

**YAMAMA CEMENT COMPANY
SAUDI JOINT STOCK COMPANY
RIYADH - SAUDI ARABIA
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022**

Yamama Cement Company
Saudi Joint Stock Company
Financial Statements together with Independent Auditor's Report
For the Year Ended December 31, 2022

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Report on the Audit of the Financial Statements

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

Opinion:

We have audited the financial statements of **Yamama Cement Company** (the Company), which comprise the statement of financial position as at December 31, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion:

We conducted our audit in accordance with International Standards on Auditing (ISAs) endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matters	How the matter was addressed in our audit
<p>Revenue recognition: During the year ended 31 December 2022, Company's revenue amounted to SAR 1 billion (2021: SAR 736 million).</p> <p>The Company continues to be under pressure to meet goals and expectations which may lead to misstatements in revenue.</p> <p>Revenue recognition is a key audit matter because there is a risk that management may override controls to misrepresent revenue transactions.</p>	<p>We have performed the following procedures regarding revenue recognition:</p> <ul style="list-style-type: none"> - Evaluating the appropriateness of the accounting policies related to the revenue recognition of the Company by taking into consideration the requirements of IFRS 15 "Revenue from Contracts with Clients". - Evaluating the design, implementation and testing of the operational effectiveness of the Company's control procedures, including the control procedures to prevent fraud when recognizing revenue in accordance with the Company's policy. - Testing sales transactions, on a sample basis, and perform cut-off tests of revenue made at the beginning or end of the year to assess whether the revenue has been recognized in the correct period.

Report on the Audit of the Financial Statements (continued)

Key audit matters (continued)	How the matter was addressed in our audit
<p>Revenue recognition (Continued): Please refer to note 3-17 for revenue accounting policy and note 22 related to financial statements.</p> <p>Property, machinery, equipment, and projects under construction: The property, plant and equipment and projects under construction balances are considered of high relative importance, as the value of property, plant and equipment amounted to SAR 4,94 billion as at 31 December 2022 (2021: SAR 337,7 million) and capital work in progress amounted to SAR 47,3 million as at 31 December 2022 (2021: SAR 4,49 billion). There are also matters that require management to use some important estimates and assumptions that affect its balances by determining the productive ages and periodically reviewing those ages and the consequent assessment of depreciation periods and the impact of that on the result of the activity. Property, machinery and equipment include the balance transferred from the capital work in progress, which represents the costs of establishing the new factory, which was transferred in November 2022 according to the decision of the Board of Directors and according to the consultant's report stating the start of actual operation on that date, and it's net book value SAR 4,66 billion as at 31 December 2022 which is 73.6% of the Company's total assets, and the special procedures required to verify the validity of contracts, evidence, timing and conditions for converting them into property, machinery, and equipment. Therefore, we considered property, machinery, equipment, and capital work in progress as a key audit matter.</p>	<ul style="list-style-type: none"> - Testing revenue transactions, on a sample basis, and verifying supporting documents, to ensure the accuracy and validity of revenue recognition. <p>We have performed the following procedures regarding existence and valuation of property, plant and equipment and projects under construction balances:</p> <ul style="list-style-type: none"> - Evaluating the design and effectiveness of internal control procedures over the accounting cycle for property, plant and equipment and projects under construction. We assessed the adequacy of the capitalization policies and undertook sample-based verification procedures and verified the depreciation policy for the year. We discussed with the management their professional judgment about the nature of items that have been capitalized and the appropriateness of useful lives and related policies in this regard. - We received the consultant's report as in December 2022 regarding the new factory project, and according to the consultant's report, the new factory project began to operate at full capacity for the first and second production lines in November 2022. - Property, plant and equipment, and projects under construction were disclosed in notes no. (5) and (6) respectively in the accompanying financial statements. The accounting policy for property, plant and equipment of the Company and projects under construction were disclosed in note no. (3-8) and no. (3-10) in the accompanying financial statements.
<p>Inventory: As at December 31, 2022, the Company's inventory balance amounted to SAR 267,1 million (2021: SAR 282,7 million), which exceeded 35% of Company's total current assets and 4% of total assets, and inventory balance included non-finished goods (clinker) with an amount of SAR 195,4 million (2021: SAR 233,6 million). Clinker stocks are in the form of piles in yards and hangars set up for this purpose. Whereas, determining the weight of this stock is not practically possible. The management estimates the available quantities at the year-end by measuring the stock piles and converting the measurements into unit volumes using the stability angle and the quantitative density. To do this, management assigns an independent inspection expert to estimate quantities at the year end.</p>	<p>We have performed the following procedures regarding existence and valuation of inventory balance:</p> <ul style="list-style-type: none"> - Attending the physical inventory count held by the Company and the independent inspection expert. - Obtaining the stock inventory report submitted by the independent inspection expert regarding the stock of raw materials, especially clinker. - Evaluating the design and effectiveness of internal control procedures for the inventory accounting cycle. - Evaluating the appropriateness and adequacy of disclosures related to inventory in the financial statements.

