EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH INDEPENDENT AUDITOR'S REPORT

EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF EASTERN PROVINCE CEMENT COMPANY

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (1/5)

OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Eastern Province Cement Company, A Saudi Joint Stock Company (the "Company") as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

We have audited the financial statements of the Company, which comprise of the following:

- The statement of financial position as at December 31, 2022;
- The statements of profit or loss and other comprehensive income for the year then ended;
- The statement of changes in equity for the year then ended;
- The statement of cash flows for the year then ended, and;
- The notes to the financial statements, including a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the financial statements" section of our report. We are independent from the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS OF EASTERN PROVINCE CEMENT COMPANY

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (2/5)

KEY AUDIT MATTERS (Continued)

Key Audit Matters	How our audit addressed the key audit matter
Existence and valuation of work in progress inventory	
The Company's inventory includes of work in progress amounted to SR 385 million (mainly consisting of clinkers stored in the form of piles in yards built for this purpose) as at 31 December 2022. The determination of the quantity of work in progress inventory, require management estimates for the quantities available at the end of the year for measuring inventory piles and converting the measurements into unit volumes using the angle of repose and quantitative density. Management used its experts to estimate the quantities, who used some practical methodological measurement calculations and apply density conversion methods used for similar types of inventory in the cement industry. Given the significance of such balances included in the inventories and related estimates used in determining the quantities, the existence and valuation of inventory was considered as a key audit matter. The accounting policy for inventories is outlined in note (2).	We have performed the following procedures: - Attending the physical count conducted by the Company and its experts. - Evaluating the efficiency, qualifications, and objectivity of the experts. - Obtaining the work in progress inventory count report submitted by the experts regarding the main inventory items and checking them on sample basis. - Assessing the reasonableness of inventory piles measurements carried out by management and experts during the physical count and recalculating the conversion of piles into quantities. - On a sample basis, testing the work in progress inventory valuation at the end of the year, and assessing judgments and estimates used in estimating the damages and the impairment by management. - Assessing the completeness and adequacy of the disclosures related to inventory for the year ended December 31, 2022.
Revenue Recognition	
During the year ended December 31, 2022, the Company recognized total net revenue of SR 784 million. The Company recognize the revenue mainly when the control of goods is transferred and accepted by the customer in accordance with IFRS 15. Revenue recognition has been identified as a key audit matter given the significant volume of sales transactions involved and the factors associated with the revenue recognition and the risk that management may override controls in order to misstate revenue transactions, either by recognizing sales on unapproved products or inappropriate assessments of returns and rejections. The accounting policy for revenue is outlined in note (2).	We have performed the following procedures: - Evaluating the design and implementation, and testing the operating effectiveness of relevant key controls over the revenue cycle; - Assessing the appropriateness of revenue recognition accounting policies of the Company; - Inspecting sales transactions taking place at either side of year-end to assess whether revenue was recognized in the correct period; - Performing substantive test of details and analytical procedures. - Assessing the completeness and sufficiency of disclosures relating to revenue in the financial statements.

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS OF EASTERN PROVINCE CEMENT COMPANY

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (3/5)

OTHER INFORMATION

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

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

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

When we read the Annual Report of the Company, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS OF EASTERN PROVINCE CEMENT COMPANY

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (4/5)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS OF EASTERN PROVINCE CEMENT COMPANY

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS **(5/5)**

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year 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-Bassam & Co.

البسام وشركاه
محاسبون قانونيون
رقم الترخيص ٥٢٠/١١/٣٢٣
C.R.1010385804
license 520/11/323
Al-Bassam & Co.
Certified Public Accountants

Ibrahim A. Al Bassam
Certified Public Accountant
License No. 337
Al Khobar: Ramadan 3, 1444H
Corresponding to: March 25, 2023

EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	Note	December 31, 2022	December 31, 2021 (Restated – Note 37)	January 1, 2021 (Restated – Note 37)
		SR	SR	SR
ASSETS				
Non-current assets				
Property, plant and equipment	3	**762,090**	758,176	819,514
Intangible assets	4	**1,013**	1,219	1,613
Investment properties	5	**89,816**	91,448	93,080
Right-of-use asset	6.1	**7,148**	5,518	365
Investments at fair value through OCI	7	**642,020**	589,731	576,696
Investment in an associate	8	**200,434**	213,424	199,018
Prepayments and other assets - non current	9	**11,284**	8,036	5,058
		1,713,805	1,667,552	1,695,344
Current assets				
Inventories, net	10	**578,601**	460,184	427,218
Trade and retention receivables, net	11	**298,427**	208,925	192,671
Prepayments and other assets - current, net	9	**39,690**	45,784	26,154
Murabaha deposits	12	**130,000**	-	-
Cash and cash equivalents	13	**90,827**	402,279	528,641
		1,137,545	1,117,172	1,174,684
TOTAL ASSETS		**2,851,350**	2,784,724	2,870,028
EQUITY AND LIABILITIES				
Equity				
Share capital	14	**860,000**	860,000	860,000
Statutory reserve	15	**430,000**	430,000	430,000
Voluntary reserve	16	**404,639**	404,639	404,639
Retained earnings		**475,280**	479,457	622,010
Reserve of valuation of investments carried at FVOCI	7	**204,698**	242,943	229,908
Actuarial reserves		**(14,894)**	(14,778)	(14,495)
		2,359,723	2,402,261	2,532,062
LIABILITIES				
Non- current liabilities				
Employees' end of service benefits	17	**89,778**	85,820	80,978
Other provisions	18	**35,169**	34,380	33,608
Lease liabilities – non-current	6.2	**5,410**	4,191	222
		130,357	124,391	114,808
Current liabilities				
Accounts payable and other liabilities	19	**265,542**	162,389	134,462
Due to related parties	20	**5,207**	2,301	7,201
Dividends payables	21	**60,789**	60,016	57,531
Lease liabilities – current	6.2	**1,808**	1,385	155
Zakat provision	22	**27,924**	31,981	23,809
		361,270	258,072	223,158
Total liabilities		**491,627**	382,463	337,966
TOTAL EQUITY AND LIABILITIES		**2,851,350**	2,784,724	2,870,028
CONTINGENCIES AND COMMITMENTS	23	-	-	

These financial statements were approved and authorised for issue by the Board of Directors on behalf of shareholders on March 19, 2023.

Finance Manager **Chief Executive Officer** **Chairman**

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

EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

	Note	December 31, 2022	December 31, 2021 (Restated – Note 37)
		SR	SR
Revenue, net	24	**784,197**	757,734
Cost of revenue	25	**(536,488)**	(496,751)
Gross profit		**247,709**	260,983
General and administrative expenses	26	**(57,009)**	(46,474)
Selling and marketing expenses	27	**(9,933)**	(8,114)
Operating profit		**180,767**	206,395
Dividend and murabaha income	28	**10,205**	6,884
Impairment of investment in associate	8	**(13,640)**	-
Share of profit in an associate	8	**650**	20,505
Other income	29	**10,029**	9,173
Other expenses	30	**(12,649)**	(9,153)
Finance charges	31	**(5,229)**	(3,054)
Gain / (loss) on exchange of foreign currency		**1,239**	(516)
Loss on disposal of property, plant and equipment		**(1,686)**	(3,161)
Profit before zakat		**169,686**	227,073
Zakat expenses	22	**(26,386)**	(34,226)
Net income for the year		**143,300**	192,847
Other Comprehensive income:			
Items that will not be reclassified to statement of profit or loss			
Employees' end of service and employee loans re-measurement		**(116)**	(283)
Unrealized (loss) / gain on investments carried at fair value through OCI	7	**(5,122)**	13,035
Other comprehensive (loss) / income for the year		**(5,238)**	12,752
Total comprehensive income		**138,062**	205,599
Earnings per share – Basic and diluted			
Earnings per share of profit for the year	33	**1.67**	2.24
Earnings per share of total comprehensive income for the year	33	**1.61**	2.39

These financial statements were approved and authorised for issue by the Board of Directors on behalf of shareholders on March 19, 2023.

Finance Manager **Chief Executive Officer** **Chairman**

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

EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

	Note	Share capital	Statutory reserve	Voluntary reserve	Retained earnings	Reserve of valuation of equity instruments carried at FVOCI	Actuarial reserves	Total equity
		SR	SR	SR	SR	SR	SR	SR
Balance as at January 1, 2021 as previously reported		860,000	430,000	404,639	623,436	229,908	(14,495)	2,533,488
Impact of correction of previous years errors	37	-	-	-	(1,426)	-	-	(1,426)
Balance as at January 1, 2021 (restated)		860,000	430,000	404,639	622,010	229,908	(14,495)	2,532,062
Net income for the year (restated)		-	-	-	192,847	-	-	192,847
Other comprehensive income		-	-	-	-	13,035	(283)	12,752
Dividends	35	-	-	-	(335,400)	-	-	(335,400)
Balance at December 31, 2021 (restated)		860,000	430,000	404,639	479,457	242,943	(14,778)	2,402,261
Balance as at January 1, 2022 as previously reported		860,000	430,000	404,639	488,951	242,943	(14,778)	2,411,755
Impact of correction of previous years errors	37	-	-	-	(9,494)	-	-	(9,494)
Balance at January 1, 2022 (restated)		860,000	430,000	404,639	479,457	242,943	(14,778)	2,402,261
Net income for the year		-	-	-	**143,300**	-	-	**143,300**
Other comprehensive loss		-	-	-	-	**(5,122)**	**(116)**	**(5,238)**
Realized gain transferred to retained earnings	7-E	-	-	-	**33,123**	**(33,123)**	-	-
Dividends	35	-	-	-	**(180,600)**	-	-	**(180,600)**
Balance at December 31, 2022		**860,000**	**430,000**	**404,639**	**475,280**	**204,698**	**(14,894)**	**2,359,723**

These financial statements were approved and authorised for issue by the Board of Directors on behalf of shareholders on March 19, 2023.

