR 99,962,272 and included in the investments in associate companies as at 31 December 2021 according to what resulted from the restatement in the amended financial statements of the associate company (Cement Experts Development Company), where the value of the amount due in the shareholders' contribution was included in the company's equity as at 31 December 2021 and 2022.

10. Inventory

	As of December 31,	
	2022	**2021**
Raw Materials	338,788,045	219,984,215
Finished Goods	130,006,637	135,289,492
Spare parts and consumables	83,690,271	86,633,286
Goods in transit	28,218,450	4,603,809
Packing materials	10,664,456	7,374,335
Simi finished Goods	9,259,080	8,666,609
Total	**600,626,939**	**462,551,746**

11. Prepayments and other debit balances

	As of December 31,	
	2022	**2021**
Advance payments to suppliers	29,376,542	33,878,157
Prepaid expenses	17,613,619	16,709,244
Insurance Refundable	3,194,155	4,763,679
Advance payments to employees	1,716,209	3,172,666
Subsidiary income tax	520,805	687,368
Value added tax	42,097	1,151,088
Others	1,750,080	291,752
	54,213,507	**60,653,954**
Impairment of other debit balances	(10,595,117)	(1,128,194)
	43,618,390	**59,525,760**

(All amounts are in Saudi Riyals unless otherwise stated)

11. Prepayments and other debit balances (Continued)

Impairment in value of prepayments and other debit balances movement is as follows:

	As of December 31, 2022	2021
Balance at the beginning of the year	(1,128,194)	-
Charged during the year	(9,466,923)	(1,128,194)
Balance at the end of the year	**(10,595,117)**	**(1,128,194)**

12. Trade Receivables, Net:

	As of December 31, 2022	2021
Trade Receivables - Related party (Note13-2)	15,979,489	51,292,940
Trade Receivables - local	44,100,179	34,322,112
Trade Receivables – Export	1,056,661	3,931,847
	61,136,329	**89,546,899**
less: Impairment in value of Trade Receivables	(859,908)	(2,859,908)
	60,276,421	**86,686,991**

*The major balances of the Trade Receivables are covered by bank guarantees and promissory notes.

The Impairment in value of Trade Receivables movement is as follows:

	As of December 31, 2022	2021
Balance at the beginning of the year	2,859,908	2,549,908
Charged during the year	476,432	310,000
Reversal during the year	(2,000,000)	-
Used during the year	(476,432)	-
Balance at the end of the year	**859,908**	**2,859,908**

13. Related Parties Balances Transactions:

Related Parties are the group's major shareholders and the facilities under control or with significant influence by those entities.

Related Party	Relationship
Trans Kingdom Investment Company	Founding Contributor
Trans Kingdom National Reconstruction Co., Ltd.	Relationship with a shareholder
Trans Kingdom Saudi Company	Relationship with a shareholder
Global Specialized Transportation Company	Relationship with a shareholder
Aldar for Engineering Consulting Co.	Relationship with a shareholder
White Stars Company.	Associate Company
Cement Experts Development Company.	Associate Company
Global Cement Industry Company.	Associate Company
Pioneer Trading and Investment Company	Associate Company
Sarh Zamzam Company for Project Investment and Rehabilitation	Associate Company

(All amounts are in Saudi Riyals unless otherwise stated)

13. Related Parties Balances Transactions (Continued):

The significant transactions made with related parties during the year are as follows:

Related parties	The nature of the transaction	As of December 31, 2022	2021
A. Transactions with related parties			
International Specialist Transport Company	Transportation Services	-	1,361,755
PAN -Saudi Investment Company	Sales	5,818,851	7,977,470
Cement Experts Development Company	Expenses paid on behalf of	5,300	11,040,837
B. Transactions with senior management officers			
Expenses and allowances of the Board of Directors and its committees		1,585,000	1,260,363

These transactions resulted in the following balances:

13-1 Due from related parties:

	As of December 31, 2022	2021
*Cement Experts Development Company	11,052,807	23,505,153
Global Specialized Transportation Company	-	2,766,497
Pan Kingdom Investment Company	-	2,557,683
Sarh Zamzam Investment and Project Rehabilitation Company	293,387	283,948
Pioneer Trading and Investment Company	186,750	186,750
Global Cement Industry Company	138,191	138,191
Pan Kingdom Saudi Company	-	93,230
	11,671,135	**29,531,452**

13-2 Trade receivable from related parties (Note 12)

	As of December 31, 2022	2021
Sarh Zamzam Investment and Project Rehabilitation Company	381,818	381,817
Global Specialized Transportation Company	-	33,909,116
Trans Kingdom National Reconstruction Co. Ltd.	15,597,671	17,002,007
	15,979,489	**51,292,940**

14. Notes Receivable:

The Notes Receivable are the value of the cheques withdrawn on bank, which belong to the subsidiary of Northern Cement Company in the Hashemite Kingdom of Jordan total value of SAR 44,231,685 as at 31 December 2022 (31 December 2021: SAR 28,146,593):

15. Cash and cash equivalents:

	As of December 31, 2022	2021
Cash at banks	15,422,911	16,480,937
Cash on hand	2,451,316	1,813,834
	17,874,227	**18,294,771**

16. Statutory reserve:

In line with the requirements of the Saudi Arabian company's regulations, the Group is composing a Statutory reserve of 10% of net profit after covering accumulated losses until this reserve amounts to 30% of the capital. This reserve is not available for distribution.

(All amounts are in Saudi Riyals unless otherwise stated)

17. Loans:

	As of December 31,	
	2022	**2021**
Short-term murabaha *	415,000,000	460,253,378
Current portion from long-term loan	123,789,899	94,545,455
Non- Current portion of long-term loan	337,073,739	264,863,636
	875,863,638	**819,662,469**

***Short-term Murabaha:**

The group has banking facilities in the form of murabaha from several local commercial banks with a total value of SR SAR 415 million (2021: SAR 460) and incurs financing costs at prevailing prices in the market based on interbank offer rates in addition to fixed margin. The management intends to Turn over short-term loans when they are due. The maturity date of the loans is matured from one to seven years.

The company established an agreement regarding the mortgage of all fixed assets established or to be built on a plot of land with a total area of (30 km2) located in the North Free Zone in Arar Governorate granted to the borrower by virtue of a ministerial decision to transfer the license of an ore quarry No. Q / 8213 dated 24 Ramadan 1435 AH with all the project's equipment, machinery, accessories and accessories related to it or obtained for the project.

The loans movement is as follow:

	As of December 31,	
	2022	**2021**
Balance as of January 1,	819,662,469	798,677,788
Proceeds during the year	973,500,000	623,753,377
Paid during the year	(917,298,831)	(602,768,696)
Balance as of December 31,	**875,863,638**	**819,662,469**

The repayment of the non-current portion of loans is as follows:

	2024	**2025**	**2026**	**2027**	**Total**
Book value of the non-current portion of long-term loans	125,389,899	99,717,174	69,044,444	42,922,222	**337,073,739**

18. Employees defined benefit obligations.

The movement of the employee defined benefit obligations provision, which is a specific benefit program, during the year is as follows:

	As of December 31,	
	2022	**2021**
Balance at the beginning of the year	20,030,312	18,209,656
Current expenses charged during the year	1,947,884	1,723,863
Interest charged during the year (Note 25)	335,262	251,089
Actuarial remeasurement charged on other comprehensive income	1,116,577	1,812,816
Paid during the year	(2,074,083)	(1,967,113)
Balance at the ending of the year	**21,355,952**	**20,030,311**

Key actuarial assumptions:

	As of December 31,	
	2022	**2021**
Discount rate used	%4.30	2.50%
Rate of salary increase	%4.40	6.90%
Staff turnover	High	High

(All amounts are in Saudi Riyals unless otherwise stated)

18. Employees defined benefit obligations (Continued).

Analysis of the sensitivity of major actuarial assumptions:

	Rate of change %	As of December 31, 2022	2021
Discount rate:			
Surplus	%1.00+	15,892,161	14,076,131
Shortage	%1.00-	17,851,218	15,934,594
Expected salary increase rate:			
Surplus	%1.00-	17,849,094	15,932,034
Shortage	%1.00+	15,877,020	14,061,913

19. Accrued expenses and other credit balances:

	As of December 31, 2022	2021
Accrued Expenses	42,242,085	29,955,407
Quarry fees	31,532,268	18,197,830
Advances from customers	15,390,249	9,948,717
Accrued bank charges	13,611,793	8,970,936
Customer incentive payables	5,554,949	4,764,101
Value added tax	1,632,018	4,735,836
Accrued Dividend	1,164,477	1,175,122
Accrued Salaries and wages	987,298	1,129,389
Other accrued expenses	8,031,252	3,597,469
Total	**120,146,389**	**82,474,807**

20. Zakat and income tax provision:

The details of zakat and income tax are as follows:

	As of December 31, 2022	2021
Accrued Zakat	33,217,659	23,773,166
Income tax for a non-Gulf subsidiary	6,025,046	6,628,832
A government contribution tax non-Gulf	229,436	278,631
Total	**39,472,141**	**30,680,629**

20.1 Zakat provision:

	For the year ended December 31 2022	2021
Estimated Zakat for the Year:		
Net profit as per books	141,353,340	119,062,313
Adjust net profit	(53,583,495)	(61,431,798)
Added items	2,829,811,909	3,073,306,697
Deducted items	(2,957,293,015)	(2,569,952,773)

Zakat provision movement is as follow:

	As of December 31, 2022	2021
Balance at the beginning of the year	23,773,166	17,828,971
Charged for the year	13,541,886	7,309,939
Zakat Provision for prior years	8,000,000	14,095,596
Paid during the year	(12,097,393)	(15,461,340)
Balance at the end of the year	**33,217,659**	**23,773,166**

Zakat and tax assessments:

A. The Zakat declarations of the Group and its subsidiaries have been submitted to the General Authority of Zakat and Tax (GAZT) on the basis of independent financial statements prepared for Zakat purpose only.

(All amounts are in Saudi Riyals unless otherwise stated)

20. Zakat and income tax provision (Continued):

Zakat and tax assessments (Continued):

B. Zakat assessment was issued for the year 2014 with the company's demands for an amount of 20,159,782 Saudi riyals, and the objection was made and our objection was partially accepted, but the dispute did not end with the aforementioned partial acceptance, as it was escalated to the General Secretariat of Tax Committees, and the decision of the Adjudication Committee was issued to reject our objection, and the Appeal Committee was escalated, and no decision was issued to date.

C. Zakat assessment was issued for the years from 2015 to 2017 AD to claim the company for zakat differences in the amount of 55,867,717 Saudi riyals and it was objected to and we objected to it partially, but the dispute did not end with the partial acceptance mentioned, it was escalated to the General Secretariat of Tax Committees and the decision of the Separation Committee for the years 2015 and 2016 AD was issued to partially accept the item of the Industrial Development Fund loan and rejected the other objection to the rest of the items and the dispute on these items was escalated before the Appeal Committee and was not A decision has been issued to date, but for the year 2017, no decision has been issued by the separation committee to date.

D. Zakat assessment was issued for the year 2018 to the company's claim for Zakat differences in the amount of 14,940,570 Saudi riyals, which was objected to and our objection was partially accepted, but the dispute did not end with the aforementioned partial acceptance, as it was escalated to the General Secretariat of Tax Committees, and the decision of the Adjudication Committee was issued to reject our objection, and the Appeal Committee was escalated, and no decision has been issued to date.

E. Zakat assessment For the year 2019 was issued to the company's claim for Zakat differences in the amount of 6,455,747 Saudi riyals, which was objected to and our objection was rejected, but the dispute did not end with that, as it was escalated to the General Secretariat of Tax Committees and the Adjudication Committee has not yet issued its decision.

