ALJOUF CEMENT COMPANY

A SAUDI JOINT STOCK COMPANY

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

TOGETHER WITH

INDEPENDENT AUDITOR'S REPORT

ALJOUF CEMENT COMPANY
A Saudi Joint Stock Company

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AL JOUF CEMENT COMPANY
A SAUDI JOINT STOCK COMPANY

RIYADH, KINGDOM OF SAUDI ARABIA

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

OPINION

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of AL Jouf Cement Company, A Saudi Joint Stock Company (the "Company"), and its subsidiaries (collectively referred to as the "Group") as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards 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 consolidated financial statements of the Group, which comprise of the following:

- The consolidated statement of financial position as at 31 December 2023;
- The consolidated statement of profit or loss and other comprehensive income for the year then ended;
- The consolidated statement of changes in equity for the year then ended;
- The consolidated statement of cash flows for the year then ended, and;
- The notes to the consolidated financial statements, comprising material accounting policies and other explanatory information.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the consolidated financial statements" section of our report. We are independent from the Group 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 consolidated 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 consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AL JOUF CEMENT COMPANY
A SAUDI JOINT STOCK COMPANY

RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **(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	
As described in Note No. (12), the net carrying value of the company's inventory as at 31 December 2023 amounting to SR 225 million (31 December 2022: SR 154 million), included work in progress inventory - clinker as of 31 December 2023 amounting to SR 144 million (31 December 2022: SR 71 million). 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 the valuation of inventory was considered as a key audit matter. The accounting policy for inventories is outlined in note (5-8) and breakdown is presented in note (12)	Our audit procedures included the following: • Attending the physical count conducted by the Group through 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 testing them on sample basis. • Assessing the reasonableness of inventory piles measurements carried out by management and its 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 31 December 2023.
Revenue Recognition	
During the year ended 31 December 2023, the Group recognized total net revenue of SR 301,5 million (31 December 2022: SR 251,8 million) The Group 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, where revenue is considered as key performance measurement including related risk either through management override of controls in order to misstate revenue transactions, or by recognizing sales on unapproved products or inappropriate assessments of returns and rejections. The accounting policy for revenue is outlined in note (5-3).	Our audit procedures included the following: • Evaluate the design and implementation of key control procedures relevant to the process of revenue recognition; • Assessing the appropriateness of revenue recognition accounting policies of the Group; • 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 consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AL JOUF CEMENT COMPANY
A SAUDI JOINT STOCK COMPANY

RIYADH, KINGDOM OF SAUDI ARABIA

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

OTHER MATTERS

The financial statements of the Company for the year ended 31December 2023 were audited by another auditor, who expressed an unmodified opinion dated 18 Ramadan 1445 H corresponding 9 April 2023.

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements for the Group, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Group 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 Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AL JOUF CEMENT COMPANY
A SAUDI JOINT STOCK COMPANY

RIYADH, KINGDOM OF SAUDI ARABIA

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AL JOUF CEMENT COMPANY
A SAUDI JOINT STOCK COMPANY

RIYADH, KINGDOM OF SAUDI ARABIA

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED 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 consolidated 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 of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Al-Bassam & Co.

Ibrahim A. Al Bassam
Certified Public Accountant
License No. 337
Riyadh: 21 Ramadan 1445H
Corresponding to: 31 March 2024

C.R.1010385804
license 520/11/323
Al-Bassam & Co.
Certified Public Accountants

ALJOUF CEMENT COMPANY
A Saudi Joint Stock Company
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023
(All amounts in Saudi Riyals)

		Balance As at 31 December	
	Notes	**2023**	2022
Assets			
Non-current assets			
Property, plant, and equipment	7	**1,703,207,455**	1,712,263,234
Intangible assets	8	**1,129,575**	1,506,100
Right of use assets	9	**377,124**	-
Investments in equity instruments non-listed at fair value through other comprehensive income	10	-	-
Total non-current assets		**1,704,714,154**	1,713,769,334
Current assets			
Investments in equity instruments listed at fair value through profit or loss	11	-	8,508,563
Inventory	12	**225,206,742**	154,344,311
Trade receivables	13	**105,740,470**	48,791,495
Prepayments and other receivables	14	**18,636,912**	18,052,046
Cash and cash equivalents	15	**11,507,655**	16,977,082
Total current assets		**361,091,779**	246,673,497
Total assets		**2,065,805,933**	1,960,442,831
Equity and Liabilities			
Equity			
Share capital	3-1	**1,087,000,000**	1,087,000,000
Statutory reserve	16	**62,947,016**	54,475,832
Fair value reserve	10	**(46,000,000)**	(46,000,000)
Retained earnings		**116,965,893**	40,861,759
Foreign currency translation reserve		**(63,150)**	(63,150)
Total equity		**1,220,849,759**	1,136,274,441
Liabilities			
Non-current liabilities			
Long-term credit facilities – non-current portion	17	**415,959,754**	484,159,727
Quarry exploitation fees - non-current portion	18	**36,011,759**	-
Non-current portion of lease liability	9	**188,562**	-
Employees' end-of-service benefits	19	**8,867,869**	8,386,180
Total non-current liabilities		**461,027,944**	492,545,907
Current liabilities			
Long-term credit facilities – current portion	17	**148,978,770**	112,809,555
Short term credit facilities	17	**45,750,000**	10,000,000
Trade and other payables	20	**125,618,212**	89,077,063
Quarry exploitation fees - current portion	18	**3,566,153**	45,010,344
Current portion of lease liability	9	**204,712**	-
Provision against a loan guarantee	10	**35,681,000**	39,594,920
Provision for zakat	21	**24,129,383**	35,130,601
Total current liabilities		**383,928,230**	331,622,483
Total liabilities		**844,956,174**	824,168,390
Total equity and liabilities		**2,065,805,933**	1,960,442,831

Chief Financial Officer	**Managing director and CEO**	**Chairman of Board of Directors**
Al-Abbas bin Ali Al Musaed	**Abdul Karim bin Muhammad Al-Nuhayer**	**Abdullah bin Owdah Al-Ghabin**

The accompanying notes from (1) to (34) form an integral part of these consolidated financial statements

ALJOUF CEMENT COMPANY
A Saudi Joint Stock Company
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals)

	Notes	For the year ended 31 December 2023	2022
Sales	29	**301,488,335**	251,861,520
Cost of sales	22	**(184,655,089)**	(178,428,983)
Gross profit		**116,833,246**	73,432,537
Selling and marketing expenses	23	**(5,676,472)**	(3,518,831)
General and administrative expenses	24	**(18,004,833)**	(11,466,412)
Operating profit		**93,151,941**	58,447,294
Finance cost	26	**(43,943,931)**	(30,901,264)
Cash flow adjustment gains	18	**9,835,244**	-
Losses from changes in the fair value of investment in equity instruments	11	**(550,002)**	(665,592)
Reverse in the value of property, plant and equipment	7	**4,406,171**	-
(Expense)/reverse of allowance for expected credit losses	13	**(1,291,478)**	3,400,000
Other income, net	25	**12,902,681**	6,010,791
Net profit for the year before zakat		**74,510,626**	36,291,229
Zakat expense	21	**(2,848,393)**	(5,397,315)
Zakat adjustments	21	**13,049,611**	-
Net profit for the year		**84,711,844**	30,893,914
Items of other comprehensive income			
Items that will be reclassified subsequently to profit or loss:			
Differences in translation of foreign currencies		-	-
Items that will not subsequently be reclassified to profit or loss			
Actuarial (losses)/Gains on re-measurement of end of service benefits	19	**(136,526)**	3,031,134
Total comprehensive income for the year		**84,575,318**	33,925,048
Earnings per share			
Basic and diluted earnings per share of net profit for the year	27	**0.78**	0,28

Chief Financial Officer	Managing director and CEO	Chairman of Board of Directors
Al-Abbas bin Ali Al Musaed	Abdul Karim bin Muhammad Al-Nuhayer	Abdullah bin Owdah Al-Ghabin

The accompanying notes from (1) to (34) form an integral part of these consolidated financial statement.

ALJOUF CEMENT COMPANY
A Saudi Joint Stock Company

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals)

	Note	Share capital	Statutory reserve	Fair value reserve	Retained earnings/(losses)	Foreign currency translation reserve	Total equity
For the year ended 31 December 2023							
Balance as at 1 January 2023		**1,087,000,000**	**54,475,832**	**(46,000,000)**	**40,861,759**	**(63,150)**	**1,136,274,441**
Net profit for the year		-	-	-	**84,711,844**	-	**84,711,844**
Items of other comprehensive income		-	-	-	**(136,526)**	-	**(136,526)**
Total comprehensive income		-	-	-	**84,575,318**	-	**84,575,318**
Transfer to statutory reserve	**16**	-	**8,471,184**	-	**(8,471,184)**	-	-
Balance as at 31 December 2023		**1,087,000,000**	**62,947,016**	**(46,000,000)**	**116,965,893**	**(63,150)**	**1,220,849,759**
For the year ended 31 December 2022							
Balance as at 1 January 2022		1,430,000,000	51,386,441	(46,000,000)	(332,973,898)	(63,150)	1,102,349,393
Net profit for the year		-	-	-	30,893,914	-	30,893,914
Item of other comprehensive income		-	-	-	3,031,134	-	3,031,134
Total comprehensive income		-	-	-	33,925,048	-	33,925,048
Transfer to statutory reserve	**16**	-	3,089,391	-	(3,089,391)	-	-
Share capital decrease	**3-1**	(343,000,000)	-	-	343,000,000	-	-
Balance as at 31 December 2022		1,087,000,000	54,475,832	(46,000,000)	40,861,759	(63,150)	1,136,274,441

Chief Financial Officer	**Managing director and CEO**	**Chairman of Board of Directors**
Al-Abbas bin Ali Al Musaed	**Abdul Karim bin Muhammad Al-Nuhayer**	**Abdullah bin Owdah Al-Ghabin**

The accompanying notes from (1) to (34) form an integral part of these consolidated financial statements.