Finance Manager	**Chief Executive Officer**	**Chairman**

EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

	December 31, 2022 SR	December 31, 2021 (Restated – Note 37) SR
Cash flows from operating activities:		
Profit before zakat	**169,686**	227,073
Adjustments for:		
Depreciation of property, plant and equipment and intangible assets amortization	**101,045**	100,400
Loss on disposal of property, plant and equipment	**1,686**	3,161
Dividend and murabaha income	**(10,205)**	(6,884)
Depreciation of investment properties	**1,632**	1,632
Depreciation of Right-of-use asset	**1,381**	507
Provision for slow moving spare parts inventory	**4,300**	6,030
Finance charges	**5,229**	3,054
Reversal of allowance for impairment of trade and retention receivables	**(15,671)**	-
Impairment of investment in associate	**13,640**	-
Share of profit in an associate	**(650)**	(20,505)
Employees' end of service benefits	**6,393**	6,277
	278,466	320,745
Movement in working capital		
Trade, retention receivable, prepayments and other assets	**(71,209)**	(40,393)
Inventories	**(147,363)**	(64,208)
Trade and other liabilities	**103,153**	27,927
Due to related parties	**2,906**	(4,900)
Employees' end of service benefits paid	**(5,208)**	(3,451)
Finance charges paid	**(527)**	(206)
Zakat paid	**(30,443)**	(26,054)
Net cash generated from operating activities	**129,775**	209,460
Cash flows from investing activities:		
Additions to property, plant and equipment and intangible assets	**(82,635)**	(16,617)
Proceeds from disposal of property, plant and equipment	**842**	-
Proceeds from dividend income and interest on deposits	**9,314**	8,172
Acquisition of investments at fair value through OCI	**(100,000)**	-
Proceeds from selling of investments at fair value through OCI	**42,589**	-
Dividends received from an associate	**-**	6,099
Net cash used in investing activities	**(129,890)**	(2,346)
Cash flows from financing activities:		
Murabaha deposit	**(130,000)**	-
Dividends paid	**(179,827)**	(332,915)
Repayment of lease liabilities	**(1,510)**	(561)
Net cash used in financing activities	**(311,337)**	(333,476)
Net change in cash and cash equivalents	**(311,452)**	(126,362)
Cash and cash equivalent at the beginning of the year	**402,279**	528,641
Cash and cash equivalents at the end of the year	**90,827**	402,279
Non-cash transactions		
Additions to Right-of-use asset against lease liabilities	**3,011**	5,660
Capitalized spare parts	**24,646**	25,212
Additions to property, plant and equipment through capital work-in-progress	**80,855**	33,088
Employees' end of service and employee loans re-measurement	**(116)**	(283)
Unrealized (loss) / gain on equity instruments carried at FVOCI	**(5,122)**	13,035
Utilization of provision for slow moving spare parts	**5,835**	-

These financial statements were approved and authorised for issue by the Board of Directors on behalf of shareholders on March 19, 2023.

Finance Manager **Chief Executive Officer** **Chairman**

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Eastern Province Cement Company ("the Company") is a Saudi Joint Stock Company established in accordance with the royal decree No. M/11 dated Rabi` Alawwal 14, 1402 (Corresponding to January 9, 1982), and the resolution of His Royal Highness the Minister of Commerce No. 939 dated Rabi Al Thani 3, 1403 (Corresponding to January 17, 1983), and registered in Dammam under the Commercial Registration No. 2050013400 dated Jumada Alawwal 22, 1403 (Corresponding to March 7, 1983).

The Company's registered office is located in Dammam, Kingdom of Saudi Arabia.

The Company main activities are quarry operation, mining gypsum and anhydrite wholesaling of cement, plaster.

The Company obtained by the Royal Decree No. M/6 dated 17 Rabi` Al Thani 1405 (Corresponding to January 9, 1985) the mining franchise for exploitation of limestone and clay in Al Khorasania area for a renewable period of thirty years. The Company has completed the legal procedures to renew the franchise license. The Ministerial Decree No. 5334/G dated Rajab 12, 1438 had been issued to renew the Company's rights in utilizing the limestone and clay for its factory located in Al-Tawy site near Al-khurasania in Al-Jubail province for thirty Hijri years starting from Rabi Alawwal 18, 1436.

The Company also obtained by the Ministerial Decree No. 14/Q dated Safar 24, 1433 (Corresponding to January 18, 2012) the mining franchise for the exploitation of limestone and clay in Al Najabia valley at Al Ahsa Province in the Eastern region valid till December 31, 2035.

The financial statements of the Company as at December 31, 2022 include the financial statements of the Company and its following branch:

Branch Commercial Registration No,	Date	Place of Issue	Commercial Name of the Branch
A- 2051035184	Rajab 21, 1428	Dammam	Prainsa Saudi Arabia – Branch of Eastern Province Cement Company.
B- 2055022383	Jumada Al-Thani 16, 1435	Jubail	Eastern Province Cement Plant.
C- 4042100240	Dhu'l-Hijjah 2, 1439	Asfan	Eastern Province Cement Plant.

A- The branch activity is the production of precast concrete items under the Industrial License No. 3031328, dated Rabi` Awwal 3, 1437.

The Board of Directors of the Eastern Province Cement Company decided in its meeting held on December 11, 2018, to start the procedures for converting the Prainsa Saudi Arabia branch into a limited liability company, and the legal formalities for change in legal structure of branch had not been completed up to December 31, 2022.

B- The main activities of the branch are in the operation of quarries, mining of gypsum and anhydrite, wholesale of cement and Gypsum. The Company has a sub-commercial registration in Jubail City for the Eastern Cement Factory No. 2055022383 dated Jumada Al-Thani 16, 1435 (Corresponding to April 16, 2014), which deals in the production of ordinary cement (Portland cement), salt-resistant cement, and clinker cement under the National Industrial License No. 1300.

C- The main activities of the branch are construction of precast buildings, concrete and steel buildings, light and heavy prefabricated buildings, infrastructure works, and import of all building materials and precast concrete (Precast).

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

The financial information has been prepared under the historical cost convention, unless it is allowed by the IFRS to be measured at other valuation method as illustrated in significant accounting policies note.

2. BASIS OF PREPARATION (Continued)

2.2 Preparation of the financial statements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts in the financial statements. The estimates that are significant to the financial statements are disclosed in note 2.5.24.

2.3 New standards, amendments to standards, and interpretations

Amendments

A number of new amendments to standards, enlisted below, are effective this year but they do not have a material effect on the Company's Financial Statements, except for where referenced below.

New amendments to standards issued and applied effective in the year 2022

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 37	Onerous Contracts Cost of Fulfilling Contract	January 1, 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements IFRS 9: The amendment clarifies that in applying the '10 percent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. IFRS 1: The amendment provides additional relief to a subsidiary that becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of 'testing whether an asset is functioning properly'.
IFRS 3	Reference to the Conceptual Framework	January 1, 2022	The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.

2. BASIS OF PREPARATION (Continued)

2.4 New standards, amendments and revised IFRS issued but not yet effective

The Company has not early applied the following new and revised IFRSs and amendments to IFRS that have been issued but are not yet effective.

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 17	Insurance Contracts	January 1, 2023	This is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005.
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of liability would not impact its classification.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements
IAS 8	Amendment to the definition of accounting estimate	January 1, 2023	These amendments regarding the definition of accounting estimates help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Income taxes	January 1, 2023	This amendment deals with clarification regarding the accounting of deferred tax on transactions such as leases and decommissioning obligations
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses result from the loss of control of a subsidiary.

Management anticipates that these new standards interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

2.5 Principal accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2. BASIS OF PREPARATION (Continued)

2.5.1 Financial instruments

2.5.1 (A) Classification of financial assets and financial liabilities

Financial assets

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The Company classifies its financial assets generally based on the business model in which a financial asset is managed and its contractual cash flows.

(i) Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

The Company initially measures its trade receivables at the transaction price given that it does not include any financing component.

Business model assessment

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Company’s management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company’s stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case’ scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2. BASIS OF PREPARATION (Continued)
2.5 Principal accounting policies (Continued)
2.5.1 Financial instruments (Continued)

2.5.1 (A) Classification of financial assets and financial liabilities (Continued)

(ii) Financial assets at fair value through OCI (FVOCI)

Debt Instruments

A debt instrument is measured at FVOCI only if it meets both of the following conditions and it is not designated as at FVTPL

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principle and the interest on the principle amount outstanding.

Equity instruments

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

(iii) Financial assets at fair value through profit or loss (FVTPL)

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Financial assets that are held for trading, if any, and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss (FVTPL) because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Financial liabilities

The Company classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the Effective Interest Rate (EIR).

2.5.1 (B) Impairment of financial assets

The Company records an allowance for ECLs for all loans and other debt financial assets not held at FVTPL. For Contract assets and Trade and other receivables that do not contain a significant financing component, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. As a practical expedient, the Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payment are 360 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

2. BASIS OF PREPARATION (Continued)

2.5 Principal accounting policies (Continued)

2.5.2 Revenue from Contract with Customers

The Company recognizes revenue from contracts with customers based on a five step model as set out in IFRS 15. This includes:

Step 1. Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in 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 Company 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 to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or

2. The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

3. The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

For performance obligations, where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

When the Company satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount billed to the customer exceeds the amount of revenue recognized, this gives rise to a contract liability.

Revenue shall be measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognized. Where there are no specific criteria, above policy will apply and revenue is recorded as earned and accrued.

2. BASIS OF PREPARATION (Continued)

2.5 Principal accounting policies (Continued)

2.5.2 Revenue from Contract with Customers (Continued)

Sale of goods

For contracts with customers in which the sale of cement is generally expected to be the only performance obligation revenue from the sale is recognized at the time that control of the asset is transferred to the customer at a point in time, which is usually upon delivery.

The Company recognizes revenue at the point in time at which the customer obtains control of a promised asset and the entity satisfies the performance obligations. The Company takes into account the below- mentioned indicators in assessing the transfer of control over the promised asset:

- The Company has a present right to payment for the asset
- The Customer has legal title to the asset
- The Company has transferred physical possession of the asset
- The Customer has the significant risks and rewards of ownership of the asset
- The Customer has accepted the asset

Precast revenues

a) Contracts over a period of time
The Company determined that, for certain contracts, its performance does not create an asset with alternative use to the Company and it has concluded that, at all times, it has an enforceable right to payment for performance completed to date. Therefore, control transfers over time for these contracts. For contracts that meet the over a period of time revenue recognition criteria, the Company's performance is measured using an output method, by reference to the progress of the performance obligation.

b) Point in time contracts
For other contracts, where the criteria for overtime revenue recognition is not met, revenue is recognized at a point in time, only when the control criteria as per IFRS 15 paragraph 38 is met. Control is normally obtained by the customers when they are able to obtain economic benefits from the sold products, this is typically on handover of the of the constructed precast. In order for the precast products to be ready for handover, all the individual promises in the contract must be completed.