F. Zakat assessment was issued for the year 2020 AD to the company's claim for zakat differences in the amount of 14,232,629 Saudi riyals, which was objected to and our objection was rejected, but the dispute did not end with that, as it was escalated to the General Secretariat of Tax Committees, and the decision of the Adjudication Committee was issued to reject the company's objection, and the dispute was escalated to the Appeal Committee and its decision has not yet been issued.

20.2 Income tax provision:

Details of income tax for non-gulf subsidiaries is as follow:

	As of December 31,	
	2022	**2021**
Balance at the beginning of the year	6,628,832	5,197,970
Charged for the year	7,926,235	8,026,113
Paid during the year	(8,530,021)	(6,595,251)
Balance at the end of the year	**6,025,046**	**6,628,832**

Details of a government contribution tax for non-gulf subsidiaries is as follow:

	As of December 31,	
	2022	**2021**
Balance at the beginning of the year	278,630	296,069
Charged for the year	417,110	465,112
Paid during the year	(466,304)	(482,550)
Balance at the end of the year	**229,436**	**278,631**

1. The subsidiary company is a non-Gulf company that is subjected to the Income Tax Law at its headquarters in the Kingdom of Jordan at a rate of 14% of tax income after deducting the expenses that the law allows deduction. The company is also subject to government contribution tax in the Kingdom of Jordan, at a rate of 1% of taxable income.
2. The subsidiary company is tax exempted at 50% of taxable income, for a period of ten years starting from the date of commencement of work or actual production of the project.

(All amounts are in Saudi Riyals unless otherwise stated)

21. Segment information

The company and its subsidiary are managed as a single operational segment in the manufacture and production of cement of all kinds and the company and its subsidiary operate in Saudi Arabia, The Hashemite Kingdom of Jordan and the Iraqi Republic as follows:

	Saudi Arabia	The Hashemite Kingdom of Jordan	The Iraqi Republic	Adjustments and deletions	Total
As of December 31, 2022:					
Property, plant and equipment	1,754,175,977	160,395,695	4,488,113	-	**1,919,059,785**
Total assets	3,352,115,767	579,992,450	117,375,458	(637,864,636)	**3,411,619,039**
Total liabilities	1,123,698,786	192,843,175	77,919,694	(215,922,728)	**1,178,538,927**
As of December 31, 2021:					
Property, plant and equipment	1,721,209,291	163,137,885	-	-	**1,884,347,176**
Total assets	3,224,400,857	441,334,339	92,046,195	(493,314,504)	**3,264,466,887**
Total liabilities	1,015,122,342	48,156,945	55,155,146	(67,577,446)	**1,050,856,987**
For the year ended December 31, 2022:					
Sales	487,765,366	243,780,798	129,134,663	(242,722,654)	**617,958,173**
Depreciation and amortization	63,654,158	7,307,555	2,051,505	-	**73,013,218**
Finance cost	28,112,350	-	-	-	**28,112,350**
Net profit for the year	112,023,420	32,289,222	4,429,196	(36,290,568)	**112,451,270**
For the year ended December 31, 2021:					
Sales	332,941,435	195,143,202	112,333,339	(78,505,273)	**561,912,703**
Depreciation and amortization	65,288,750	6,764,480	4,769,234	-	**76,822,464**
Finance cost	19,429,578	-	-	-	**19,429,578**
Net profit after for the year	106,062,313	37,870,265	7,380,825	(44,636,607)	**106,676,796**

(All amounts are in Saudi Riyals unless otherwise stated)

22. Revenue, Net

	For the year ended December 31,	
	2022	**2021**
Cement	451,318,940	457,168,392
White Cement	157,392,476	103,879,041
Clinker	9,069,459	865,270
Pozzolana	177,298	-
Total	**617,958,173**	**561,912,703**

Performance obligations are fulfilled at a point in time when the Group delivers the materials agreed under the contractual terms to customers.