ALJOUF CEMENT COMPANY
A Saudi Joint Stock Company
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals)

	Notes	For the year ended 31 December 2023	2022
Operating activities			
Net profit for the year before zakat		**74,510,626**	36,291,229
Adjustments:			
Depreciation of property, plant and equipment	7	**45,208,535**	32,076,618
Losses on disposal of property, plant and equipment	25	**4,599,997**	78,198
Reverse impairment provision of property, machinery and equipment	7	**(4,406,171)**	-
Amortization of intangible assets	8	**376,525**	376,525
Depreciation of right-of-use assets	9	**188,562**	211,026
Gains from disposal of right-of-use assets	25	-	(29,464)
Losses from changes in the fair value of investment in equity instruments	11	**550,002**	665,592
Reverse impairment provision for slow moving inventory	12	**(12,087,659)**	-
Expense/(reverse) allowance for expected credit losses	13	**1,291,478**	(3,400,000)
Reverse impairment provision in the value of Prepayments and other receivables	14	**(4,608,273)**	(7,001)
Cash flow adjustment gains	18	**(9,835,244)**	-
Quarry exploitation fees up to the date of the settlement agreement	18	**3,905,424**	13,161,410
End of service benefits for employees	19	**1,051,504**	1,771,050
Finance cost	26	**43,943,931**	30,901,264
		144,689,237	112,096,447
Changes in Operating assets and liabilities:			
Inventory		**(58,774,772)**	(13,362,919)
Trade receivables		**(58,240,453)**	(25,801,191)
Prepayments and other receivables		**4,023,407**	(6,680,564)
Trade and other payables		**37,466,855**	5,440,161
Cash from operation		**69,164,274**	71,691,934
Employees' end-of-service benefits paid	19	**(1,103,515)**	(1,419,165)
Zakat paid	21-a	**(800,000)**	(5,000,294)
Payment of quarry exploitation fees	18	**(600,000)**	-
Net cash flows generated from operating activities		**66,660,759**	65,272,475
Cash flow from investing activities			
Purchase of property, plant and equipment	7	**(37,772,288)**	(3,510,275)
Proceeds from sale of investment in equity instruments at FVTPL	11	**7,958,561**	-
Proceeds from sale of property, plant and equipment		**500,000**	935,167
Net cash flows used in investing activities		**(29,313,727)**	(2,575,108)
Cash flow from financing activities			
Paid from credit facilities	17	**(59,959,528)**	(38,251,097)
Received from credit facilities	17	**55,750,000**	10,000,000
Payment of a provision against guarantee credit facilities	10	**(3,913,920)**	(9,955,000)
lease liabilities paid	1-9	**(208,500)**	(206,927)
Financing costs paid	17	**(34,484,511)**	(20,423,116)
Net cash flows used in financing activities		**(42,816,459)**	(58,836,140)
Net change in cash and cash equivalents		**(5,469,427)**	3,861,227
Cash and cash equivalents at the beginning of the year		**16,977,082**	13,115,855
Cash and cash equivalents at the end of the year		**11,507,655**	16,977,082
Non-cash transactions	33		

Chief Financial Officer	Managing director and CEO	Chairman of Board of Directors
Al-Abbas bin Ali Al-Musaed	Abdul Karim bin Muhammad Al-Nuhayer	Abdullah bin Owdah Al-Ghabin

The accompanying notes from (1) to (34) form an integral part of these consolidated financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

1- OVERVIEW ABOUT THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS ACTIVITIES:

1.1 Establishment of the Company

Al-Jouf Cement Company ("the Company") is a Saudi joint stock company, established under License No. 25 of the Ministry of Commerce and Industry dated 11 Muharram 1426 (corresponding to February 20, 2006) and registered in the city of Riyadh under Commercial Registry No. 1010225259 dated 1 Dhul-Qi'dah 1427 (Corresponding to November 22, 2006) and Industrial License No. 25 dated Muharram 11, 1426 (corresponding to May 20, 2005) and renewed under No. 1042 dated Rabi' al-Thani 8, 1437 (January 18, 2016). The company operates under a materials quarry license in accordance with the mining system issued by Royal Decree No. 59/Q, dated 3 Rajab 1428 (corresponding to July 17, 2007). Its duration is (30) thirty Hijri years starting from the date of the license, and the company has the right to request renewal of this license for a similar period with the approval of the Ministry of Industry and Mineral Resources.

These consolidated financial statements include the assets, liabilities, and business results of its subsidiary, which are as follows:

Company Name	Country of incorporation	Ownership percentage	Main activities
Al-Jouf Cement Company, Jordan	the Hashemite Kingdom of Jordan	**100%**	Import, export, wholesale and retail trade in Al-Jouf Cement Company products.
Al-Jouf Investments Company	Kingdom of Saudi Arabia	**100%**	Wholesale and retail trade of cement and its derivatives, commercial undertakings, import and export services, and marketing for others.
Jahez Al-Jouf Company	Kingdom of Saudi Arabia	**100%**	Wholesale of cement and the like, and land transportation of goods.

1.2 The nature of the company's activity

The company's activity is the production of ordinary cement (Portland), the manufacture of salt-resistant cement, the manufacture of white cement, the manufacture of agglomerated cement (clinker), and the manufacture of pozzolanic cement.

1.3 Company Capital

The capital of the Company as at 31 December 2023 comprised 108.7 million shares stated at SR 10 per share (2022: 108.7 million shares at SR 10 per share).

The shareholders of the Company at the Extraordinary General Assembly held on 2 Safar 1444H (corresponding to 29 August 2022) approved the decrease of Company's capital from SR 1,430 million to SR1,087 million by decreasing the number of shares from 143.0 million shares to 108.7 million shares amounting SR 10 per each share to absorb the Company's accumulated losses of SR 343 million. The legal formalities have been completed to reflect this decrease.

1- OVERVIEW ABOUT THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS ACTIVITIES (CONTINUED):

1-4 Climate change

The group has prepared a strategic plan for sustainability, such as increasing the efficiency of heavy fuel consumption in production lines and increasing the efficiency of emission filters with the aim of reducing the amounts of carbon emitted from production lines. The group has also started an electrical connection project. The strategic plan includes the following:

1- Maintenance of production lines and energy efficiency, which in turn will reduce the percentage of fuel used for production by 25% per ton.

2- Using environmentally friendly natural materials, which in turn will reduce the percentage of fuel used for production by 11% per ton.

3- The electrical connection project and the use of natural gas, which they initiated, will lead to a decrease in the percentage of fuel used for production by 25% per ton.

The group's management expects to exceed the strategy's target before the end of 2030.

2. Going concern

The condensed consolidated financial statements have been prepared on the basis of a going concern principle, which assumes that the Group will continue its business for the foreseeable future. As disclosed in the interim condensed consolidated financial statements, the Group's current liabilities exceeded its current assets by SAR 22.8 million as at 31 December 2023 (31 December 2022: SAR 84.9 million). The Group's management has appointed a consulting firm to restructure its loans and the loan restructuring process is expected to be completed during the year 2024. The Group's management will also consider the option of increasing the company's capital through the issuance of rights issues in light of the results of the loan restructuring process. The success of the loan restructuring process depends mainly on the approval of the lenders and the success of the capital increase depends on the approval of the regulators and There is a demand among investors in the financial market. The Group's management believes that the Group's failure to restructure loans and its failure to raise capital is excluded from its point of view and the management is confident of its ability to reduce costs, increase quantities sold and improve prices based on increased demand.

However, the management acknowledges that the Group's need for others approval in both matters indicates a material uncertainty that may raise significant doubts about the Group's viability as a going concern. The Group's management is fully confident in the success of the loan restructuring process as well as in its ability to obtain the necessary regulatory approvals to increase its capital if required and therefore these consolidated financial statements have been prepared on the basis of the principle of going concern.

3. Basis of preparation

3.1 Statement of Commitment

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (hereinafter referred to as the International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia).

3.2 Preparing financial statements

The consolidated financial statements are prepared on a historical cost basis, except for the following significant items included in the statement of consolidated financial position:

- The investments in equity instruments that are measured at fair value through other comprehensive income, which are measured at fair value.
- The investments in equity instruments that are measured at fair value through profit or loss, which are measured at fair value.
- End of service benefits for employees using the expected unit credit method.
- Provision for the rehabilitation of areas subject to a concession license which is measured at present value.

These Consolidated financial statements are presented in Saudi Riyals ("SAR"), which is the functional and presentation currency of the Group.

4. BASIS OF CONSOLIDATETION OF FINANCIAL STATEMENT

The consolidated financial statements include the financial statements of the company and its subsidiary (together referred to as the "Group") located in the Kingdom of Saudi Arabia as on December 31, 2023.