Report on the Audit of the Financial Statements (continued)

Key audit matters (continued)	How the matter was addressed in our audit
Inventory (continued): In addition, the management calculates the cost of sales and the value of inventory at year end based on costs incurred, quantities produced and the inventory balance at year end. Thus, the existence and valuation of inventory and cost of sales are affected by the above-mentioned inventory count process at year end. With reference to the importance of inventory balance and related valuations and assumptions used, this matter was considered a key audit matter. Please refer to note 3-4 for accounting policy and note 12 related to financial statements.	- Testing the validity of inventory measurement at cost or net realizable value, whichever is lower.

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

Other information consists of other information included in the Company's annual report for the year ended 31 December 2022, other than the financial statements and the auditors' report thereon. We obtained the report of Board of Directors, prior to the date of our Auditors' report and we expect to obtain the remaining section of the 2022 Annual Report after the date of this auditor's report. The Company's management is responsible for the other information mentioned in its annual report.

Our opinion on the financial statements does not cover other information and we do not and will not express any form of assurance conclusion thereon. In our audit of the financial statements, it is our responsibility to read the information described above. In doing so, we consider whether the other information is not materially consistent with the financial statements or knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation for the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Report on the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:


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

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

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

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

For Al-Kharashi Co.


Abdullah S. Al Msned
License No. (456)

Riyadh:
Rajab 23, 1444H
February 14, 2023G



YAMAMA Cement Company

Saudi Joint Stock Company

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2022

(ALL AMOUNTS EXPRESSED IN SAUDI RIYAL UNLESS OTHERWISE STATED)

	Note	2022	2021 (restated) (Note 34)
Assets			
Non-current assets			
Property, plant and equipment, Net	(5)	4,941,346,371	337,699,614
Capital works in progress	(6)	47,288,669	4,485,568,523
Intangible assets	(7)	8,535,932	10,245,902
Right of use assets, Net	(8)	5,442,044	2,724,594
Investments in associates using equity method, Net	(9)	46,433,630	37,292,877
Financial assets at fair value through other comprehensive income	(10)	548,100,310	519,022,277
Total non-current assets		5,597,146,956	5,392,553,787
Current assets			
Accounts receivables	(11)	173,662,324	121,174,783
Inventory	(12)	267,086,297	282,659,724
Prepayments and other debit balances	(13)	11,266,667	19,086,878
Due from related parties	(14)	747,500	890,782
Financial assets at fair value through profit or loss	(15)	225,000,000	32,346,497
Cash and cash equivalents	(16)	75,903,587	74,087,510
Total current assets		753,666,375	530,246,174
Total Assets		6,350,813,331	5,922,799,961
Shareholders' Equity and liabilities			
Shareholders' Equity:			
Share capital	(1)	2,025,000,000	2,025,000,000
Statutory reserve		726,883,763	726,883,763
Additional Reserve		579,936,772	579,936,772
Retained earnings		1,112,256,998	755,056,971
Cumulative change in fair value for Items of other comprehensive income		207,187,020	193,108,987
Total Shareholders' Equity		4,651,264,553	4,279,986,493
Non-current liabilities			
Long term loans- non current portion	(17)	840,333,333	1,178,190,091
Lease liabilities – Noncurrent	(8)	2,761,386	1,414,019
Provision for land restoration cost	(20)	10,543,694	1,497,635
Employees' defined benefits liabilities	(21)	106,675,226	110,757,016
Total non-current liabilities		960,313,639	1,291,858,761
Current liabilities:			
Accounts payable		313,965,484	186,048,076
Long term loans- current portion	(17)	262,666,667	-
Lease liabilities – current	(8)	2,763,865	1,436,251
Due to Related Parties	(14)	301,992	1,842,300
Dividends Payable		73,711,480	74,181,929
Accrued expenses and other credit balances	(18)	49,690,596	66,896,296
Provision for Zakat	(19)	36,135,055	20,549,855
Total current liabilities		739,235,139	350,954,707
Total liabilities		1,699,548,778	1,642,813,468
Shareholders' Equity and Liabilities		6,350,813,331	5,922,799,961