23. Selling and Markting expenses:

	For the year ended December 31,	
	2022	**2021**
Custom transports and clearance expenses	20,734,264	31,917,918
Salaries, wages and employees' benefits	5,997,423	3,525,006
Consumptions	1,238,310	1,254,553
Employee defined benefit obligations	117,740	136,979
Other	8,074,456	2,929,112
Total	**36,162,193**	**39,763,568**

24. General and administrative expenses:

	For the year ended December 31,	
	2022	**2021**
Salaries, wages and benefits of workers	27,163,801	25,281,949
Consumptions	3,445,901	3,376,100
Government fees and contributions	1,632,941	1,023,256
Consultation and Professional fees	966,140	936,476
Employee defined benefit obligations	872,930	604,718
Rent	551,059	524,047
Bank charges	493,902	31,519
Board of Directors Bonuses and Allowances	20,000	-
Other	4,593,419	6,102,627
Total	**39,740,093**	**37,880,692**

25. Finance cost:

	For the year ended December 31,	
	2022	**2021**
Long-term loan borrowing costs	16,838,585	11,485,621
Short-term borrowing costs	10,792,692	7,538,734
Interests charged on employees defined benefit obligation (Note 18)	335,262	251,089
Interests charged on lease liabilities (Note 8)	145,811	154,134
Total	**28,112,350**	**19,429,578**

(All amounts are in Saudi Riyals unless otherwise stated)

26. Other income:

	For the year ended December 31,	
	2022	2021
Other income	7,857,675	5,431,673
Short-term rental income	1,129,160	1,693,739
Deposit income	-	19,412
Scrap Sales	300,154	141,305
Total	**9,286,989**	**7,286,129**

27. Earnings per share:

The calculation of underlying/reduced earnings per share is based on the return on ordinary shareholders and the weighted average number of existing common shares. Earnings per share as of December 31, 2022 was calculated based on the weighted average number of shares held during the year with a number of 180 million shares (December 31, 2021: 180 million shares). There are no potential discounted ordinary shares. Adjusted earnings per share is the same as the underlying profit per share as the Group has no convertible securities or reduced financial instruments to exercise it.

	For the year ended December 31,	
	2022	2021
Profit from operations	131,649,144	120,101,845
Profit before zakat and income tax	142,336,501	136,573,556
Net profit for the year	112,451,270	106,676,796
Weighted average number of shares	**180,000,000**	**180,000,000**
Basic and diluted earnings per share from profit from operations	0.73	0.67
Basic and diluted earnings per share from profit before zakat & income tax	0.79	0.76
Basic and diluted earnings per share from net profit for the year	0.62	0.59

28. Dividends:

- The General Assembly decided at its meeting on June 8, 2022 to approve the Board of Directors' decision regarding their meeting on March 28, 2022, to distribute cash dividends to the company's shareholders for the second half of 2021, with a amount of (SAR 45 million) distributed on the number of shares of 180 million shares, 0.25 Saudi riyals per share, distribution ratio of nominal value is 2.5%.
- The Board of Directors of the company decided at their meeting on October 3, 2022, to distribute cash dividends to the company's shareholders for the first half of 2022, with a amount of (SAR 45 million) distributed on the number of shares of 180 million shares, 0.25 Saudi riyals per share, distribution ratio of nominal value is 2.5%. it will be approved in the general assembly's next meeting.
-

29. Contingent liabilities:

The potential commitments on the group are shown in the table below:

	For the year ended December 31,	
	2022	2021
Letters of guarantee	8,750,000	6,256,018
Capital liabilities for WIP	-	8,051,498

(All amounts are in Saudi Riyals unless otherwise stated)

30. Capital management:

In order to manage the group's capital, the capital includes equity and all other equity reserves belonging to the group's owners. The main purpose of managing the group's capital is to maximize the value of shareholders' shares. The Group manages and adjusts its capital structure considering changes in economic conditions and financial commitment requirements. To maintaining or modifying the capital structure, the Group may adjust dividend amounts paid to shareholders, return capital to shareholders or issue new shares. The group monitors capital using the leverage ratio, which represents net debt divided by total capital plus net debt. The group's liabilities include net debt, term loans, commercial accounts payable, payable expenses and other credit balances, minus bank balances.