Subsidiary Company Name	Country	Legal Entity	Ownership as of December 31, 2023
Al-Jouf Cement Company, Jordan	Kingdom of Jordan	Limited liability	100%
Al-Jouf Investments Company	Kingdom of Saudi Arabia	Limited liability	100%
Jahez Al-Jouf Company	Kingdom of Saudi Arabia	Limited liability	100%

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through the exercise of its power over the investee. In particular, the Group controls an investee only when it has:

- Has power over the investee (having rights to give the group the ability to direct the activities related to the investee company).

4. BASIS OF CONSOLIDATETION OF FINANCIAL STATEMENT (CONTINUED)

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

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Group.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

(All amounts in Saudi Riyals unless otherwise stated)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 New standards, amendments to standards, and interpretation

New and amended IFRS standards issued and effective in the year 2023

The following amendments to standards relevant to the Company are effective for the annual periods beginning on or after January 1, 2023 (unless otherwise stated). The Company adopted these standards and / or amendments, however, there is no significant impact of these on the financial statements:

Amendments to standards	Description	Effective from accounting period beginning on or afte	Summary of amendment
IFRS 9 (Amendments to IFRS 4)	Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	January 1, 2023	The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
IFRS 17	Insurance Contracts and its amendments	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 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	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023	These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences
IAS 12	International tax reform (pillar two model rules)	January 1, 2023	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New and amended IFRS Standards issued but not yet effective.

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

IAS 1	Classification of liabilities as current or non-current	January 1, 2024	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.
IFRS 16	Leases on sale and leaseback	January 1, 2024	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024	These amendments require to add disclosure requirements to enhance transparency of supplier finance arrangements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.
IAS 21	Lack of Exchangeability	January 1, 2025	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.2 Financial instruments

The Group initially recognises financial instruments on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost

The classification depends on the group's business model for managing the financial assets and the contractual terms of the cash flows.

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The group has the following financial assets:

Financial Assets at Amortised Cost

Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI") are measured at amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost and not part of a hedging relationship is recognised in the consolidated statement of profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method through consolidated statement of profit or loss.

Financial assets at fair value through other comprehensive income

The debt instrument is measured at fair value by other comprehensive income only if it meets the following conditions and is not recognized at fair value through consolidated statement of profit and loss:

- The asset is held in a business model that is designed to hold assets to collect contractual cash flows and sell the financial assets.
- The contractual terms of the financial asset lead on specific dates to cash flows that are only the payments from the principal amount and interest on the principal amount due.

Debt instruments measured at fair value through other comprehensive income are subsequently measured at fair value while recognizing the profits and losses resulting from changes in fair value in other comprehensive income. Financing income, foreign exchange gains and losses are carried at the consolidated statement of profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.2Financial instruments (Continued)

Financial assets at fair value through changes in the consolidated (Continued)

Equity instruments: On initial recognition, to invest in non-traded shares, the Group may apply an irrevocable option to make subsequent changes in fair value in other comprehensive income. The presented amounts in other comprehensive income are not subsequently transferred to the consolidated statement of profit or loss.

Financial assets at fair value through changes in the consolidated statement of profit or loss

All other financial assets are classified as measured at fair value through the consolidated statement of profit or loss (for example: shares held for trading and debt securities that are not classified based on amortized cost or at fair value through other comprehensive income).

Impairment of financial assets

For accounts receivables, the group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Expected loss rates were derived from historical information of the group and are adjusted to reflect the expected future outcome.

Financial liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the group becomes a party to the contractual provisions of the instrument.

Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

The group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial liabilities of the group comprise of lease liability, Trade Payables and Accruals and other payables.

Amortized cost for financial asset or liability

The amortized cost of a financial asset or a financial liability is the amount at which the financial asset or financial liability is measured at initial recognition less prepayments of the principal amount, plus or less the cumulative amortization using the effective interest method of any difference between that initial amount and the amount at the accrual date.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3 Revenue recognition

Revenue represents the fair value of the consideration received from cash customers or due from credit customers for the goods sold, net after deducting returns, trade discounts, and rebates granted to customers. Within the framework of the five steps specified by International Financial Reporting Standard No. (15), they are:

Step (1) – Identify the contract(s) with the client: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and specifies the standards that must be met for each contract.

Step (2) - Determine 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 compensation that the company expects to receive in exchange for transferring the goods or services promised to the customer, excluding amounts collected on behalf of other parties.

Step (4) - Distributing the transaction price to the performance obligations in the contract: For a contract that includes more than one performance obligation, the Group will distribute the transaction price to each performance obligation in an amount that determines the amount of contract consideration that the Group expects to receive in exchange for fulfilling each of the performance obligations.

Step (5) – Revenue is recognized when (or whenever) the entity satisfies the performance obligation.

The Company satisfies a performance obligation and recognizes revenue when the customer gains control of the merchandise at a specified point in time (i.e., when the merchandise is delivered and acknowledged), and the merchandise is sold at significant discounts retrospectively based on total sales over a 12-month period. Revenue from these sales is recognized based on the price specified in the contract less the estimated volume of discounts. Accumulated experience is used to estimate and provide discounts using expected value and revenue is recognized to the extent it is highly probable that there will be no material reversal. The related liabilities (included under trade payables and other payables) are recognized for expected discounts on amounts due to customers in respect of sales made during the year.

The company sells bulk and packaged cement, under specific and independent sales invoices concluded with customers. There is no existing financing component as sales are made either in cash or term debt in line with market practice.

<u>Selling goods</u>

For invoices with customers where the sale of cement is generally expected to be a performance obligation by the Group, revenue from the sale is recognized at the point in time when control of the asset is transferred to the customer at a specified point in time, which is usually upon delivery.

<u>The Group takes into account the indicators mentioned below in evaluating the transfer of control of the asset to the customer:</u>

- The group has a right to payment for the asset.

- The customer has legal ownership of the asset.

- The group has transferred actual ownership of the asset.

- The client bears the significant risks and rewards of ownership of the asset.

- Customer acceptance of the asset.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The acquisition cost of an asset includes all costs related to the acquisition of the asset. The cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges related to purchases of property, plant and equipment. The cost includes expenses directly attributable to the acquisition of the asset until its maturity date. Any gain or loss on disposal of an item of property, plant and equipment is recognized in the consolidated statement of profit or loss. Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and can be measured reliably.

Capital spare parts

The Group classifies capital spare parts into critical spare parts (strategic spare parts) and general spare parts, using the following guidelines:

• Critical spare parts are the part intended for urgent use, which is likely to be a major item/part that should be kept on hand to ensure continuous operation of production equipment. They are usually only used when malfunctions occur, and are not generally expected to be used routinely. Depreciation of important spare parts begins immediately from the date of purchase.

• General spare parts are other major spare parts that are not considered critical and are purchased in advance due to scheduled replacement plans (in line with the scheduled maintenance program) in order to replace existing major spare parts with new operable parts. These terms are deemed “available for use” only at a future date. Then the depreciation process begins when it is installed as a replacement part. The depreciation period for such general capital parts is over their useful life or the expected remaining useful life of the associated equipment, whichever is less.

The Group has spare and strategic spare parts that must be available for its two production lines, which are classified under machinery and equipment and depreciated over the life of the associated asset. The useful life of property, machinery and equipment is reviewed at the end of each year, and in the event that the expected useful life differs from what was previously estimated, the remaining book value is depreciated on the remaining useful life after the re-estimation, starting from the year in which the re-estimation was made. The cost less the estimated residual value is depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual depreciation rates:

Clause	Productive life	Salvage value
Machinery and Equipment	40 years	10%
Buildings	40-50 years	-
Roads	50 years	-
Vehicles	4-10 years	-
Furniture and fixtures	5-10 years	-
Tools	4 years	-
Strategic spare parts	40 years	-

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5-4 Property, plant and equipment

Capital works in progress

Land and capital work in progress are not depreciated.

Assets under construction or development are capitalized under capital work in progress. Assets under construction or development are transferred to the appropriate category of property, plant and equipment or intangible assets (depending on the nature of the project), when the asset reaches the location and/or condition necessary to be able to operate in the manner intended by management. The cost of the capital work-in-progress item includes the purchase price, construction/development cost, and any other costs directly related to the construction or acquisition of the capital work-in-progress item that are deemed by management. Costs associated with testing capital work-in-progress items (before they are 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.

The residual value, useful lives of assets and impairment indicators are reviewed at the end of each financial year and adjusted prospectively, when necessary.

If significant parts of an item of property, plant and equipment have different useful lives then they are accounted for as separate items of property, plant and equipment.

5.5 Leases

The group assesses whether a contract is a lease or contains a lease. The contract is a lease or contains a lease if it gives the right of use a specific asset for a period of time in exchange for a compensation.

Right-of-use assets and lease liabilities

Assets and liabilities arising from a lease are initially measured on a present value basis.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and - restoration costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.5 Leases (continued)

Right-of-use assets are measured at cost comprising the following (continued):

The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated Statement of Profit or Loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items relating to office equipment.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

In determining the lease term, the management generally considers certain factors including historical lease durations and major improvements to leased properties over the lease term that have significant economic benefit to the Group's operations, the importance of the leased asset to the Group's operations, and whether alternatives are available to the Group and business disruptions that require the replacement of the leased asset.

5.6 Intangible assets

Intangible assets that include software programs, which acquired by the group and have a finite useful life (5 years), are measured at cost less accumulated amortization and any accumulated impairment losses.

The group applies annual depreciation rates to its intangible assets:

- Software licenses 20%

Subsequent expenditure

Subsequent expenditure are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenses incurred internally are recognized in the consolidated profit or loss when incurred.

Amortization

Amortization is charged to the cost of intangible assets less the residual value using the straight-line method over their estimated useful lives, and recognized in the consolidated statement of profit or loss.