Dividends income

Dividend income is recognized only when:

- The Company's right to receive paid dividends is confirmed,
- The economic benefits associated with the dividend are likely to flow to the Company,
- It is possible to measure the amount of dividends in a reliable way.

Rental income

The rental revenues are recognized according to the straight-line method over the life of the lease agreement and the terms of the lease.

Other income

Other income is recognized when it accrues in the statement of profit or loss and other comprehensive income

2.5.3 Property, plant and equipment

Property, plant and equipment are carried at the historical cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is charged to the statement of profit or loss, using the straight-line method to allocate the costs of the related assets less their residual values over the following estimated economic useful lives:

Buildings	40 years
Thermal Bricks, Grinding Balls and Other	1 – 5 years
Machinery, equipment and heavy trucks	15 – 20 years
Critical Spare parts	5 – 20 years
Furniture, fixtures and tools	5 years

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the statement of profit or loss.

2. BASIS OF PREPARATION (Continued)

2.5 Principal Accounting Policies (Continued)

2.5.3 Property, plant and equipment (Continued)

Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount being the higher of their fair value less costs to sell and their value in use.

The cash generating unit (CGU) at which the impairment assessment and testing is performed, is defined as the smallest identifiable Company of assets that generates cash inflows that are largely independent of the cash inflows from other assets or Companies of assets. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Annual review of residual lives and useful lives

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. If expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate.

Componentization of assets

Property, plant and equipment (PPE) is often composed of various parts with varying useful lives or consumption patterns. These parts are (individually) replaced during the useful life of an asset. Accordingly:

- Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately, except where one significant part has a useful life and a depreciation method that is the same as those of another part of that same item of PPE; in which case, the two parts may be companied together for depreciation purposes;

- Under the component approach, the Company does not recognize in the carrying amount of an item of PPE the costs of the day-to-day servicing of the item. These costs are recognized in the statement of profit or loss as incurred. The various components of assets are identified and depreciated separately only for significant parts of an item of PPE with different useful lives or consumption patterns; however, the principles regarding replacement of parts (that is, subsequent cost of replaced part) apply generally to all identified parts, regardless whether they are significant or not.

Capitalization of costs under PPE

The cost of an item of property, plant and equipment comprises:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation incurred either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that year.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced.

2. BASIS OF PREPARATION (Continued)
2.5 Principal Accounting Policies (Continued)
2.5.3 Property, plant and equipment (Continued)
Capitalization of costs under PPE (Continued)

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

All other repairs and maintenance are charged to the statement of profit or loss during the reporting year in which they are incurred. Maintenance and normal repairs which do not extend the estimated economic useful life of an asset or production output are charged to the statement of profit or loss as and when incurred.

Critical Spare Parts (CSP)
The Company classifies CSPs into critical spare parts (strategic spare parts) and general spare parts using the below guidance:

- A critical spare part is one that is on “stand-by”, i.e. probable to be a major item / part critical to be kept on hand to ensure uninterrupted operation of production equipment. They would normally be used only due to a breakdown, and are not generally expected to be used on a routine basis. Depreciation on critical spares commences immediately on the date of purchase.

- General spare parts are other major spare parts not considered critical and are bought in advance due to planned replacement schedules (in line with prescribed maintenance program) to replace existing major spare parts with new parts that are in operation. Such items are considered to be “available for use” only at a future date, and hence depreciation commences when it is installed as a replacement part. The depreciation period for such general capital spares is over the lesser of its useful life, and the remaining expected useful life of the equipment to which it is associated.

Capital work-in-progress
Assets in the course of construction or development are capitalized in the capital work-in-progress (“CWIP”) account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment or intangible assets (depending on the nature of the project), once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work in progress comprises its purchase price, construction / development cost and any other directly attributable to the construction or acquisition of an item of CWIP intended by management. Costs associated with testing the items of CWIP (prior to its being available for use) are capitalized net of proceeds from the sale of any production during the testing period. Capital work-in-progress is not depreciated or amortized.

2.5.4 Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, where applicable.

Finite life of intangible assets is amortized over the shorter of their contractual or useful economic lives. They comprise mainly management information systems. The Company amortized these intangible assets over 5-10 years on a straight-line basis assuming a zero residual value.

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

2. BASIS OF PREPARATION (Continued)

2.5 Principal Accounting Policies (Continued)

2.5.5 Investment properties

Investment properties consist of lands and buildings held by the Company for the purpose of earning rental income or for the purpose of capital development, through an increase in value, or for both purposes and does not include land and buildings used for the production or supply of goods or services or for administrative purposes or for the purposes of normal sale.

Investment properties are stated at cost less accumulated depreciation (if any) and impairment losses (reduction) in accumulated value (if any), bearing in mind that land is not depreciated. The cost includes the purchase price plus all costs directly related to the construction or acquisition of the property investment in the condition necessary to be available for use for the intended purpose. The significant parts of the investment property are depreciated separately from other parts.

The notes for the fair value of the investment properties that have been evaluated by a qualified and independent expert are disclosed in accordance with the disclosure requirements in accordance with the International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia.

The carrying amount of the investment property is derecognized when it is disposed of (either through sale or through entering into a finance lease) or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between, the net proceeds from the disposal of the investment property and the carrying amount of the investment property, is recognized in the statement of profit or loss and other comprehensive income in the year in which the asset is derecognized or written off.

If the use of the investment property changes to a property used in the Company's operation, it is reclassified to the property, plant and equipment item.

The estimated life of the buildings item is as follows:

	Years
Buildings	40

2.5.6 Impairment of non-financial assets

At the date of each statement of financial position, it will be seen whether there are indications of impairment of non-financial assets. In the event that indications exist, the recoverable amount of that asset is estimated in order to determine the size of this loss. In cases where it is not possible to estimate the recoverable value of that single asset, the company estimates the recoverable amount of the cash-generating unit to which that asset belongs.

In cases where the recoverable amount of the asset or cash-generating unit is estimated at less than its book value, then the cost of that asset or cash-generating unit is reduced to its recoverable value, and the impairment losses in the value of the asset is recognized as expenses in the statement of profit or loss and other comprehensive income for the Financial year in which it occurs.

And if subsequently the impairment loss is reversed, then the cost of the asset or cash-generating unit is increased to its adjusted recoverable value, provided that its increased cost does not exceed the original cost that was supposed to be determined had the impairment loss in the value of that asset or cash generating unit not been recognized in previous years. A reversal of an impairment loss is recognized as revenue in the statement of profit or loss and other comprehensive income for the financial year in which it occurs.

2. BASIS OF PREPARATION (Continued)

2.5 Principal Accounting Policies (Continued)

2.5.7 Investment in associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In case the shareholding in an associate do not create significant influence, the Company classify this investment as fair value through profit or loss.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate. The Company's share of post-acquisition profit or loss is recognized in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount separately in the statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Company and its associate are recognized in the Company's financial statements only to the extent of unrelated investor's interests in the associates.

Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company. Dilution gains and losses arising in investments in associates are recognized in the statement of profit or loss.

2.5.8 Inventories

Inventories are valued at lower of cost and net realizable value (NRV). Cost is determined using the weighted average method. The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The cost of work in progress and finished goods comprises raw material cost and other overheads incurred in production process in case result approximate actual cost. In light of current condition. Any write-down to NRV are recorded as an expense and reversal reversed from expenses in statement of profit or loss in the year in which it occurs.

Net realizable value and provision assessment of inventory

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. The NRV assessment to write-down the inventory is normally made on an individual item basis. This would be where items relate to the same product line (which have a similar purpose and end use) are produced and marketed in the same geographical area.

The practice of writing inventories down below cost to net realizable value is consistent with the view under IFRS that assets should not be carried in excess of amounts expected to be realized from their sale.

An allowance is made against slow moving, obsolete and damaged inventories. Damaged inventories are identified and written down through the inventory counting procedures. Provision for slow moving and obsolete inventories is assessed by each inventory category as part of their ongoing financial reporting. Obsolescence is assessed based on comparison of the level of inventory holding to the projected likely future sales.

2. BASIS OF PREPARATION (Continued)

2.5 Principal Accounting Policies (Continued)

2.5.9 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with the bank, all of which have original maturities of 90 days or less and are available for use by the Company unless otherwise stated. In the statement of financial position, for the murabaha deposit held with the bank, all of which have original maturities more than 90 days based on its nature, murabaha deposit is presented separately from the cash and cash equivalents.

2.5.10 Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments.

2.5.11 Dividends

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

2.5.12 Functional and presentation currency

Items included in the financial statements of the Company is measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The functional currency and the presentation currency for the Company is Saudi Riyals (SAR). Figures have been rounded off to the nearest thousands Riyal except where mentioned otherwise.

Transactions and balances

Foreign currency transactions are translated into functional currency at the rates of exchange prevailing at the time of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

2.5.13 Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any premeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and restoration costs. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over underlying asset's useful life. Right-of-use assets are subject to impairment.

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

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Incremental rate is the rate that the individual lessee would pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is premeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of rented properties (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

2.5.15 Employees benefits
Short term obligation
Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting year and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations within accruals in the statement of financial position.

Employees' end-of-service benefits (EOSB)
The liability or asset recognized in the statement of financial position in respect of defined benefit. EOSB plan is the present value of the defined benefit obligation at the end of the reporting year. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

2. BASIS OF PREPARATION (Continued)

2.5 Principal Accounting Policies (Continued)

2.5.15 Employees benefits (Continued)

Employees' end-of-service benefits (EOSB) (Continued)

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Defined benefit costs are categorized as follows:

Service cost

Service costs includes current service cost and past service cost are recognized immediately in statement of profit or loss.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in statement of profit or loss as past service costs.

Interest cost

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the statement of profit or loss.

Re-measurement gains or losses

Re-measurement gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized in the year in which they occur, directly in other comprehensive income.

2.5.16 Provisions

Provisions are recognized when the Company has:

- A present legal or constructive obligation as a result of a past event;
- It is probable that an outflow of economic resources will be required to settle the obligation in the future; and
- The amount can be reliably estimated.