	As of December 31,	
	2022	**2021**
loans	875,863,638	819,662,469
Trade payables	118,077,754	93,841,529
Accrued expenses and other credit balances	120,146,389	82,474,807
Less: Cash and cash equivalents	(17,874,227)	(18,294,771)
Net debt	**1,096,213,554**	**977,684,034**
Total equity	2,233,080,112	2,213,609,900
Leverage rate	**33%**	**31%**

31. Financial Instruments – Fair Value and Risk Management

A. Fair Value

This disclosure provides information about the financial instruments held by the Group, including:

- An overview of all financial instruments held by the Group.
- Special information about the type of financial instruments

Financial assets

Financial assets are measured at amortized cost or fair value through profit or loss, or fair value through comprehensive income.

The decision to classify these assets into appropriate categories depends on:

	December 31, 2022	**December 31, 2021**
Debit balances		
Prepayments and other debit balances	43,618,390	59,525,760
Trade Receivable, net	60,276,421	86,686,991
Due from related parties	11,671,135	29,531,452
Notes Receivable	44,231,685	28,146,593
	159,797,631	**203,890,796**
Cash and cash equivalent	17,874,227	18,294,771
Total	**177,671,858**	**222,185,567**

Financial liabilities

The fair values of financial liabilities do not differ materially from their book value as the interest accrued on these liabilities is either close to current market rates or liabilities of a short-term nature.

	December 31, 2022	**December 31, 2021**
Financial liabilities		
Loans and murabha	875,863,638	819,662,469
Trade payables	118,077,754	93,841,529
Accrued expenses and other credit balances	120,146,389	82,474,807
Zakat payable	39,472,141	30,680,629
Total	**1,153,559,922**	**1,026,659,434**

(All amounts are in Saudi Riyals unless otherwise stated)

31. Financial Instruments – Fair Value and Risk Management (Continued)

B- Risk Management

- The Group's activities are subject to various financial risks and these risks include:

1) Credit Risk
2) Market Risk
3) Liquidity risk.

1) Credit Risk

The Group is exposed to credit risk due to the counterparty's inability to meet its contractual obligations when due, in respect of:

- Trade receivables and other debit balances
- Cash and cash equivalent

The Group closely monitors the economic environment in taking measures to limit exposure to customers operating in sectors experiencing economic volatility, purchase limits are monitored, all the Group's customers dealing in term (trade receivables) within the Kingdom of Saudi Arabia, the Group's expertise plays a role in monitoring economic fluctuations.

Credit risk is the risk that the Group will suffer financial loss as a result of the failure of the customer or counterparty of a financial instrument to meet its contractual obligations. The book value of financial assets represents the maximum exposure to credit risk

The Group's exposure to credit risk is mainly influenced by the individual characteristics of each customer. Management considers factors that may affect the credit risk of its customer base, including the risk of default for the sector in which customers operate.

For receivables, the Group has established a policy whereby customers who wish to deal on deferred are analysed before presenting the Group's basic payment and delivery terms and conditions, including business information and, in some cases, bank references. Credit limits are set for each customer and checked periodically. The Group limits its exposure to credit risk by providing credit tenors that normally do not exceed three months on average except in limited cases.

When monitoring customers' credit risk, clients are classified according to their credit characteristics and the presence of previous financial difficulties.

The carrying amount of financial assets represents the maximum value to which financial assets can be exposed to credit risk as at the date of the financial position as at 31 December and is as follows.

	December 31, 2022	December 31, 2021
Prepayments and other debit balances	43,618,390	59,525,760
Trade Receivable, net	60,276,421	86,686,991
Due from related parties-current	11,671,135	29,531,452
Notes Receivable	44,231,685	28,146,593
Cash and cash equivalent	17,874,227	18,294,771
	177,671,858	**222,185,567**

-Receivables are short-term and usually less than 12 months, so the provision for credit loss is calculated in a way that does not differ from the 12-month period, which is the expected life of the receivables

- The Group applies the practical method in IFRS 9 "Financial Instruments" to measure the expected credit losses of receivables using a provision matrix based on the ages of the receivables. -

31. Financial Instruments – Fair Value and Risk Management (Continued)

Factors impacting expected credit losses model.