The residual values of intangible assets, their useful lives and impairment indicators are reviewed at the end of each financial year and adjusted prospectively where necessary.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.7 Impairment of non-financial assets

Non-financial assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss or reversal of impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of consolidated profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash- generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss.

5.8 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost comprises all direct manufacturing expenditure based on the normal level of activity and transportation and handling costs. Net realisable value comprises estimated selling price less further production costs to completion and appropriate selling and distribution costs. Allowance is made, where necessary for slow moving inventories. Cost of inventories is recognised as an expense and included in cost of sales.

Net realizable value and inventory allowance estimate

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and selling. Net realizable value is usually measured individually for inventory write-offs, when items related to the same product line (and have the same purpose and end use) are produced and marketed in the same geographic region.

Writing off inventory below cost to arrive at net realizable value is consistent with IFRS, where assets should not be recognized for more than the amounts expected to be realized from their sale.

5.9 Cash and cash equivalents

For the purpose of statement of financial position, cash and bank balances include bank balances, cheques in hand and deposits with original maturities of three months or less, if any.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.10 Zakat provision

Zakat is provided for in accordance with General Authority of Zakat and Tax and Customs ("ZATCA") regulations. Adjustments arising from final zakat assessments are recorded in the period in which such assessments are made.

5.11 Employee Retirement benefits

Employee Retirement benefits are payable to all employees employed under the terms and conditions of the Labour Laws applicable on the group, on termination of their employment contracts.

The group's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in current and prior periods and discounting that amount to arrive at present value.

The group sets the assumptions used in determining the key elements of the costs of meeting such future obligations. These assumptions are set after consultation with the group's actuaries and include those used to determine regular service costs and the financing elements related to the liabilities. The calculation of defined benefit obligation is performed by a qualified actuary using the projected unit credit method.

Re-measurement of defined benefit liability, which comprise of actuarial gains and losses are recognised immediately in the consolidated statement of other comprehensive income. The group determines interest expense on the defined benefit obligation for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, considering any change in the net defined benefit obligation during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit are recognised in the consolidated statement of profit or loss.

5.12 Provisions

Provisions are recognized when the group has:

- A legal or constructive obligation resulting from past events;
- It is probable that an influx of resources will be required to settle the obligation in the future; And
- The amount can be estimated reliably.

If the effect of the time value of money is 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.

If there are a number of similar obligations (for example, product guarantees, similar contracts or other provisions), the probability that an outflow will be required for settlement is determined on the basis of the class of obligations as a whole. Although the probability of a cash outflow for an item may be small, it may be possible that some cash inflows will be needed to settle the class of liabilities as a whole. Provisions are measured at the present value of the expenses expected to be used to settle the obligation. A pre-tax discount rate is used that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.13 Statutory reserve

In accordance with Company's by-laws and the Regulations for Companies in Kingdom of Saudi Arabia, the group is required to recognise a reserve comprising of 10% of its profit for the year. This reserve is currently not distributable to the Shareholders.

5.14 Earnings per share

Basic and diluted earnings per share (if any) are presented for ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the group by the weighted average number of ordinary shares outstanding during the year, adjusted by the number of ordinary shares repurchased or issued during the period. The diluted earnings per share are adjusted by adjusting the profit or loss attributable to ordinary equity holders of the group and the weighted average number of shares outstanding during the year with the effect of all potential dilutive ordinary shares.

5.15 Segmental reporting

Operating segment is a component of the group that engages in business activities from which it earns revenue and incurs costs including income and expenses related to transactions with any other elements of the group.

5.16 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the group is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industrial group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value, the group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.17 Foreign currency translation

Transactions conducted during the year in foreign currencies are converted into Saudi riyals at the prevailing exchange rates on the date of the transactions. The balances of monetary assets and liabilities recorded in foreign currencies are retranslated at the prevailing exchange rates on the date of the consolidated statement of financial position. Gains and losses from settlement and translation of foreign currency transactions are included in the statement consolidated profit or loss.

5.18 Dividends

Dividends are recorded in the consolidated financial statements in the year in which the General Assembly of Shareholders approves these distributions.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

6-1 Changes in accounting estimates

The Group 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.

6-2 Critical Judgments And Key Sources Of Estimation Uncertainty

The preparation of the consolidated 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.

6.SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

6-2 Critical Judgments And Key Sources Of Estimation Uncertainty (continued)

6-2-1 Critical judgements in applying accounting policies

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

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

The Group 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.

Going concern

The Group'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 Group's ability to continue as a going concern. Therefore, the Group's consolidated financial statements continue to be prepared on the going concern basis.

6-2-2 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:

6.SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

6-2 Key judgments and sources of estimation uncertainty (continued)

6-2-2 Main sources of uncertain estimates (continued)

Lease payment discount

The Group 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 Group 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 Group '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 Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity specific estimates.

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.

6.SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

6-2 Key judgments and sources of estimation uncertainty (continued)

6-2-2 Main sources of uncertain estimates (continued)

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 Group 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.

Estimated useful life of property, plant and equipment

The cost of property, plant and equipment depreciated over the estimated useful life of the asset based on the expected use and obsolescence of the asset, the maintenance and repair program, technical obsolescence and the recoverable value considerations of the asset. Management reviews the residual value of property, plant and equipment and useful lives annually and change in depreciation charges where the management believe that the useful life differs than the past estimates.

Strategic and reserve spare parts

The group maintains strategic and reserve spare parts inventory for two production lines in its plant, which the management aims to maintain for longer periods more than one year. The management believes that all spare parts will be provided with future economic benefits from the future use of all property, plant and equipment. The management reviews spare parts that are in reserve equipment, which should be available as needed and depreciated with the estimated useful life of the associated asset.

6.SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

6-2 Key judgments and sources of estimation uncertainty (continued)

6-2-2 Main sources of uncertain estimates (continued)

Actuarial valuation of employees' end of service benefits liabilities

The employees' end-of-service benefits liability is determined according to a defined unfunded benefit plan and measured using actuarial evaluation. Actuarial evaluation includes many assumptions that may differ from the actual future developments. These assumptions include the determination of the discount rate and future salary increases and turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit liability is highly sensitive to changes in these assumptions. Thus, all assumptions are reviewed once a year or more often, as deemed necessary.

Provision for rehabilitation of areas subject to franchise license

The provision for rehabilitation of areas subject to franchise license is recognised at the present value of the expected cost of rehabilitation of the site and the group 's factory land. The current value of the provision estimated at the expected present value of the end of the factory lifespan, and the group relied on the renewal of the current quarry license after its expiry at the initial measurement of the current value of the provision.

Allowance for impairment for trade receivables

The Group 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 Group 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 sub-sequent to the consolidated statement of financial position date to the extent that such events confirm conditions existing at the end of year.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly trans-action between market participants at the measurement date. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 'Inventories' or value in use in IAS 36 'Impairment of Assets', where applicable.

6.SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

6-2 Key judgments and sources of estimation uncertainty (continued)

6-2-2 Main sources of uncertain estimates (continued)

Valuation techniques

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3	Inputs for assets or liability that are not based on observable market data (unobservable inputs).

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.

(All amounts in Saudi Riyals unless otherwise stated)

7. Property, plant, and equipment

	Machinery and Equipment	Strategic spare parts	Buildings	Roads	Vehicles	Furniture and office equipment	Total
Cost:							
Balance as at 1 January 2022	1,764,177,112	12,991,656	371,299,276	90,478,595	27,261,245	14,091,938	2,280,299,822
Additions during the year	2,458,468	-	412,054	-	-	639,753	3,510,275
Transferred from inventory	-	-	4,675,132	-	-	-	4,675,132
Disposals	-	(1,619,896)	-	-	(2,502,424)	(26,650)	(4,148,970)
Balance as at 31 December 2022	**1,766,635,580**	**11,371,760**	**376,386,462**	**90,478,595**	**24,758,821**	**14,705,041**	**2,284,336,259**
Additions during the year	**18,415,130**	**15,012,791**	**1,648,820**	**-**	**1,940,266**	**755,281**	**37,772,288**
Disposals	**(8,794,379)**	**(2,039,523)**	**-**	**-**	**(1,520,200)**	**(902,128)**	**(13,256,230)**
Transferred between assets	**731,170**	**(731,170)**	**-**	**-**	**-**	**-**	**-**
Adjustments	**(319,133)**	**-**	**-**	**-**	**-**	**-**	**(319,133)**
Balance as at 31 December 2023	**1,776,668,368**	**23,613,858**	**378,035,282**	**90,478,595**	**25,178,887**	**14,558,194**	**2,308,533,184**
Accumulated depreciation:							
Balance as at 1 January 2022	351,868,640	7,422,531	126,764,629	30,914,399	14,127,138	12,034,675	543,132,012
Depreciation during the year	20,072,697	1,150,423	6,659,884	2,442,888	1,053,515	697,211	32,076,618
Disposals	-	(1,133,927)	-	-	(1,975,032)	(26,646)	(3,135,605)
Balance as at 31 December 2022	**371,941,337**	**7,439,027**	**133,424,513**	**33,357,287**	**13,205,621**	**12,705,240**	**572,073,025**
Depreciation during the year	**35,507,121**	**4,524,733**	**2,089,792**	**491,854**	**2,169,929**	**425,106**	**45,208,535**
Disposals	**(3,703,440)**	**(2,039,523)**	**-**	**-**	**(593,531)**	**(894,033)**	**(7,230,527)**
Adjustments	**(319,133)**	**-**	**-**	**-**	**-**	**-**	**(319,133)**
Reverse to decline in value	**(4,406,171)**	**-**	**-**	**-**	**-**	**-**	**(4,406,171)**
Balance as at 31 December 2023	**399,019,714**	**9,924,237**	**135,514,305**	**33,849,141**	**14,782,019**	**12,236,313**	**605,325,729**
Net book value:							
As at 31 December 2023	**1,377,648,654**	**13,689,621**	**242,520,977**	**56,629,454**	**10,396,868**	**2,321,881**	**1,703,207,455**
As at 31 December 2022	1,394,694,243	3,932,733	242,961,949	**57,121,308**	11,553,200	**1,999,801**	1,712,263,234

- The company exploits raw materials quarries leased from the Ministry of Industry and Mineral Resources under a raw materials quarry license for a period of 30 Hijri years, starting from Rajab 3, 1428 AH, corresponding to July 17, 2007.