If the effect of the time value of money are material, provisions are discounted using a current rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where there are a number of similar obligations, (e.g. product warranties, similar contracts or other provisions) the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.5.17 Zakat

The Company is subject to the regulations of the Zakat, Tax, and Customs Authority (ZATCA) in the Kingdom of Saudi Arabia. Zakat is provided for on accrual basis and the provision for zakat is calculated on the basis of the higher of zakat base, or the adjusted net income. Any difference in the estimates between the calculated zakat and the final assessment (if any) is to be recorded in the income statement of the year in which the assessment is finalized.

2. BASIS OF PREPARATION (Continued)

2.5 Principal Accounting Policies (Continued)

2.5.18 Selling, marketing and distribution expenses

Selling, marketing and distribution expenses comprise of all costs for selling and marketing the Company's products and include expenses for advertising, marketing fees and other sales related overheads.

2.5.19 General and administrative expenses

General and Administrative expenses include indirect costs not specifically part of cost of sales or the selling, marketing and logistics activity of the Company. Finance income / (expense) is presented as a separate line item in the statement of profit or loss.

2.5.20 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- By the weighted average number of ordinary shares outstanding during the financial period.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.5.21 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components.

Transactions between segments are carried out at arm's length and are eliminated. The revenue from external parties is measured in the same way as in the statement of profit or loss.

The Company defines its operating segments as:

- **Cement**
  Manufacturing and wholesale ordinary cement, salt-resistant cement and clinker cement

- **Precast**
  Manufacture of partitions, frames and prefabricated buildings from prefabricated concrete

2.5.22 Change in accounting estimates

The Company may need to change an accounting estimate if changes occur in the circumstances on which the accounting estimate was based or as a result of new information, new developments or more experience. By its nature, a change in an accounting estimate does not relate to prior years and is not the correction of an error.

The effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates unless they result from the correction of prior year errors.

A change in the measurement basis applied is a change in an accounting policy, and is not a change in an accounting estimate. When it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate, the change is treated as a change in an accounting estimate.

The effect of a change in an accounting estimate, is recognized prospectively in profit or loss in the period of the change, if the change affects that period only or the period of the change and future periods, if the change affects both.

2.5.23 Correction of errors

Errors can arise in respect of the recognition, measurement, presentation or disclosure of elements of financial statements, the Company correct material prior year errors retrospectively in the first set of financial statements authorized for issue by either restating the comparative amounts for the prior years presented in which the error occurred; or if the error occurred before the earliest prior year presented, restating the opening balances of assets, liabilities and equity for the earliest prior year presented.

2. BASIS OF PREPARATION (Continued)

2.5 Principal Accounting Policies (Continued)

2.5.24 Critical Judgments And Key Sources Of Estimation Uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

2.5.24.1 Critical judgements in applying accounting policies

The following critical judgments that have most significant effect on the amounts recognized in the financial statements:

Determining the timing of revenue recognition on the sale of precast products

The Company evaluates the timing of revenue recognition on the sale of precast based on analyzing of the rights and obligations under the terms of each contract.

The Sale of precast products

The Company assesses its contracts with customers for the sale of precast products to determine whether performance obligations are satisfied over time or at a point in time.

The Company concluded that the Company’s performance does not create an asset with an alternative use where the Company is restricted contractually from redirecting the precast product to another use during its production based on the sale agreements entered into with customers, where the Company’s contracts are entered into to provide specified products to the customer that accordingly does not create an asset with an alternative use to the Company.

Also, the Company concluded that it has an enforceable right to payment for performance completed to date, where it is entitled to an amount that at least compensates it for performance completed to date (usually costs incurred to date plus a reasonable profit margin) by having enforceable rights of being compensated for work completed to date in the event of any dispute or contract termination.

Based on this, the Company recognizes revenue from sale of precast product over time.

***Significant influence over an associat**e*

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Going concern

The Company’s management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern. Therefore, the Company's financial statements continue to be prepared on the going concern basis.

2.5.24.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of investment properties

An assessment of fair value of investment properties is carried out annually by an external valuation firm who hold recognized and relevant professional qualifications and has recent experience in the location and category of the asset being valued. In determining the valuation, the valuer used the market valuation methodology.

2. BASIS OF PREPARATION (Continued)
2.5 Principal Accounting Policies (Continued)
2.5.24 Critical Judgments And Key Sources Of Estimation Uncertainty (Continued)
2.5.24.2 Key sources of estimation uncertainty (Continued)

Lease payment discount
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity specific estimates.

Property lease classification – the Company as lessor:
The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of this property and accounts for the contracts as operating leases.

Economic useful lives of property, plant, equipment
The Company periodically reviews estimated useful lives and the depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Lease term
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension or termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment. During the current financial year, there was no material financial effect of revising lease terms to reflect the effect of exercising extension or termination options.

Zakat
Management has assessed the zakat position having regard to the regulations of Zakat, Tax, and Customs Authority (ZATCA), decrees issued periodically and conventions. Interpretation of such legislation, decrees, and conventions is not always clear and entails completion of assessment by ZATCA.

Estimated cost
The Company uses the output method for percentage-of-completion ("POC") in accounting for its long-term construction of precast contracts. Use of POC requires the Company to estimate the total cost of the contract.

Impairment of non-financial asset
An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Estimation of defined benefit obligation
The cost of defined benefit obligation and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

2. BASIS OF PREPARATION (Continued)

2.5 Principal Accounting Policies (Continued)

2.5.24 Critical Judgments And Key Sources Of Estimation Uncertainty (Continued)

2.5.24.2 Key sources of estimation uncertainty (Continued)

Allowance for impairment for trade receivables

The Company assesses on a forward looking basis the Expected Credit Losses ("ECL") associated with its debt instruments as part of its financial assets, which are carried at amortized cost for accounts receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables. ECL assessment requires a several estimates related to the categorization of customers, discount rates and a general assessment of the economic conditions in the market. Management use their best estimates and historical trends of customers to assess the receivables provision under ECL model.

Provision for obsolete, slow moving and damaged inventory

Management makes a provision for slow moving, obsolete and damaged inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the statement of financial position date to the extent that such events confirm conditions existing at the end of year.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

3. PROPERTY, PLANT AND EQUIPMENT

	Note	**December 31, 2022**	December 31, 2021
		SR	SR
Operating fixed assets	3.1	**738,013**	741,356
Capital work-in-progress	3.3	**24,077**	16,820
		762,090	758,176

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

3.1 Operating fixed assets

Year ended December 31, 2022

	Land	Buildings	Thermal Bricks, Grinding Balls and Other	Machinery, equipment and heavy trucks	Critical Spare parts	Furniture, Fixtures & Tools	Total
	SR	SR	SR	SR	SR	SR	SR
Cost							
Balance at January 1, 2022	7,016	873,592	32,115	2,147,030	65,704	12,361	3,137,818
Additions	-	167	2,770	11,195	2,419	2,532	19,083
Disposals	-	(2,352)	(3,715)	(51,686)	(11,152)	(140)	(69,045)
Reclassification	-	-	-	85	(85)	-	-
Transfers from CWIP	-	18,992	12,493	49,362	8	-	80,855
Balance at December 31, 2022	**7,016**	**890,399**	**43,663**	**2,155,986**	**56,894**	**14,753**	**3,168,711**
Accumulated depreciation							
Balance at January 1, 2022	-	645,083	18,478	1,669,324	52,161	11,416	2,396,462
Charges for the year	-	18,206	12,314	68,054	1,782	397	100,753
Disposals	-	(1,639)	(3,715)	(49,949)	(11,084)	(130)	(66,517)
Reclassification	-	-	-	65	(65)	-	-
Balance at December 31, 2022	-	**661,650**	**27,077**	**1,687,494**	**42,794**	**11,683**	**2,430,698**
Net Book Value							
At December 31, 2022	**7,016**	**228,749**	**16,586**	**468,492**	**14,100**	**3,070**	**738,013**

- During the year 2022, the Company conducted an operational efficiency review at of its plant and equipment, which resulted in changes in the expected useful life for some certain assets. As a result, the expected useful life of that certain assets increased, the effect of these changes on actual depreciation expenses was reduced by approximately an amount of SR 1.9 million. Regrading to the effect on future periods, it is impracticable to estimate the effect on depreciation.
- 20% approximately of the building in Dammam, amounting to SR 7,576 is used for the purposes of the Company's main office and other administrative purposes, accordingly it has been classified as operating fixed assets. The remaining portion of the building (80% approximately), is rented to various lessors for periods ranging from one year to five years. Leased portion part is classified as investment property.

EASTERN PROVINCE CEMENT COMPANY
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

3.1 Operating fixed assets (Continued)

Year ended December 31, 2021

	Land	Buildings	Thermal Bricks, Grinding Balls and Other	Machinery, equipment and heavy trucks	Critical Spare parts	Furniture, Fixtures & Tools	Total
	SR	SR	SR	SR	SR	SR	SR
Cost							
Balance at January 1, 2021	7,016	874,514	35,859	2,179,353	65,751	12,302	3,174,795
Additions	-	466	1,333	4,353	1,253	248	7,653
Disposals	-	(1,388)	(20,524)	(54,317)	(1,300)	(189)	(77,718)
Transfers from CWIP	-	-	15,447	17,641	-	-	33,088
Balance at December 31, 2021	7,016	873,592	32,115	2,147,030	65,704	12,361	3,137,818
Accumulated depreciation							
Balance at January 1, 2021	-	628,136	29,452	1,651,089	51,236	11,100	2,371,013
Charges for the year	-	18,267	9,550	69,850	1,834	505	100,006
Disposals	-	(1,320)	(20,524)	(51,615)	(909)	(189)	(74,557)
Balance at December 31, 2021	-	645,083	18,478	1,669,324	52,161	11,416	2,396,462
Net Book Value							
At December 31, 2021	7,016	228,509	13,637	477,706	13,543	945	741,356

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

3.2 Depreciation of operating fixed assets for the year has been allocated as follows:

	Note	December 31, 2022	December 31, 2021
		SR	SR
Cost of revenue	25	**98,569**	97,555
General and administrative expenses	26	**2,157**	2,427
Selling and marketing expenses	27	**27**	24
		100,753	100,006

3.3 Capital work-in-progress:

	December 31, 2022	December 31, 2021
	SR	SR
Balance at the beginning of the year	**16,820**	15,732
Additions during the year	**88,112**	34,176
Transferred to operating fixed assets	**(80,855)**	(33,088)
Balance at the end of the year	**24,077**	16,820

- During the year, the additions to capital work-in-progress included acquired assets with a purchase cost of SR 28,000,000. This amount represent the consideration paid by the Company according to the purchase agreement dated December 29, 2021 against all property and equipment items, without the related liabilities, which has been acquired through the acquisition of Construction Industries Company Factory for Concrete Buildings ("a branch") registered under commercial registration number 4042100240 dated Dhu'l-Hijjah 2, 1439. In addition, the Company capitalized the additional materials and salaries amounting to SR 6.3 million, which was required for the factory to be operating for its intended future economic benefits. During the year, these acquired and capitalized assets has been transferred to operating fixed assets.
- As of December 31, 2022, capital work in – progress included an extension to one of the Company's factories with the cost of SR 6.6 million, which included capitalized expenditure amounting to SR 1.6 million. The Company expect that capital work in progress will be transferred to operating fixed assets during the year 2023.
- Additions during the year, included a total capitalized expenditure amounting to SR 2.3 million.