1- Trade receivables collections.

2- Forward looking information of the economic conditions of the customers business industry

Market risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, such as foreign exchange rates, commission rates and goods prices, will affect the Group 's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

- Currency risk is the risk that the value of a financial instrument is subject to fluctuations as a result of changes in foreign exchange rates. The Group's business transactions are mainly in the currencies of Saudi Riyal, Jordanian Dinar and UAE Dirham and US Dollar .
- The Group also has investments in foreign associate companies where its net assets are exposed to currency conversion risk. These risks are currently mainly related to the movement of the conversion rate between the Saudi Riyal against the US Dollar. The impact of these exposures is recorded in a separate item in the shareholders' equity in the accompanying consolidated financial statements. The Group's management monitors fluctuations in the foreign exchange rate and believes that these risks are insignificant as the exchange currencies are regularly fixed in Saudi Riyals.
- Cash borrowings other than the Saudi Riyal are also immaterial.

Managing fair value and cash flow commission rate risks

Fair value and cash flow commission rate risks are different exposures related to the effect of fluctuations in commission rates prevailing in the market on the consolidated financial position and consolidated cash flows of the Group. Commission rate risk to the Group arises mainly from short-term deposits and bank borrowings. The Group does not use hedging contracts, but management monitors changes in commission rates and believes that this risk is not significant.

As at the date of the financial position, the Group's loans carried interest rates were as follows:

	Note	31 December 2022	31 December 2021
Loans and Murabaha	17	875,863,638	819,662,469
		875,863,638	**819,662,469**

Price risk management

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its source, or factors affecting all instruments traded in the market.

(All amounts are in Saudi Riyals unless otherwise stated)

31. Financial Instruments – Fair Value and Risk Management (Continued)

Liquidity risk

- Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset, The Group's approach to managing liquidity by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group seeks continuously to comply with its legal obligations, including any, relating to its financing agreements.
- Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Group's future commitments.
- The management monitors the rolling forecasts of liquidity and expected cash flows at the Group level. In addition, the liquidity management policy of the Group includes forecasting cash flows and considering the level of liquid assets necessary to meet them, monitoring liquidity rates in the financial position and debt financing plans.

The following are the contractual maturities of the financial liabilities at the end of the reporting period. Amounts are shown in total and not discounted:

As of 31 December 2022,	**Less than 3 months**	**More than 3 months – less than year**	**1-2 years**	**2-5 years**	**Total**	**Carrying amount**
Loans	247,272,727	291,517,172	96,767,678	240,306,061	875,863,638	875,863,638
Trade payables	51,285,587	66,792,167	-	-	118,077,754	118,077,754
Accrued Expenses and other credit balances	72,143,833	48,002,556	-	-	120,146,389	120,146,389
	370,702,147	**406,311,895**	**96,767,678**	**240,306,061**	**1,114,087,781**	**1,114,087,781**
As of 31 December 2021,						
Loans	249,526,068	305,272,765	58,545,493	206,318,143	819,662,469	819,662,469
Trade payables	56,215,210	37,626,319	-	-	93,841,529	93,841,529
Accrued Expenses and other credit balances	46,311,742	36,163,065	-	-	82,474,807	82,474,807
	352,053,020	**379,062,149**	**58,545,493**	**206,318,143**	**995,978,805**	**995,978,805**

32. Subsequent events:

Group management considers that there are no significant subsequent events after the date of the report that require their modification or disclosure in these consolidated financial statements.

33. Comparative figures:

Certain Comparative figures have been reclassified in the line with the presentation for the current year.

34. Approved of consolidated financial statements

The consolidated financial statements were approved by the Company's Board of Directors on March 16, 2023 G corresponding to Sha'ban 24, 1444 H