- The company entered into a loan agreement with the Saudi Industrial Development Fund. This loan is secured by a mortgage on all property, plant and equipment of the factory.

(All amounts in Saudi Riyals unless otherwise stated)

7.Property, plant, and equipment (continued)

Depreciation expense was distributed as follows:	**2023م**	2022م
Cost of manufacturing	**43,896,279**	30,932,991
Selling and marketing expenses (note 23)	**767,978**	676,207
General and administrative expenses (Note 24)	**544,278**	467,420
	45,208,535	32,076,618

- During the year 2023, management conducted an impairment test for machinery and equipment as of December 31, 2023. For the purposes of assessing impairment, management used a discount rate of 9.52% and a cumulative growth rate of 2.5%. This resulted in a reversal of impairment in the amount of 4.4 million Saudi riyals. The reversal of impairment is recognized in the consolidated statement of profit or loss. The recoverable amount as of December 31, 2023 is based on value in use.

8. Intangible assets

	Software	**Total**
Cost:		
Balance as at 1 January 2022	1,882,625	1,882,625
Balance as at 31 December 2022	1,882,625	1,882,625
Balance as at 31 December 2023	**1,882,625**	1,882,625
Accumulated depreciation:		
Balance as at 1 January 2022	-	-
Depreciation	376,525	376,525
Balance as at 31 December 2022	**376,525**	**376,525**
Depreciation	**376,525**	**376,525**
Balance as at 31 December 2023	**753,050**	**753,050**
Net book value:		
As at 31 December 2023	**1,129,575**	**1,129,575**
As at 31 December 2022	1,506,100	1,506,100

- Consumption expense for the year ending December 31, 2023 was distributed in the amount of SR 376,525 within the industrial costs of production (2022: SR 376,525).

(All amounts in Saudi Riyals unless otherwise stated)

9.Right - of - use assets

	leased building	Total
Cost:		
Balance as at 1 January 2022	791,249	791,249
Disposals	(791,249)	(791,249)
Balance as at 31 December 2023	-	-
Additions	**565,686**	**565,686**
Balance as at 31 December 2023	**565,686**	**565,686**
Accumulated depreciation:		
Balance as at 1 January 2022	230,215	230,215
Depreciation	211,026	211,026
Disposals	(441,241)	(441,241)
Balance as at 1 January 2023	-	-
Depreciation	**188,562**	**188,562**
Balance as at 31 December 2023	**188,562**	**188,562**
Net book value:		
Balance as at 31 December 2023	**377,124**	**377,124**
Balance as at 31 December 2022	-	-

- The depreciation expense for the year ending December 31, 2023 was distributed in the amount of SR 188,562 within general and administrative expenses (2022: SR 211,026).

9-1 Lease contract obligations

The movement in lease liabilities for the years ending December 31 was as follows:

	2023م	2022م
As of 1 January	**-**	561,034
Additions	**565,686**	-
Disposals	**-**	(379,472)
Interest accrual	**36,088**	25,365
Paid	**(208,500)**	(206,927)
As of 31 December	**393,274**	-
Less current portion	**204,712**	-
Non-current portion	**188,562**	-

(All amounts in Saudi Riyals unless otherwise stated)

10- Investment in equity instruments non-listed at fair value through other comprehensive income

	Ownership percentage		As of December 31	
	2023م	2022م	**2023م**	2022م2022م
Eastern Industrial Company (EIC) - Closed Saudi Joint Stock Co. (10-1)	%10	%10	**46,000,000**	46,000,000
Less: Fair value reserve for investment in Eastern Industrial Company (10-2)			**(46,000,000)**	(46,000,000)
			-	-

10-1 The group owns 10% of Eastern Industrial Company (a closed Saudi joint stock company), and the group does not have any effective control or influence over this company.

10-2 During the previous years, the group reduced the value of the investment to zero through the investment fair value reserve in the statement of equity as a result of the company incurring accumulated losses in addition to the shareholders' decision to liquidate the company. A liquidator was appointed to carry out the liquidation work, but the liquidator did not continue his mission. The last financial statements issued and received from Eastern Industrial Company were the financial statements for the year 2019.

10-3 On 21 Jumada II 1443 H, corresponding to January 24, 2022 , a demand was received from the Saudi Industrial Development Fund to pay the amount of 49,549,920 Saudi riyals, due to the default of the Eastern Industrial Company, an investee company, as Al-Jouf Cement Company guaranteed this part of the loan in 2013, and accordingly The Group recorded the full amount in the year ending December 31, 2021 under the provision for a loan guarantee, and part of the loan was repaid during the years ending December 31, 2022 and December 31, 2023, with amounts of 3,913,920 Saudi riyals and 9,955,000 Saudi riyals, respectively.

The Saudi Industrial Development Fund filed a lawsuit against the group to demand that it pay this amount, and the court issued a non-final ruling to seize the amount required to pay the amount of debt, and during the year ending on December 31, 2023, a ruling was issued in favour of the group to lift the seizure on its funds due to the presence of a formal defect in the guarantee provided by the group. For the benefit of the Industrial Development Fund. The remaining required amount of the claim amounted to 35,681,000 Saudi riyals. The group's management expects that the amount due to the fund will be paid through the announced liquidation.

10-4 The company's shareholders announced the liquidation of the company, and the bankruptcy trustee announced the ruling issued by the (First) Circuit of the Commercial Court in Dammam in Case No. (451000308) for the year 1445 H, dated 5 Shaban 1445 H, corresponding to February 15, 2024, ruling the opening of the liquidation procedure for the Eastern Industrial Company. Closed shareholding, commercial registration number (2050064674), and invites creditors to submit their claims within a period not exceeding (ninety) days from the date of the announcement.

10-5 On 9 Shaban 1445 H, corresponding to February 19, 2024, the group's general assembly authorized the Board of Directors to begin the procedures for filing a liability suit against 3 former members of the Board of Directors for their direct and indirect responsibility for the losses resulting from the investment in Eastern Industrial Company.

(All amounts in Saudi Riyals unless otherwise stated)

11- Investment in equity instruments listed at fair value through profit or loss

	As of 31 December	
	2023م	2022م
Units in KASB City Real Estate Fund	**-**	8,508,563
	-	8,508,563

The movement of equity instruments carried at fair value through profit or loss during the year is as follows:

	2023م	2022م2022م
Balance at the beginning of the year	**8,508,563**	9,174,155
Disposals	**(7,958,561)**	-
Losses on Change in fair value	**(550,002)**	(665,592)
Balance at the end of the year	**-**	8,508,563

The group owns one million units in the KASB City Real Estate Fund, with a fair value per unit amounting to SAR 9.49 million on 31 December 2022, and during the Year ended 31 December 2023. the group disposed the investment as a result of the liquidation of the fund, which resulted in realized losses as a result of Disposal.

12- Inventory

	As of 31 December	
	2023م	**2022م**
Raw materials	**7,378,013**	3,178,462
Finished products and products under manufacture	**154,177,796**	80,315,045
Spare parts	**57,611,306**	73,913,470
Fuel and consumables	**12,547,212**	15,532,578
	231,714,327	172,939,555
Less: Provision for slow moving inventory	**(6,507,585)**	(18,595,244)
	225,206,742	154,344,311

The movement on the provision for slow moving inventory during the year is as follows:

	2023م	**2022م**
Balance as of 1 January	**18,595,244**	18,595,244
Reverse of Provision	**(12,087,659)**	-
Balance as of 31 December	**6,507,585**	18,595,244

The reverse of the provision was recorded in other income (Note No. 25).

13-Trade receivables

	As at 31 December	
	2023م	**2022م**
Trade receivables	**116,139,577**	99,272,611
Provision for expected credit losses	**(10,399,107)**	(50,481,116)
	105,740,470	48,791,495

(All amounts in Saudi Riyals unless otherwise stated)

13-Trade receivables (continued)

The movement of allowance for expected credit losses is as follow:

	2023م	2022م
Balance as of 1 January	**50,481,116**	66,323,437
Charged/(Reversed) Provision	**1,291,478**	(3,400,000)
Write off (Note 13-1)	**(41,373,487)**	(12,442,321)
Balance as of 31 December	**10,399,107**	50,481,116

13-1 - The Group is working on reviewing the accounts of the trade debtors to evaluate and treat them in accordance with the systems, standards and authorities. Accordingly, the files of the indebtedness of the sale of the investee company and some of the trade debtors have been transferred to the competent authorities to preserve the rights of the group and ensure their collection. Therefore, in accordance with Board of Directors Resolution No. (4) for the year 2024 On 3 Ramadan 1445 , corresponding to March 13, 2024, and in accordance with the authority matrix approved by the Board of Directors, the balances of commercial debtors in the amount of 41,373,487 Saudi riyals were written off as of December 31, 2023 (2022 : nothing), with the follow-up of the collection of these amounts with the competent authorities.
Balances from three major customers represent 60% (2022: 35%) of total trade receivables.