4. INTANGIBLE ASSETS

	December 31, 2022	December 31, 2021
	SR	SR
Cost	**9,415**	9,415
Additions	**86**	-
Accumulated amortization	**(8,488)**	(8,196)
Net book value	**1,013**	1,219

- Intangible assets represent the licenses and software.
- Amortization for the year has been charged to general and administrative expenses (note 26).

5. INVESTMENT PROPERTIES

	Lands	Buildings	Total
	SR	**SR**	**SR**
Cost			
Balance at January 1, 2022	51,934	70,786	122,720
Balance at December 31, 2022	**51,934**	**70,786**	**122,720**
Accumulated Depreciation			
Balance at January 1, 2021	-	29,640	29,640
Depreciation charge for the year	-	1,632	1,632
Balance at December 31, 2021	-	31,272	31,272
Depreciation charge for the year	-	**1,632**	**1,632**
Balance at December 31, 2022	-	**32,904**	**32,904**
Net book value			
At December 31, 2022	**51,934**	**37,882**	**89,816**
At December 31, 2021	51,934	39,514	91,448

5. INVESTMENT PROPERTIES (Continued)

- Deprecation for the year has been charged to other expenses (note 30).
- Fulfilling the requirements of disclosure in accordance with the International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia, investments properties fair value were assessed by a qualified and independent expert, Ahmed Al-Naeem Establishment for Real Estate Assessment, approved by the Saudi Authority for Accredited Valuator with membership number 1210000269. The fair value of the investment properties portion of the lands and buildings as of December 31, 2022 was estimated to be SR 205 million, of which SR 139 million for lands and SR 66 million for the buildings (December 31, 2021 amounted to SR 215 million, of which SR 147 million for lands and SR 68 million for the building). Investment properties fair value has been estimated using the market value and the replacement cost methods.
- Investment properties include the leased area of the buildings, representing 80% of the building area and the full land of the building. Remaining area of the building is classified as property, plant and equipment (note 3).

6. THE RIGHT-OF-USE ASSET

6.1 Movement in right of use assets is as follows:

	December 31, 2022	December 31, 2021
	SR	SR
Opening balance	**5,518**	365
Additions	**3,011**	5,660
Depreciation for the year	**(1,381)**	(507)
Closing balance	**7,148**	5,518

- Depreciation for the year has been charged to general and administrative expenses (note 26).
- Additions to right of use in year 2022 represent mainly new leased vehicles and land.

6.2 Lease liabilities movement and classification in the statement of financial position are as follows:

	December 31, 2022	December 31, 2021
	SR	SR
January 1	**5,576**	377
Additions	**3,011**	5,660
Interest charged	**141**	100
Payments during the year	**(1,510)**	(561)
December 31	**7,218**	5,576
Current portion of lease liabilities	**1,808**	1,385
Non-current portion of lease liabilities	**5,410**	4,191
Total lease liabilities	**7,218**	5,576

Lease contractual payments and finance charges related to lease liabilities are as follows:

	December 31, 2022	December 31, 2021
	SR	SR
Within one year	**1,989**	1,045
Year two to five	**5,100**	5,063
More than five years	**834**	-
Minimum lease payments	**7,923**	6,108
Less: finance charges	**(705)**	(532)
Net minimum lease payments	**7,218**	5,576

7. INVESTMENTS AT FAIR VALUE THROUGH OCI

The Company designated all of the equity investments listed below as investments at fair value through OCI, because these equity securities represent investments that the Company intends to hold for the long term for strategic purposes.

A- Investment at fair value though OCI (FVOCI) consist of the following:

		December 31, 2022		December 31, 2021	
	Note	**Number of shares (in thousands)**	**Amount SR 000**	Number of shares (in thousands)	Amount SR 000
Saudi Industrial Investment Company	**7-A-1**	**1,100**	**24,178**	2,300	71,645
Industrialization and Energy Services Company	**7-A-2**	**27,187**	**459,197**	27,187	454,575
Saudi Arabian Oil Company (Aramco)	**7-A-3**	**1,951**	**62,642**	1,774	63,511
			546,017		589,731
Discretionary Portfolio Management (DPM) Investments	**7-A-4**		**96,003**		-
			642,020		589,731

7-A-1 The Saudi Industrial Investment Company (a Saudi joint stock company listed on the financial market) (Tadawul) whereby the Company owns 0.15% of the equity shares of the Company (December 31, 2021: 0.51% of the equity shares). The share price of the investee Company as of December 31, 2022 was SR 21.98 per share (December 31, 2021: SR 31.15 per share). During the year, the Company received cash dividends from Saudi Industrial Investment Company by an amounts of SR 2.5 million. (Note 28).

During the year the Company sold 1,200,000 shares of its investment in the Saudi Industrial Investment Company for SR 42,589 million, which resulted in a realized profit during the year amounting to SR 33,123 million, which had been transferred from the reserve of valuation of equity instruments carried at FVOCI to retained earnings.

7-A-2 Industrialization and Energy Services Company is Saudi closed joint stock company whereby the Company owns 3.79% of equity shares of investee Company (December 31, 2021: 5.44% of the equity shares). The Company's management determined the value of investments in the Industrialization and Energy Services Company as of December 31, 2022 based on a report from an independent evaluator based on the financial statements of the investee Company as of September 30, 2022 (which represent the latest available financial information) by a value of SR 16.89 per share (December 31, 2021: SR 16.72 per share), resulting in a total value of the investment amounting to SR 459,197. For determining the fair value in year 2022, the Company used the multiples methods, based on the latest available financial information, i.e. September 30, 2022.

7-A-3 On year 2019, the Company acquired 1.8 million shares in the shares of the Saudi Arabian Oil Company (Aramco) at a price of SR 32 per share, and the price per share on December 31, 2022 was SR 32.1 (December 31, 2021: SR 35.80 per share). During the year 2022, the Company received dividends from Aramco by an amounts of SR 2.5 million (Note 28).

In addition, during the year 2022 Aramco issued bonus shares for the shareholders at the rate of one share to each 10 owned shares by the shareholders.

7-A-4 During the year ended December 31, 2022, the Company's management entered in local discretionary portfolio management ("DPM") agreements managed by investment manager, the Company's management has irrevocably chosen the measurement and classification of its DPM investments as investments at fair value through other comprehensive income. DPM investments include cash amounting to SR 494 thousands as of December 31, 2022.

B- Investments at fair value through other comprehensive income are categorized as follows:

	December 31, 2022	December 31, 2021
	SR	SR
Quoted:		
Saudi Industrial Investment Company	**24,178**	71,645
Saudi Arabian Oil Company (Aramco)	**62,642**	63,511
Discretionary Portfolio Management Investments	**75,145**	-
	161,965	135,156
Unquoted:		
Industrialization and Energy Services Company	**459,197**	454,575
Discretionary Portfolio Management Investments	**20,858**	-
	480,055	454,575
	642,020	589,731

7. INVESTMENTS AT FAIR VALUE THROUGH OCI (Continued)

C- The movement on the investments is as follows:

	December 31, 2022	December 31, 2021
	SR	SR
Opening balance	**589,731**	576,696
Change in fair value	**(5,122)**	13,035
Additions	**100,000**	-
Disposals	**(42,589)**	-
Closing balance	**642,020**	589,731

D- Hierarchy levels of investment is disclosed in note 36.2.4.

E- The movement on reserve of valuation of investments at fair value through other comprehensive income is as follows:

	December 31, 2022	December 31, 2021
	SR	SR
Opening balance	**242,943**	229,908
Unrealized (loss) / gain from investments at fair value through OCI, net	**(5,122)**	13,035
Realized gain transferred to retained earnings	**(33,123)**	-
Closing balance	**204,698**	242,943

8. INVESTMENT IN AN ASSOCIATE

The Company has investment in the Arab Yemen Cement Company (“the associate”), a limited liability company registered in the Republic of Yemen, by 31.58% equity shares. The associate company was established to engage in cement production and started operation in 2009. The movement in investment is as follows:

	December 31, 2022	December 31, 2021
	SR	SR
Opening balance	**280,420**	266,014
Share of profit for the year	**650**	20,505
Dividends	**-**	(6,099)
	281,070	280,420
Less: impairment of the investment	**(80,636)**	(66,996)
Closing balance	**200,434**	213,424

During the year, a study was conducted by an independent consulting office on the possibility of a decrease in the value of investment in the Arab Yemen Cement Company due to the decline in the profit of the associate, by calculating the discounted expected future cash flows of the associate and comparing it with the carrying value of the investee Company, and as a result, an excess decline in the value amounting to SR 13.6 million has been recognized as additional impairment of the investment.

	December 31, 2022	December 31, 2021
	SR	SR
Opening balance	**66,996**	66,996
Additional impairment of the investment	**13,640**	-
Closing balance	**80,636**	66,996

8. INVESTMENT IN AN ASSOCIATE (Continued)

Summary of financial information about the associate Company:

	December 31, 2022	December 31, 2021
	SR	SR
Current assets	**465,065**	511,507
Non-current assets	**530,435**	550,200
Current liabilities	**(105,475)**	(162,541)
Non-current liabilities	**-**	(11,199)
Equity	**890,025**	887,967
The Company's share of equity	**281,070**	280,420
Revenue	**281,310**	306,416
Operating (loss) / income	**(4,194)**	83,805
Total comprehensive income	**2,057**	64,929
Dividends received from associate	**-**	(6,099)

The presentation currency of the financial statements of the associate is US Dollars, where the balances dominated in Yemeni Riyal has been translated using the prevailing rates in the market instead of the rates of the central bank of Yemen, to be reflective to the real transaction rates.