14- Advance payments and other debit balances

	As of 31 December	
	2023م	**2022م**
Selling indebtedness of subsidiary invested in and other receivables	**-**	37,076,369
Advances to suppliers	**6,210,144**	18,544,393
Prepaid expenses	**7,717,011**	5,023,009
Clinker import support claims	**3,790,884**	3,790,884
Employee Receivables	**409,918**	702,493
Other	**508,955**	1,247,447
	18,636,912	66,384,595
Less:		
Impairment in the value of advance payments and other receivable balances	**-**	(48,332,549)
	18,636,912	18,052,046

The declining movement in the value of advance payments and other receivable balances during the year is as follows:

	2023م	**2022م**
Balance as of 1 January	**48,332,549**	48,339,550
Reversal of impairment (Note 14-1)	**(4,608,273)**	(7,001)
Written off (Note 14-2)	**(43,724,276)**	-
Balance as of 31 December	**-**	48,332,549

14-1 The reversal of impairment was recorded under other income (Note 25).

14-2 The Group is working on reviewing the accounts of advance payments and other debit balances to evaluate and treat them in accordance with the regulations, standards and authorities. Accordingly, the files of some advance payments and other debit balances have been transferred to the competent authorities to preserve the rights of the Group and ensure their collection. Therefore, in accordance with Board of Directors Resolution No. (4).) For the year 2024, on 3 Ramadan 1445 H, corresponding to March 13, 2024 , and in accordance with the authority matrix approved by the Board of Directors, the indebtedness balances of the sale of a company invested in a subsidiary and other receivables and prepaid expenses in the amount of SR 43,724,276 were written off as of December 31, 2023 (2022: SR 12,442,321) with follow-up. Collect these amounts with the competent authorities.

(All amounts in Saudi Riyals unless otherwise stated)

15-Cash and cash equivalents

	As at 31 December	
	2023م	2022م
Cash at banks - current accounts	**11,507,655**	16,977,082
	11,507,655	16,977,082

16-Statutory reserve

In accordance with the Companies Law and the Company's Articles of Association (Article 129), the Board of Director shall transfer 10% from the net profit of each year end to the statutory reserve, and the ordinary general assembly meeting of the Company could decide to cease such transfer when it reaches 30% from the share capital. This reserve is not available for dividends.

	As at 31 December	
	2023م	2022م
Balance at the beginning of the year	**54,475,832**	51,386,441
Component during the year	**8,471,184**	3,089,391
Balance at the end of the year	**62,947,016**	54,475,832

17-Credit facilities

The movement on credit facilities is as follows:

	As at 31 December	
	2023م	2022م
Balance as of 1 January	**606,969,282**	625,068,989
Payment of the principal of the loan	**(59,959,528)**	(38,251,097)
Additions to the principal of the loan	**55,750,000**	10,000,000
Finance costs accrued during the year	**42,413,281**	30,574,506
Financing costs paid	**(34,484,511)**	(20,423,116)
Balance as of 31 December	**610,688,524**	606,969,282

The sources of outstanding facilities at December 31 were as follows:

	Note	2023م	2022م
Long-term bank credit facilities		**498,474,569**	539,327,533
Short-term bank credit facilities	17-7	**38,547,524**	10,239,082
Total Credit facilities - local commercial banks		**537,022,093**	549,566,615
Industrial Development Fund facilities	17-4	**56,166,431**	57,402,667
Finance companies	17-5 ،17-7	**17,500,000**	-
		610,688,524	606,969,282

(All amounts in Saudi Riyals unless otherwise stated)

17-Credit facilities (continued)

Credit facilities - local commercial banks

	Note	2023م	2022م
Credit facilities - SABB Bank	17-1	**155,306,363**	170,452,259
Credit facilities - Alinma Bank (long-term)	17-2	**341,068,206**	353,168,889
Credit facilities - Alinma Bank (short-term)	17-7	**38,547,524**	10,239,082
Credit facilities - Bank Al Jazira	17-3	**2,100,000**	15,706,385
		537,022,093	549,566,615

The current and non-current portion of the credit facilities are presented as follows: -

	2023م	2022م
Long-term credit facilities – non-current portion	**415,959,754**	484,159,727
Long-term credit facilities – current segment	**148,978,770**	112,809,555
Short term credit facilities	**45,750,000**	10,000,000
	610,688,524	606,969,282

The maturity schedule for discounted credit facilities as of December 31 is as follows:

	2023م	2022م
less than one year	**194,728,770**	122,809,555
From one to two years	**66,000,000**	74,199,973
From two to three years	**68,871,420**	60,000,000
More than three years	**281,088,334**	349,959,754
	610,688,524	606,969,282

17-1 The group has credit facilities worth 184.5 million Saudi riyals from SABB Bank, the outstanding balance of which as of December 31, 2023 amounted to 155.3 million Saudi riyals. These facilities are guaranteed by a promissory note for the full value of the facilities. These facilities will be repaid in quarterly installments. The last installment for these facilities is due in April 2027.

17-2 The group has credit facilities worth 357 million Saudi riyals from Alinma Bank, the outstanding balance of which as of December 31, 2023 amounted to 341.1 million Saudi riyals. These facilities are secured by a second mortgage on the Group's property, machinery and equipment (Note 6). These facilities are repaid in semi-annual installments. The last installment for these facilities is due in August 2029.

17-3 The Group has credit facilities worth 37.5 million Saudi riyals from Bank Al Jazira, the outstanding balance of which as of December 31, 2023 amounted to 2.1 million Saudi riyals. These facilities are guaranteed by a promissory note for the full value of the facilities. Payment is due in six semi-annual installments starting in December 2020. The last installment has not been paid.

(All amounts in Saudi Riyals unless otherwise stated)

17-Credit facilities (continued)

17-4 The Group has a loan from the Industrial Development Fund whose balance as of December 31, 2023 amounted to 56.2 million Saudi riyals. This loan is secured by the mortgage of all real estate, machinery and equipment that are being constructed in the concession area granted to the company, located southeast of Turaif Governorate, on which the company's factory is located, with an area of 22.6 square kilo meters, along with the entire factory, its equipment, machinery, and all its annexes (note 6), and their net book value is as On December 31, 2023, the amount of 1.7 billion Saudi riyals, and according to the agreement, the last installment of this loan was due in the year 2017. On April 14, 2019, the group obtained a schedule for the remainder of the fund's dues in the amount of 87,500,000 Saudi riyals, divided into 11 installments, with the last installment amounting to 61,500,000 Saudi riyals to be paid in the year 2020, and the remainder of it, amounting to 56.2 million Saudi riyals, has not been paid to date.

17-5 During the year 2023, the company obtained facilities from Sukuk Financial Company in the amount of 10 million Saudi riyals, to be paid in quarterly installments. The last installment of these facilities is due in September 2025 in order to support operational activity. The company also obtained facilities from Manafa Finance Company in the amount of 7.5 One million riyals during the year 2023, to be paid in monthly installments, which are renewable facilities, in order to support operational activity.

17-6 Financial pledges

These credit facilities contain bank covenants, breach of which may result in renegotiation with lenders. These pledges are monitored on a periodic basis by the administration. In the event of a breach or potential violation of these pledges, measures are taken by the management to ensure the fulfilment of these pledges. Some of these pledges are linked to financial ratios, and due to non-compliance with some financial ratios according to the financial pledges included in the agreements with local banks and the Saudi Industrial Development Fund, the administration took the necessary measures with the local lending banks to ensure compliance and not demand urgent repayment of the full value of the loan.

17-7 Short-term credit facilities

During 2023, the group obtained banking facilities from Alinma Bank. The total credit limit for these loans amounted to 38.55 million Saudi riyals. These facilities are subject to a commission according to the prevailing market prices.

The short-term credit facilities also included bank facilities granted by Sukuk Financial Company in the amount of 7,500,000 Saudi riyals during the year 2023. These facilities are subject to a commission according to prevailing market rates.

The movement on short-term credit facilities is as follows:

	As at 31 December	
	2023م	2022م
Balance at the beginning of the year	**10,000,000**	-
Paid during the year	**(10,000,000)**	-
Additions during the year	**45,750,000**	10,000,000
Balance at the end of the year	**45,750,000**	10,000,000

(All amounts in Saudi Riyals unless otherwise stated)

18- Quarry exploitation fees

	Note	2023م	2022م
Balance as of 1 January		**45,010,344**	31,848,934
Additions up to the date of the agreement	18-1	**3,905,424**	13,161,410
		48,915,768	45,010,344
Paid		**(600,000)**	-
		48,315,768	45,010,344
Cash flow adjustment gains		**(9,835,244)**	-
Finance cost	26	**1,097,388**	-
Balance as of 31 December		**39,577,912**	45,010,344

The current and non-current portion of quarrying fees are presented as follows: -

	As at 31 December	
	2023م	2022م
Quarry exploitation fees - non-current portion	**36,011,759**	-
Quarry exploitation fees - the current portion	**3,566,153**	45,010,344
	39,577,912	45,010,344

18-1 On 11 Rabi' al-Awwal 1445, corresponding to September 26, 2023, and in accordance with the agreement signed between the company and the Ministry of Industry and Mineral Resources, the scheduling of the debt owed by the company till the first quarter of 2023 to the Ministry was approved without interest, with the first installment starting on September 1, 2023, and the last installment on March 1, 2028. This resulted in a cash flow adjustment gain of SAR 9,835,244.

Receivables for the year after the first quarter of 2023 are recognized as accrued expenses.

19-End of service benefits for employees

The Group's policy stipulates that all employees who complete a qualifying period of service are entitled to end-of-service benefits under the Labour Law in the Kingdom of Saudi Arabia.

The annual employee end-of-service benefit obligation is based on the actuarial evaluation, and the most recent actuarial evaluation was conducted by an independent expert appointed by the group's management, using the actuarial methodology for the projected credit unit as of December 31, 2023.

	2023م	**2022م**
Balance on 1 January	**8,386,180**	10,764,036
expense charged to the statement of profit or loss	**1,448,678**	2,072,443
Actuarial remeasurement charged to other comprehensive income	**136,526**	(3,031,134)
Paid	**(1,103,515)**	(1,419,165)
Balance on 31 December	**8,867,869**	8,386,180

(All amounts in Saudi Riyals unless otherwise stated)

19-End of service benefits for employees (continued)

	2023م	2022م
Current service costs	**1,051,504**	1,771,050
Interest costs	**397,174**	301,393
The cost charged to the statement of profit or loss	**1,448,678**	2,072,443

Actuarial Assumptions:

During the year actuarial valuations were performed under the projected unit credit method using the following significant assumptions:

	2023م	2022م
	year - %	year - %
Financial Assumptions:		
Discount rate	4.8%	5.2%
Salary increases rate	2.5%	3%
Demographic assumptions:		
Withdrawal rates	Moderate	Moderate
Retirement age	60 years	60 years

Actuarial sensitivity analysis to determine employees' end-of-service liability

Sensitivity analyzes are based on the change in assumptions while all other assumptions are held constant. In practice, this is unlikely to happen and some changes in some assumptions may be related to each other. When calculating the sensitivity of employees' end-of-service benefits to a fundamental actuarial assumption, the same method is applied (the present value of employees' end-of-service benefits is calculated on the basis of the unit credit cost method). estimated at the end of the reporting period) when calculating employee end-of-service benefits recognized in the consolidated statement of financial position as shown below:

		End-of-service compensation obligation for employees As at 31 December	
	Reasonable possible changes	**2023م**	**2022م**
Discount rate			
Increase	**%1+**	**8,090,379**	7,708,177
Decrease	**%1-**	**9,782,083**	9,184,258
Salary increase rate			
Increase	**%1+**	**9,794,558**	9,194,267
Decrease	**%1-**	**8,067,105**	7,688,602

(All amounts in Saudi Riyals unless otherwise stated)

20-Trade and other payables

	As at 31 December	
	2023م	**2022م**
Trade creditors	**82,724,021**	45,622,888
Accrued expense	**24,674,363**	19,117,183
Accrued rewards	**9,539,965**	3,629,264
Provision for government claims (Note 20-1)	**6,000,000**	10,000,000
Bookings for good execution of works	**138,863**	944,284
Discounts are due	**-**	7,727,686
Other payables	**2,541,000**	2,035,758
	125,618,212	89,077,063

20-1 The violation issued by the Committee for Adjudication of Competition System Violations No. (179) punishing the company with an amount of 10 million Saudi riyals, upheld by the Administrative Court of Appeal in Riyadh with Ruling No. (7752) for the year 1443 H. The Ministry, in its minutes No. (1254) dated 14 Muharram 1445 H, agreed to pay the debt amount in 10 equal monthly instalments. An amount of 4 million Saudi riyals was paid during the year 2023.

21-Provision for Zakat

A) The main elements of Zakat base are as follows:

	2023م	2022م
Balance as of 1 January	**35,130,601**	34,733,580
Charges	**2,848,393**	5,397,315
Adjustments in respect of zakat	**(13,049,611)**	-
Paid	**(800,000)**	(5,000,294)
Balance as of 31 December	**24,129,383**	35,130,601

B) Zakat assessment position

The holding company and its subsidiaries submitted their zakat returns until the year ending on December 31, 2022, and obtained a zakat certificate valid until April 30, 2024.

The holding company obtained a zakat assessment for the years from 2014 to 2018 in the amount of 34.3 million Saudi riyals. An objection was made and a partial acceptance was issued. The objection was submitted to the General Secretariat of Tax Committees and the committee's decision was issued for the years 2014 and 2015 to cancel the Authority's procedure for the year 2014. As for the year 2015, the company By submitting a request to appeal it, as for the remaining years from 2016 to 2018, no decision was issued by the committee until the date of issuing the consolidated financial statements.

The holding company obtained a Zakat assessment for the years from 2019 to 2020 in the amount of 3.4 million Saudi riyals. It was objected to by the Authority and a payment was made on account to complete the objection procedures. The objection was rejected by the Authority and the objection was submitted to the General Secretariat of Tax Committees and was not resolved. A decision will be issued by the committee until the date of issuance of the consolidated financial statements.

- During the year 2023, the management of the holding company conducted a complete study of the zakat situation through its zakat advisor based on the developments during the year 2023, through which it concluded that the company has the right to refund an amount of 13,049,611 Saudi riyals from the zakat allocation in exchange for the amounts expected to be recovered from those claims. Management is confident of its ability to recover this value of claims.

(All amounts in Saudi Riyals unless otherwise stated)

22-Cost of sales

The cost of sales represents consumable materials, salaries and wages, consumables and other supplies. As of December 31, 2023, the cost of materials disbursed from inventory amounted to 107.2 million Saudi riyals.

23-Selling and marketing expenses

	For the ended 31 December	
	2023م	**2022م**
Employee benefits	**4,908,494**	2,478,683
Depreciation	**767,978**	676,207
Other	**-**	363,941
	5,676,472	3,518,831

24- General and administrative expenses

	2023م	**2022م**
Employee benefits	**4,657,505**	3,540,975
Board members' remuneration	**7,623,271**	2,815,418
Professional fees	**1,052,485**	727,665
Depreciation	**544,278**	467,420
Depreciation of right-of-use assets (note 9)	**188,562**	211,020
Donations	**72,000**	270,000
Other	**3,866,732**	3,433,914
	18,004,833	11,466,412

25-Other income, net

	2023م	**2022م**
Reverse of impairment allowances (Notes 14, 12)	**16,695,932**	-
Losses on disposal of property, Plant and equipment	**(4,599,997)**	(78,198)
Scrap sales	**83,796**	3,179,740
Gains on disposal of right-of-use assets	**-**	29,464
Other	**722,950**	2,879,785
	12,902,681	6,010,791

26-Finance cost

		For the year ended 31 December	
	Note	**2023م**	**2022م**
Credit facilities	17	**42,413,281**	30,574,506
Interest on quarry exploitation fees	18	**1,097,388**	-
End of service benefits for employees	19	**397,174**	301,393
Lease liabilities	9	**36,088**	25,365
		43,943,931	30,901,264

(All amounts in Saudi Riyals unless otherwise stated)

27-Earnings per share

Basic earnings per share was calculated by dividing the year's net profit by the weighted average number of shares during the year:

	For the year ended 31 December	
	2023	**2022**
Net profit for the year	**84,711,844**	30,893,914
	Share	**Share**
Weighted average number of shares	**108,700,000**	108,700,000
	riyal/share	riyal/share
Basic and diluted earnings per share from the net profit of the year	**0.78**	0.28

28-Contingent liabilities

28-1 Contingent liabilities
The Group has potential liabilities for a number of issues amounting to 2.2 million Saudi riyals, and documentary credits and bank guarantees issued in the ordinary course of the Group’s business amounting to nothing as of December 31, 2023 (2022: 2,918,087 Saudi riyals).

28-2 Capital commitments
The group does not have any capital commitments as of December 31, 2023 (2022: none).

29-Segment Reporting

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

	For the year ended 31 December	
	2023م	**2022م**
Sales revenues within the Kingdom of Saudi Arabia	**238,799,834**	200,889,776
Revenues from export sales outside the Kingdom of Saudi Arabia	**62,688,501**	50,971,744
	301,488,335	251,861,520

	2023م	**2022م**
Cement sales	**239,142,952**	184,535,390
Clinker sales	**62,345,383**	67,326,130
	301,488,335	251,861,520

	2023م	**2022م**
At point in time	**301,488,335**	251,861,520
Over a period of time	**-**	-
Total	**301,488,335**	251,861,520

Transactions with key clients
Revenues from three major customers amounted to 60% of total revenues as of December 31, 2023 (2022: 63%).

(All amounts in Saudi Riyals unless otherwise stated)

30-Transactions with related parties

Transactions with related parties mainly represent salaries, allowances and bonuses of senior executives.

Key management personnel are persons who directly or indirectly exercise authority and responsibility for planning, directing and controlling the activities of the Group, including members of the Board of Directors (whether executive or otherwise).

Members of the Board of Directors are not granted any compensation for their role in managing the Group unless approved by the General Assembly. Members of the Board of Directors are granted an allowance to attend Board of Directors sessions and Board committee meetings. CEOs are granted a fixed remuneration as a result of their management tasks and direct responsibilities.
The following table presents details of the compensation and bonuses paid to non-executive directors and senior management staff:

		For the year ended 31 December	
Related parties	**Nature of the transaction**	**2023م**	**2022م**
Key Management	Salaries, wages, and the like	**3,492,450**	3,131,338
Board of Directors	Board remuneration and attendance allowances	**7,623,271**	3,854,831

31-Financial instruments and risk management

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

Financial instruments in the Group's consolidated statement of financial position include investments at fair value through profit or loss and other comprehensive income, cash and cash equivalents, other assets, account receivable, and other liabilities.