The audited financial statements for the year ended of December 31, 2022 reflect a going concern matter due to the political crisis, economic situation and current security events in the Republic of Yemen.

9. PREPAYMENTS AND OTHER ASSETS, NET

	December 31, 2022	December 31, 2021
	SR	SR
Employee loans - A	**14,668**	12,263
Advances to suppliers	**14,185**	9,605
Prepaid expenses	**9,952**	8,900
Deferred contract cost	**6,738**	8,853
Accrued interest	**1,115**	224
Deferred cost – B	**-**	10,236
Other receivables – C	**5,678**	5,101
	52,336	55,182
Less: Allowance for impairment of prepayment and other assets	**(1,362)**	(1,362)
	50,974	53,820
Less: non-current portion of employee loans	**(11,284)**	(8,036)
	39,690	45,784

A- Employee loan's fair value have been measured by actuarial valuation while resulted in debit charge to other comprehensive income by the amounts of SR 341 thousands.

B- Deferred cost represents the expense spent by the Company on projects that was not yet eligible for revenue recognition for the year ended of December 31, 2021. During the current year these projects have been eligible for revenue recognition.

C- Other receivables include a balance due from a related party "Al-Dawaa Medical Services Company" by an amounts of SR 320 thousands (December 31, 2021: SR 220 thousands) (Note 20).

10. INVENTORIES, NET

	December 31, 2022	December 31, 2021 (Restated – Note 37)
	SR	SR
Work in progress	**384,710**	272,621
Spare Parts and maintenance supplies	**154,318**	153,507
Finished goods	**25,102**	36,070
Raw Material	**28,336**	13,386
	592,466	475,584
Provision for slow moving spare parts	**(13,865)**	(15,400)
	578,601	460,184

10.1 Movement in provision for slow moving spare parts is as follows:

	December 31, 2022	December 31, 2021
	SR	SR
Opening balance	**15,400**	9,370
Utilized during the year	**(5,835)**	-
Addition for the year (Note 25)	**4,300**	6,030
Closing balance	**13,865**	15,400

11. TRADE AND RETENTION RECEIVABLES, NET

	December 31, 2022	December 31, 2021
	SR	SR
Trade receivables	**307,641**	239,920
Less: Allowance for impairment of trade receivables	**(34,094)**	(35,259)
	273,547	204,661
Retention receivables	**36,819**	30,709
Less: Allowance for impairment of retention receivables	**(11,939)**	(26,445)
	24,880	4,264
	298,427	208,925

11.1 Movement in the allowance for impairment of trade and retention receivables is as follows:

	December 31, 2022	December 31, 2021
	SR	SR
Opening balance	**61,704**	61,704
Reversal of provision during the year	**(15,671)**	-
Closing balance	**46,033**	61,704

- The reversal of the allowance for impairment of trade and retention receivables has been recognized in the cost of revenue item.

As of December 31, the aging of trade receivables are as follows:

	December 31, 2022	December 31, 2021
	SR	SR
Not yet due	**123,402**	50,413
Overdue 1 – 90 Days	**117,252**	107,570
Overdue 91 – 180 Days	**16,640**	28,099
Overdue 181 – 270 Days	**11,868**	4,805
Overdue 271 days and more	**38,479**	49,033
	307,641	239,920
Allowance for impairment of trade and retention receivables	**(34,094)**	(35,259)
	273,547	204,661

12. MURABAHA DEPOSITS

The Company invests part of its cash surplus in murabaha deposits with a maturity period of more than three months with financial institutions. The average annual commission rates on these deposits during the year 2022 amounted to 5.4%.

13. CASH AND CASH EQUIVALENTS

	December 31, 2022	December 31, 2021
	SR	SR
Cash at banks	**50,827**	52,256
Short term deposits - A	**40,000**	350,000
Cash on hand	**-**	23
	90,827	402,279

A- The Company invests part of its cash surplus in term deposits with a maturity period of three months or less with financial institutions. The average annual commission rates on these deposits during the year 2022 amounted to 4.65% (December 31, 2021: Average annual commission rates of 1.37%)

14. SHARE CAPITAL

The issued and paid up share capital of the Company is SR 860 million, which is divided into 86 million shares (December 31, 2021: SR 860 million divided into 86 million shares) of SR 10 per share.

15. STATUTORY RESERVE

As per the Company's By Laws and regulations for companies, 10% of the net income is required to be set aside to form a statutory reserve until the reserve equal 30% of the share capital. However, the management of the Company opted to keep this reserve at 50% of the share capital, and it is yet to be approved by the General Assembly. The statutory reserve is not available for dividend distribution. The statutory reserve requirement has been fulfilled in the prior years and, accordingly, the Company is not required to transfer any additional amounts towards this reserve.

16. VOLUNTARY RESERVE

The general assembly of the company, during its meeting No. 35 held on Rabi` II 13, 1431 (corresponding to March 29, 2010), approved the formation of voluntary reserve in the amount of SR 404.6 million by allocating an amount of SR 120 million from the capital expansions reserve and an amount of SR 284.6 million from the retained earnings.

17. EMPLOYEES' END OF SERVICE BENEFITS

The Company carried out actuarial valuations to account for its obligations under defined benefit plan. Following mentioned results are extracted from actuarial valuation.

Movement in employees' end of service benefits during the year is as follows:

	December 31, 2022	December 31, 2021
	SR	SR
Opening balance	**85,820**	80,978
Expense charge for the year	**9,391**	8,253
Re-measurement (gain) / loss	**(225)**	40
Payments	**(5,208)**	(3,451)
Closing balance	**89,778**	85,820

Charged to statement of profit or loss and other comprehensive income for the year:

	December 31, 2022	December 31, 2021
	SR	SR
Service cost	**6,393**	6,277
Interest cost	**2,998**	1,976
Cost recognized in profit and loss	**9,391**	8,253

Principal actuarial assumptions:

	December 31, 2022	December 31, 2021
Discount factor used	**4.48%**	3.16%
Salary increase rate	**5%**	4%

17. EMPLOYEES' END OF SERVICE BENEFITS (Continued)

Sensitivity analysis on present value of defined benefit obligations plan are as below:

	December 31, 2022		December 31, 2021	
	Percentage	**Amount**	Percentage	Amount
		SR		SR
Discount rate				
Increase	**+ 1 %**	**83,130**	+ 1 %	79,278
Decrease	**- 1 %**	**97,432**	- 1 %	93,379
Expected rate of salary				
Increase	**+ 1 %**	**97,720**	+ 1 %	93,622
Decrease	**- 1 %**	**81,757**	- 1 %	78,944

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

18. OTHER PROVISIONS

Other provisions represent the provision for the rehabilitation of areas subject to the company's franchise license and the removal of the factory, which measured at the present value of the expected cost of re-settlement of the Company's concession sites. The balance of other provision on December 31, 2022 amounted to SR 35.2 million (December 31, 2021, amounted to SR 34.4 million). Increase in other provision represents the related interest of the year amounting to SR 789 thousand, which has been charged to finance charges (note 31).

19. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	December 31, 2022	December 31, 2021 (Restated – Note 37)	January 1, 2021 (Restated – Note 37)
	SR	SR	
Accrued expenses	**100,215**	60,363	43,970
Trade payables	**95,654**	62,038	64,146
Advances from customers	**47,506**	13,931	13,131
Retention payable	**6,934**	5,647	4,669
Unearned revenues	**4,907**	4,180	4,104
VAT payable	**4,897**	4,137	4,372
Accrued board of directors remuneration	**4,030**	-	-
Accrued contract cost – A	**1,120**	1,321	-
Deferred revenues - B	**-**	10,593	-
Other current liabilities	**279**	179	70
	265,542	162,389	134,462

A- Accrued contract cost represent the stock produced and invoiced but not yet transferred to the customers.

B- Deferred revenues represent revenue that has invoiced to the clients which are not yet eligible for being recognized as revenue for the year ended of December 31, 2021, while during the current year these projects have been eligible for revenue recognition.

20. RELATED PARTIES BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties consist of the shareholders, directors and businesses in which shareholders and directors, individually or combined, have significant influence. The Company's transactions with related parties are authorized by the management.

Transactions represent amounts received by the company from the account of the Arab Yemeni Cement Company (an associate company) in a bank in the State of Oman until they are paid to the suppliers and creditors of the associate on its behalf, as the associate faces difficulties in bank transfers to and from the Republic of Yemen.

Company	Relationship
Arabian Yemeni Cement Company	Associate
Al-Dawaa Medical Services Company	Related party
Walaa Cooperative Insurance Company	Related party

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

Related party	Nature of transaction	December 31, 2022	December 31, 2021
		SR	SR
Arabian Yemeni Cement Company	Payments to members of the Board of Directors of the Yemeni Company	**(2,011)**	(1,575)
	Payments to Yemeni Company suppliers, net	**(4,581)**	(2,384)
	Deposits from the Company	**9,394**	3,393
Al-Dawaa Medical Services Company	Rent revenue	**(2,272)**	(1,650)
Walaa Cooperative Insurance Company	Services received	**1,528**	1,756

A) Balances payable to related parties are as follows:

	December 31, 2022	December 31, 2021
	SR	SR
Arabian Yemeni Cement Company	**3,347**	545
Walaa Cooperative Insurance Company	**1,860**	1,756
	5,207	2,301

B) Other receivables as at December 31, 2022 the balance included balance due from Al-Dawaa Medical Services Company amounted to SR 320 thousand (December 31, 2021: SR 220 thousand).

C) Remuneration of directors and key management personnel

	December 31, 2022		December 31, 2021	
	Directors	**Key management personnel**	Directors	Key management personnel
Board of directors remuneration	**8,060**	**-**	2,550	-
Salaries, wages and allowances	**173**	**8,187**	136	8,270
End of service expenses	**-**	**582**	-	509
	8,233	**8,769**	2,686	8,779

21. DIVIDENDS PAYABLE

The balance of the dividend payable at December 31, 2022 amounting to SR 60.8 million, which represent un-paid dividends to some shareholders for the years from 1991 to 2022 (December 31, 2021: SR 60 million).

22. ZAKAT PROVISION

The principal elements of the zakat base of the Company are as follows:

	December 31, 2022	December 31, 2021 (Restated – Note 37)
	SR	SR
Non-Current assets	**1,713,805**	1,667,552
Non-Current liabilities	**130,357**	124,391
Opening equity balance	**2,402,261**	2,532,062
Profit before zakat	**169,686**	227,073

Some of the amounts have been adjusted in arriving at the zakat charge for the year.