36.1 Financial instruments by category

	31 December 2023	31 December 2022
Financial assets at amortized cost:		
Trade receivables, net	**105,740,470**	48,791,495
Employee loans	**409,918**	702,493
Other receivables, net	**508,955**	1,247,447
Cash and cash equivalents	**11,507,655**	16,977,082
	118,166,998	67,718,517
Financial assets at fair value:		
Investments at fair value through OCI	-	-
Investments at fair value through P&L	-	8,508,563
Total financial assets	**118,166,998**	76,227,080
Financial liabilities at amortized cost:		
Accounts payable and other current liabilities	**123,077,212**	79,313,619
Quarry exploitation fees	**48,315,768**	45,010,344
Lease liabilities	**393,274**	-
Credit Facilities	**610,688,524**	606,969,282
Total financial liabilities	**782,474,778**	731,293,245

The Group has no financial liability at fair value.

(All amounts in Saudi Riyals unless otherwise stated)

31-Financial instruments and risk management (continued)

a) Market risk

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

Commission rate risk

Commission rate Risk is the exposure associated with the effect of fluctuations in the prevailing commission rates on the group consolidated financial position and consolidated cash flows.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in currency that is not the group currency. The group exposure to foreign currency risk is primarily limited to transactions in United State Dollars (“USD”) the Group's management believes that exposure to currency risk on financial instruments is limited.

b) Credit risk

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The group is exposed to credit risk on the financial instruments as follows:

	2023م	**2022م**
Cash and cash equivalents	**11,507,655**	16,977,082
Trade receivables	**116,139,577**	99,272,611
Other receivables	**918,873**	1,949,940
	128,566,105	118,199,633

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

Cash and cash equivalents.

Credit risk from balances with banks and financial institutions is managed by the Group's cash department in accordance with the Group's policy. The credit risk on bank balances is low given that the Group has outstanding loan balances and credit facilities with various banks, in Saudi Arabia, with good credit ratings (A-) so concentration risk is also low.

(All amounts in Saudi Riyals unless otherwise stated)

31-Financial instruments and risk management (continued)

b) Credit risk (continued)

Trade receivables

The following table represents an analysis of the aging of trade receivables and expected credit losses as of December 31 as follows:

31 December 2023	**Total accounts receivable**	**Expected credit losses**	**Expected credit loss rate**
90 days	**74,215,819**	**1,081,507**	**%1.5**
91-180 days	**19,917,509**	**987,457**	**%5.0**
181-270 days	**12,044,876**	**2,058,427**	**%17.1**
271-360 days	**401,145**	**99,658**	**%24.8**
More than 365 days	**9,560,228**	**6,172,058**	**%64.6**
Total	**116,139,577**	**10,399,107**	

31 December 2022	**Total accounts receivable**	**Expected credit losses**	**Expected credit loss rate**
90 days	45,125,505	590,976	**%1.31**
91-180 days	4,232,240	696,303	**%16,45**
181-270 days	1,517,294	796,293	**%52,48**
271-360 days	339	311	**%91,71**
271-360 days	48,397,233	48,397,233	**%100**
Total	99,272,611	50,481,116	

The Group manages credit risk related to amounts due from trade receivables through monitoring in accordance with established policies and procedures. The Group limits credit risks related to trade receivables by setting credit limits for each customer and monitoring existing trade receivables on an ongoing basis.

(All amounts in Saudi Riyals unless otherwise stated)

31-Financial instruments and risk management (continued)

(c) Liquidity risk

Liquidity risk is the difficulty an entity faces in providing funds to meet obligations related to financial instruments. Liquidity risk can result from the inability to sell a financial asset quickly at an amount close to its fair value.

The contractual maturities of financial liabilities at the end of the financial year are as follows. Amounts are shown in gross, undiscounted and include estimated interest payments:

As at 31 December 2023	Book value	Less than one year	More than 1 year to 3 years	More than 3 years
Trade payables	**125,618,212**	**125,618,212**	**-**	**-**
Quarry exploitation fees	**39,577,912**	**6,800,000**	**24,000,000**	**17,515,768**
Credit facilities	**610,688,524**	**194,728,770**	**134,871,420**	**281,088,334**
Lease liabilities	**393,274**	**204,712**	**188,562**	**-**
	776,277,922	**327,351,694**	**159,059,982**	**298,604,102**
As at 31 December 2022				
Trade payables	89,077,063	89,077,063	-	-
Quarry exploitation fees	45,010,344	45,010,344	-	-
Credit facilities	606,969,282	122,809,555	134,199,973	349,959,754
	741,056,689	256,896,962	134,199,973	349,959,754

Liquidity risk is managed by monitoring it on a regular basis to ensure the availability of the necessary funds, banking and other credit facilities upon delivery of goods or to meet the Group's future obligations. The Group's sales terms stipulate that payments are made in cash on a credit sale basis

(All amounts in Saudi Riyals unless otherwise stated)

31-Financial instruments and risk management (continued)

d)Financial instruments at fair value

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

			Fair Value		
2023	**Book value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets					
Investment in equity instruments at fair value through other comprehensive income (Note 10)	-	-	-	-	-
Investment in equity instruments at fair value through profit or loss (Note 11)	-	-	-	-	-
	-	-	-	-	-

			Fair Value		
2022	**Book value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets					
Investment in equity instruments at fair value through other comprehensive income (Note 10)	-	-	-	-	-
Investment in equity instruments at fair value through profit or loss (Note 11)	8,508,563	-	8,508,563	-	-
	8,508,563	-	8,508,563	-	-

- There were no transfers between the fair value levels during the year.

(All amounts in Saudi Riyals unless otherwise stated)

32-Comparative figures

32/1 Prior years' adjustments to notes to the consolidated statement of financial position items as at 31 December 2022

The group has adjusted some of the amounts and balances included in the consolidated financial statements for the prior year, as the transactions related to these balances have not been properly accounted for, and accordingly, the adjustment was made in accordance with the requirements of International Accounting Standard No. (8) "Accounting Policies, Changes in Accounting Estimates and Errors". Details of each of these modifications are summarized below;

A-The group's management noticed, during the Year ended 31 December 2023, that it took the net impact of some receivables in subsidiaries owned by 100% and did not show it in the group's records. Therefore, the group's management recorded the balance within prepayments and other receivables in the amount of SR 37 million and recognize impairment provision of SR 37 million. The impact on the consolidated statement of financial position as at 31 December 2022 as a result is nil Saudi riyals.

The impact of the above amendments on the clarifications of items in the consolidated statement of financial position as of December 31, 2022 is as follows:

Statement of financial position items	Note	(As shown previously)	Adjustment	(After modification)
Prepayments and other receivables	A	29,308,226	37,076,369	66,384,595
Impairment of prepayments and other receivables	A	(11,256,180)	(37,076,369)	(48,332,549)

32/2 Reclassifying comparative figures on the consolidated financial statements as of December 31, 2022.

During the year ending 31 December 2023, the Group reclassified certain balances as shown below, which management considers to be a more accurate presentation and reflects the relevant nature.

Consolidated statement of financial position amounts that have been reclassified:

	31 December 2022 (before reclassification)	Balances that have been reclassified	31 December 2022 (after reclassification)
Assets			
Long-term Credit facilities – current portion	112,658,165	151,390	112,809,555
Short term Credit facilities	-	10,000,000	10,000,000
Zakat provision	3,790,469	31,340,132	35,130,601
Other provisions	31,340,132	(31,340,132)	-
Trade and other payables	144,238,797	(55,161,734)	89,077,063
Quarry exploitation fees - the current portion	-	45,010,344	45,010,344

(All amounts in Saudi Riyals unless otherwise stated)

32-Comparative figures (continued)

Consolidated statement of profit or loss amounts that have been reclassified:

	December 31, 2022 (before reclassification)	**Balances that have been reclassified**	**December 31, 2022 (after reclassification)**
Sales cost	(170,471,638)	(7,957,345)	(178,428,983)
Gross profit	81,389,882	(7,957,345)	73,432,537
Selling and marketing expenses	(5,477,362)	1,958,531	(3,518,831)
General and administrative expenses	(17,465,226)	5,998,814	(11,466,412)

Consolidated statement of cash flows amounts that have been reclassified to:

	December 31, 2022 (before reclassification)	**Balances that have been reclassified**	**December 31, 2022 (after reclassification)**
Net cash flows from operating activities	40,283,275	24,989,200	65,272,475
Net cash flows from financing activities	(33,846,940)	(24,989,200)	(58,836,140)

3**3- Non-cash transactions**

	Note	**For the year ended 31 December**	
		2023م	**2022م**
Additions of right-of-use assets	9	**565,686**	-
Capital decrease	1-3	**-**	343,000,000
Actuarial (losses)/Gains on re-measurement of end of service benefits	19	**(136,526)**	3,031,134
Transferred from inventory to property, plant and equipment		**-**	4,675,132
Write off trade receivables	13	**46,373,487**	12,442,321
Write off advance payments and other debit balances	14	**42,742,376**	-

34-Approval of the financial statements

The consolidated financial statements have been approved by the Board of Directors on 14 Ramadan 1445 H corresponding to 24 March 2024.