Zakat is payable at 2.5% percent of the higher of the approximate zakat base and adjusted net income.

Movement in zakat provision is as follows:

	December 31, 2022	December 31, 2021
	SR	SR
Balance at the beginning of the year	**31,981**	23,809
Zakat charge for the year	**26,386**	34,226
Paid for the year	**(25,289)**	(22,502)
Payment specific for additional zakat assessments	**(5,154)**	(3,552)
Balance at the end of the year	**27,924**	31,981

Components of zakat charge for the year is as follows:

	December 31, 2022	December 31, 2021
	SR	SR
Provision of zakat for the year	**27,924**	26,827
Provision for additional zakat assessment	**-**	8,706
Prior year zakat differences	**(1,538)**	(1,307)
	26,386	34,226

Zakat Status

The Company submitted its zakat returns for the years up to 2021 to the Zakat, Tax and Customs Authority and obtained the required certificate.

In year 2021, the Company received the zakat assessment for the years 2019 and 2020 from the Zakat, Tax and Customs Authority (ZATCA) claiming an amount of SR 8.4 million, of which an amount of SR 3.2 million had been paid during the same year. During Q1 2022, the Company settled and paid the remaining amounts of the assessments. During Q2 2022, the Company has paid the zakat payable balance due for the year of 2021 amounting to SR 25.3 million. The Company did not receive any zakat assessment for year 2021 from ZATCA yet.

23. CONTINGENCIES AND COMMITMINTES

As of December, 31, 2022, the Company's contingent liabilities against letters of credit and letters of guarantees amounting to SR 205 million (December 31, 2021: SR 91 million).

24. REVENUE, NET

Classification of the Company's revenues from contracts with customers based on timing of revenue recognition

	December 31, 2022	December 31, 2021
	SR	SR
At point in time	**562,394**	625,869
Over a period of time	**221,803**	131,865
	784,197	757,734

25. COST OF REVENUE

Cost of revenue consists of consumables, salaries and wages, depreciation and other supplies. As at December 31, 2022, the cost of consumed materials from inventory was amounting to SR 132,526.

26. GENERAL AND ADMINISTRATIVE EXPENSES

	December 31, 2022	December 31, 2021
	SR	SR
Salaries, wages and allowances	**32,290**	31,868
Board of Directors' remuneration	**8,233**	2,686
Materials, supporting tools, licenses and programs	**7,610**	3,833
Depreciation of operating fixed assets and right of use and intangible assets amortization	**3,830**	3,328
Others	**5,046**	4,759
	57,009	46,474

27. SELLING AND MARKETING EXPENSES

	December 31, 2022	December 31, 2021
	SR	SR
Salaries, wages and allowances	**8,847**	7,725
Depreciation	**27**	24
Other	**1,059**	365
	9,933	8,114

28. DIVIDEND AND MURABAHA INCOME

	December 31, 2022	December 31, 2021
	SR	SR
Dividends income from investments at FVOCI (note 7)	**4,971**	3,646
Short term and murabha deposits interest	**5,234**	3,238
	10,205	6,884

29. OTHER INCOME

	December 31, 2022	December 31, 2021
	SR	SR
Rent income	**8,122**	6,822
Scrape sales	**1,524**	554
Others	**383**	1,797
	10,029	9,173

30. OTHER EXPENSES

	December 31, 2022	December 31, 2021
	SR	SR
Investments properties administrative expenses	**6,943**	5,333
Depreciation of investment properties	**1,632**	1,632
Miscellaneous expenses	**4,074**	2,188
	12,649	9,153

31. FINANCE CHARGES

	December 31, 2022	December 31, 2021
	SR	SR
Finance actuarial	**2,662**	1,548
Finance Restoration and Rehabilitation	**789**	772
Interest on lease liabilities	**141**	100
Others	**1,637**	634
	5,229	3,054

32. SEGMENTAL REPORTING

The Company has the segregated the operations into two main reporting segments, these reporting segment are as follows:

Segment	**Business**
Cement	Manufacturing and wholesale ordinary cement, salt-resistant cement and clinker cement.
Precast	Manufacture of partitions, frames and prefabricated buildings from prefabricated concrete.

As of December 31, 2022	**Cement**	**Precast**	**Intersegment adjustments**	**Total**
Total assets	**2,553,474**	**337,322**	**(39,446)**	**2,851,350**
Total liabilities	**371,647**	**159,426**	**(39,446)**	**491,627**
For the year ended December 31, 2022				
Revenue, net	**562,418**	**221,803**	**(24)**	**784,197**
Net profit	**135,122**	**8,178**	**-**	**143,300**

	Cement	Precast	Intersegment adjustments	Total
As of December 31, 2021				
Total assets	2,594,818	211,538	(21,632)	2,784,724
Total liabilities	329,329	74,766	(21,632)	382,463
For the year ended December 31, 2021				
Revenue, net	629,678	131,865	(3,809)	757,734
Net profit (Restated – Note 37)	185,351	7,496	-	192,847

32. SEGMENTAL REPORTING (Continued)

The revenue according to the geographical areas is as follows:

	December 31, 2022	December 31, 2021
Saudi Arabia	**752,972**	749,963
Other countries	**31,225**	7,771
	784,197	757,734

33. EARNINGS PER SHARE

The basic profit per share is calculated by dividing the net income for the period attributable to the ordinary shareholders of the company by the weighted average number of the outstanding ordinary shares during the year.

The following is the computation of basic and diluted earnings per share:

	For the year ended	
	December 31, 2022	December 31, 2021 (Restated – Note 37)
Net income for the year (in thousands of SR)	**143,300**	192,847
Number of outstanding shares (in thousands of shares)	**86,000**	86,000
Basic and diluted		
Earnings per share of profit for the year (SR)	**1.67**	2.24
Earnings per share of total comprehensive income for the year (SR)	**1.61**	2.39

34. CAPITAL COMMITMENTS

The approved future capital projects as of December 31, 2022 by the company's management amounting to SR 38.4 million (December 31, 2021: SR 23 million).

35. DIVIDENDS

During the year, on March 13, 2022, the board of directors has approved the cash dividends distribution amounting to SR 94.6 million for second half of the fiscal year 2021, based on dividend per share of SR 1.10, for the number of shares eligible for dividends of 86 million shares. Dividends have been distributed in Q2 2022.

On August 3, 2022, the board of directors has approved the cash dividends distribution amounting to SR 86 million for first half of the fiscal year 2022, based on dividend per share of SR 1, for the number of shares eligible for dividends of 86 million shares. Dividends have been distributed in Q3 2022.

On August 2, 2021, the board of directors approved the distribution of SR 1.4 per share to the shareholders of the Company for the first half of financial year 2021 to have total of cash dividends amounted to SR 120.4 million.

Also on April 11, 2021, the General assembly approved the distribution of SR 2.5 per share to the shareholders of the Company for the financial year 2020 to have total of cash dividends amounted to SR 215 million.

36. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to the following financial risks from its use of the financial instruments:

- Credit risk.
- Liquidity risk
- Market risk (including commission rate risk and foreign currency exchange risk)

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

36.1 Financial instruments by category

	December 31, 2022	December 31, 2021 (Restated – Note 37)	January 1, 2021 (Restated – Note 37)
	SR	SR	
Financial assets at amortized cost:			
Trade and retention receivables, net	**298,427**	208,925	192,671
Employee loans	**14,668**	12,263	10,891
Other receivables, net	**5,431**	3,963	5,930
Murabaha deposits	**130,000**	-	-
Cash and cash equivalents	**90,827**	402,279	528,641
Financial assets at fair value though OCI			
Investments at fair value through OCI	**642,020**	589,731	576,696
Total financial assets	**1,181,373**	1,217,161	1,314,829
Financial liabilities at amortized cost:			
Accounts payable and other current liabilities	**208,232**	129,548	112,855
Due to related parties	**5,207**	2,301	7,201
Dividends payables	**60,789**	60,016	57,531
Lease liabilities	**7,218**	5,576	377
Total financial liabilities	**281,446**	197,441	177,964

The Company has no financial liability at fair value.

36.2 Risk management of financial instruments

The Company reviews and agrees policies for managing each of the risks and these policies are summarized below:

36.2.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company has policies in place to minimize its exposure to credit risk. The maximum exposure to credit risk at the reporting date is as follows:

	December 31, 2022	December 31, 2021 (Restated – Note 37)	January 1, 2021 (Restated – Note 37)
	SR	SR	
Trade and retention receivables, net	**298,427**	208,925	192,671
Employee loans	**14,668**	12,263	10,891
Other receivables, net	**5,431**	3,963	5,930
Murabaha deposits	**130,000**	-	-
Short term deposits	**40,000**	350,000	470,000
Bank balances	**50,827**	52,256	58,641
	539,353	627,407	738,133

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

36. FINANCIAL RISK MANAGEMENT (Continued)

36.2 Risk management of financial instruments (Continued)

36.2.1 Credit risk and concentration of credit risk (Continued)

Accounts receivable

Due to Company’s long standing relations with counterparties and after giving due consideration to their financial standing, the management does not expect non-performance by these counter parties on their obligations to the Company except when trade receivables considered doubtful.

The Company seeks to limit its credit risk with respect to accounts receivable by grouping based on shared credit risk characteristics.

The Company measures the loss allowance for accounts receivable by setting credit limits for individual customers and by monitoring outstanding balances on an ongoing basis. Customers that are graded as "high risk" are placed on a separate list, and future credit sales are made only with approval of key directors. The Company assess the recoverable amount of its receivables to ensure adequate allowance for impairment is made by applying simplified approach to measure expected credit loss. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 31, 2022 or January 1, 2022 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified GDP and consumer price index (inflation rates) to be the most relevant factors and accordingly adjusted the historical loss rates based on expected changes in these factors. For ageing of receivables refer note 11.

Cash on hand and at banks

Credit risk from balances with banks and financial institutions is managed by the Company’s treasury department in accordance with the Company’s policy. The credit risk on bank balances is low considering the Company has outstanding loans balances and credit facilities with various banks, in Saudi Arabia, with good credit ratings (in the range of A2 to BA2) as aligned from external credit rating companies such as Moody’s and Fitch, so concentration risk is also low.

Employee loans include certain amounts secured by end of service benefit balance that cover the loan balance.

36.2.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least 30 days.

The Company’s financial current liabilities mainly consist of the accounts payable, accrued expenses, due to related parties, dividends payables, lease liabilities and other liabilities. These liabilities are expected to be settled within 12 months of the statement of financial position date and the Company expects to have adequate funds available to do so.

36. FINANCIAL RISK MANAGEMENT (Continued)
36.2 Risk management of financial instruments (Continued)
36.2.2 Liquidity risk (Continued)

The table below summarizes the maturity profile of the Company's financial liabilities based on undiscounted contractual cash payments:

	Less than 1 year	**From 1 year to 5 years**	**More than 5 years**	**Total**
	SR	**SR**	**SR**	**SR**
December 31, 2022				
Lease liabilities	**1,989**	**5,100**	**834**	**7,923**
Account payable and other current liabilities	**208,232**	**-**	**-**	**208,232**
Dividends payables	**60,789**	**-**	**-**	**60,789**
Due to related parties	**5,207**	**-**	**-**	**5,207**
Total financial liabilities	**276,217**	**5,100**	**834**	**282,151**
December 31, 2021				
Lease liabilities	1,045	5,063	-	6,108
Account payable and other current liabilities	129,548	-	-	129,548
Dividends payables	60,016	-	-	60,016
Due to related parties	2,301	-		2,301
Total financial liabilities	192,910	5,063	-	197,973

36.2.3 Market risk
Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Company's income or the value of its holdings of financial instruments due to fluctuation in the related financial instruments value. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns.

i) Commission rate risk
Commission risk arises from possible changes and fluctuations in commission rates that affect future profit or fair values of financial instruments. The company monitors commission rate fluctuations and believes that the impact of commission rate risk is not significant.

ii) Foreign currency exchange risk
Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not exposed to fluctuations in foreign exchange rates during its ordinary course of business, since all significant transactions of the Company during the year are in Saudi Riyals and US Dollars and there are no significant risks related to balances stated at US Dollars since the exchange of Saudi Riyal pegged to US Dollar. The Company's exposure to currency risk arising from currencies that are not pegged to USD (e.g. Euro, GBPs etc.) is not material.

The Company's exposures to foreign currency rate on investment in an associate denominated by USD disclosed in Note 8 to the financial statements.

36. FINANCIAL RISK MANAGEMENT (Continued)

36.2 Risk management of financial instruments (Continued)

36.2.4 Fair values of financial instruments

For the purposes of financial reporting, the company used the fair value hierarchy classified at levels 1, 2 and 3 based on the degree of observance of the inputs in the fair value measurement and the importance of these inputs in measuring the fair value in its entirety, as shown below:

- Level 1: Quoted market prices in an active market for similar assets or liabilities that the company can value at the measurement date.
- Level 2: Inputs other than quoted prices in Level 1 that can be taken as a value for the assets or liabilities, either directly or indirectly.
- Level 3: inputs for assets and liabilities that are not based on observable market information.

Investments in quoted equity instruments in the Saudi market are valued according to the market closing price on the date of the financial statements and those instruments have been classified under Level 1.

Investments in unquoted investment funds in the Saudi market are valued according to closing price provided by fund manager on the date of the financial statements and those instruments have been classified under Level 2.

Investments in unquoted equity instruments are evaluated based on approved valuation methods that depend on income approach and market approach, and those instruments are classified under level 3.

	Book value SR	Fair Value		
		Level-1 SR	Level-2 SR	Level -3 SR
As of December 31, 2022				
Investments at fair value through OCI	**642,020**	**161,965**	**480,055**	**-**
As at December 31, 2021				
Investments at fair value through OCI	589,731	135,156	-	454,575

The Valuation models used for the main investment in level 2 (i.e., Industrialization and Energy Services Company) are "Adjusted Market Multiple" techniques, which based on market multiples driven from quoted prices of companies comparable to the investee Company adjusted for the effect of the non-marketability of the equity securities of the investee Company, where price to book value and Enterprise Value to EBITDA variables have been used. Techniques used are significantly depending on observable market inputs.

Transfer out of level 3

At December 31, 2022, the Company holds investment in equity shares in Industrialization and Energy Services Company with the fair value of SR 459.2 million (2021: SR 454.6 million) which was categorized as level 3 as at December 31, 2021. This was because the valuation approach used in previous year was based on a high weighting to the DCF model which was significantly depending on unobservable input data.

As at December 31, 2022, the Company decided to apply valuation techniques different than the valuation models used in year 2021, due to significant changes in circumstances of the investee Company which was mainly represented in the effect of dilution in equity of the investee company and the listing of one of its owned subsidiaries during the fourth quarter of year 2022. Due to these changes and its effect on the fluctuations of the investee company results, the Company decided to base its valuation techniques on the "Adjusted Market Multiple" techniques, which significantly depending on observable input data from the market. Accordingly, the Fair Value measurement was transferred from level 3 to level 2 of the fair value hierarchy as at December 31, 2022.

The fair value of financial instruments carried at amortized cost

Management believes that the carrying value of financial assets and financial liabilities stated at amortized cost in the financial statements approximates their fair value.

37. CORRECTION OF PRIOR YEARS' ERRORS AND RECLASSIFICATION

On March 23, 2022, the Company received claims from the Ministry of Industry and Mineral Resources (the "Ministry") amounting to SR 1.4 million, which represents the additional amount to be paid for the difference resulting from the Ministry's recalculation of financial consideration for the exploitation of limestone for the years 2019 and 2020 and the amount recorded by the Company. In addition, the Company received another claim for the total financial consideration for the exploitation of limestone for the year 2021 by an amount of 27.2 million out of which the Company was accruing for an amount of SR 17.5 million as of December 31, 2021, which resulted in a difference of SR 9.8 million. These differences resulted from the issuance of an update to the executive regulations of the mining investment, dated Jumada I 7, 1442H, which was not implemented by the Company in these years. The Company considered this as an error which should be corrected in the corresponding years. Accordingly, the Company decided to correct these errors in the current year by adjusting the comparative figures of years 2021 and 2020 after assessing the related impacts on cost of revenues, accruals, inventory and retained earnings. The Company has corrected these errors by adjusting accrued expenses balances as of December 31, 2021 and January 1, 2021 by the amounts of SR 1.4 million and SR 11.2 million, respectively, with a corresponding effects of SR 8.1 related to cost of sales of year 2021 and retained earnings as of January 1, 2021 by an amount of SR 9.5 million, which accordingly impacted the inventory balance as of December 31, 2021 by an amount of SR 1.7 million. Accordingly, the Company's management has decided to restate the comparative figures of its financial statements by adjusting the above-mentioned balances that were affected by this error in line with the requirements of IAS (8) "Change in Accounting Policies, Change in Accounting Estimates and Accounting Errors".

In addition, during the year 2022, the Company has reclassified an amount of SR 7.5 million from its finished goods inventory in the precast sector to prepayments and other current assets and accruals, to properly reflect the nature of these assets as it represent the costs spent on projects for items delivered to customers that has not yet been invoiced to customers.

The following tables summarize the impact of the adjustments above on the Company's statement of financial position and statement of changes in equity as at December 31, 2021 and 2020, and the statement of profit or loss and other comprehensive income and the statement of cash flows for the year ended December 31, 2021:

<u>As at December 31, 2021</u>

Statement of financial position accounts	Balance as previously stated	Adjustments	Reclassification	Restated balance
Inventories, net	466,021	1,695	(7,532)	460,184
Prepayments and other assets - current, net	36,931	-	8,853	45,784
Total current assets	1,114,156	1,695	1,321	1,117,172
Total assets	2,781,708	1,695	1,321	2,784,724
Retained earnings	488,951	(9,494)	-	479,457
Total equity	2,411,755	(9,494)	-	2,402,261
Accounts payable and other liabilities	149,879	11,189	1,321	162,389
Total current liabilities	245,562	11,189	1,321	258,072
Total liabilities	369,953	11,189	1,321	382,463

<u>As at January 1, 2021</u>

Statement of financial position accounts	Balance as previously stated	Adjustments	Restated balance
Retained earnings	623,436	(1,426)	622,010
Total equity	2,533,488	(1,426)	2,532,062
Accounts payable and other liabilities	133,036	1,426	134,462
Total current liabilities	221,732	1,426	223,158
Total liabilities	336,540	1,426	337,966

37. CORRECTION OF PRIOR YEARS' ERRORS AND RECLASSIFICATION (Continued)

For the year ended December 31, 2021

Statement of profit or loss and other comprehensive income	Balance as previously stated	Adjustments	Restated balance
Cost of revenue	(488,683)	(8,068)	(496,751)
Gross profit	269,051	(8,068)	260,983
Operating profit	214,463	(8,068)	206,395
Profit before zakat	235,141	(8,068)	227,073
Profit for the year	200,915	(8,068)	192,847
Total comprehensive income	213,667	(8,068)	205,599
Earnings per share to net income for the year (SR):	2.34	(0.1)	2.24

As at December 31, 2021

Statement of changes in equity	Balance as previously stated	Adjustments	Restated balance
Retained earnings	488,951	(9,494)	479,457
Total equity	2,411,755	(9,494)	2,402,261

As at January 1, 2021

Statement of changes in equity	Balance as previously stated	Adjustments	Restated balance
Retained earnings	623,436	(1,426)	622,010
Total equity	2,533,488	(1,426)	2,532,062

For the year ended December 31, 2021

Statement of cash flows	Balance as previously stated	Adjustments	Reclassification	Restated balance
Operating activities:				
Net Profit before zakat	235,141	(8,068)	-	227,073
Change in working capital:				
Inventories	(44,833)	(1,695)	(17,680)	(64,208)
Trade and other liabilities	16,843	9,763	1,321	27,927

Other than the reclassification stated in above, there were no material reclassification in the financial statements.

38. SUBSEQUENT EVENTS

- Subsequent to the year ended December 31, 2022, the Company announced the following:
  - A- The distribution of cash dividend of SR 1 per share to the shareholders of the Company related to the second half of year 2022, to have a total cash dividend amounting to SR 86 million.
  - B- The Board of Directors decision to invite specialized companies to submit their offers for the establishment a new production line with a capacity of 10,000 tons / day in order to replace some of the old production lines in the Company’s at current plant in Khursaniyah area in order to maximize the benefit from the infrastructure of the current plant.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorized for issue on March 19, 2023 corresponding to Shaban 27, 1444 H.