Finance & IT EVP

CEO

Chairman

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

YAMAMA Cement Company

Saudi Joint Stock Company

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2022

(ALL AMOUNTS EXPRESSED IN SAUDI RIYAL UNLESS OTHERWISE STATED)

	Note	2022	2021 (restated) (Note 34)
Revenue, Net	(22)	1,022,664,166	735,842,704
Cost of revenue		(599,465,338)	(515,431,618)
Gross profit		423,198,828	220,411,086
Expenses and charges:			
Selling and distribution expenses	(23)	(26,013,686)	(13,184,764)
General and administrative expenses	(24)	(64,055,534)	(50,377,014)
Total expenses		(90,069,220)	(63,561,778)
Income from main activities		333,129,608	156,849,308
Other (expenses)/ income:			
Allowance expense for doubtful debts		(1,089,572)	-
Finance Cost		(6,788,227)	-
Investment income	(25)	14,701,771	9,171,156
Other income	(26)	3,367,822	6,144,948
Gain from sale of property, plant and equipment	(5-1)	34,477,148	-
Income for the year before zakat		377,798,550	172,165,412
Zakat charged for the year	(19)	(22,000,000)	(18,500,000)
Net income for the year		355,798,550	153,665,412
Other Comprehensive Income:			
Gain of change in fair value of financial assets designated at fair value through other comprehensive income		14,078,033	194,582,869
Re-measurement for employees' defined benefits	(21)	1,401,477	3,818,483
Total other comprehensive income		15,479,510	198,401,352
Total comprehensive income for year		371,278,060	352,066,764
Earnings per share:	(30)		
Earnings per share from main activities		1.65	0.77
Earnings per share from net income for the year		1.76	0.76

Finance & IT EVP



CEO



Chairman



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

YAMAMA Cement Company
Saudi Joint Stock Company
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022
(ALL AMOUNTS EXPRESSED IN SAUDI RIYAL UNLESS OTHERWISE STATED)

	<u>Share capital</u>	<u>Legal reserve</u>	<u>Additional Reserve</u>	<u>Retained Earnings</u>	<u>Change in accumulated fair value</u>	<u>Total</u>
Balance as at 1 January 2021	2,025,000,000	726,883,763	579,936,772	596,973,076	(1,473,882)	3,927,319,729
Prior year adjustment	-	-	-	600,000	-	600,000
Profit for the year (adjusted – Note 34)	-	-	-	153,665,412	-	153,665,412
Other comprehensive income	-	-	-	3,818,483	194,582,869	198,401,352
Balance as at 31 December 2021 (adjusted – Note 34)	<u>2,025,000,000</u>	<u>726,883,763</u>	<u>579,936,772</u>	<u>755,056,971</u>	<u>193,108,987</u>	<u>4,279,986,493</u>
Balance as at 1 January 2022 (adjusted – Note 34)	2,025,000,000	726,883,763	579,936,772	755,056,971	193,108,987	4,279,986,493
Profit for the year	-	-	-	355,798,550	-	355,798,550
Other comprehensive income	-	-	-	1,401,477	14,078,033	15,479,510
Balance as at 31 December 2022	<u>2,025,000,000</u>	<u>726,883,763</u>	<u>579,936,772</u>	<u>1,112,256,998</u>	<u>207,187,020</u>	<u>4,651,264,553</u>

Finance & IT EVP



CEO



Chairman

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

YAMAMA Cement Company

Saudi Joint Stock Company

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

(ALL AMOUNTS EXPRESSED IN SAUDI RIYAL UNLESS OTHERWISE STATED)

	Note	2022	2021 (restated) (Note 34)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit for the year before zakat		377,798,550	172,165,412
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		35,605,238	8,334,702
Provision for obsolescence of main spare parts (machinery and ovens)	5	72,000,000	5,000,000
Employees' defined benefit obligations	21	9,291,016	13,771,068
Provision for land restoration cost	20	9,046,059	43,728
Gain from sale of property, plant and equipment		(34,477,148)	(30,048)
Realized gain from financial assets at fair value through other comprehensive income		(2,724,466)	(2,494,899)
Realized and unrealized gain from financial assets at fair value through profit or loss -trading		(2,836,552)	(1,938,080)
Share of results from associate companies using equity method		(9,140,753)	(4,731,927)
		454,561,944	190,119,956
Changes in working capital			
Accounts receivable		(52,487,541)	90,507,053
Inventory		15,573,427	109,324,968
Due from related parties		143,282	(252,444)
prepayments and other debit balances		7,820,212	2,041,944
Accounts payable		127,917,408	73,716,625
Due to related parties		(1,540,308)	(7,695)
Other credit balances		(17,205,701)	21,930,194
Change in lease obligations		2,674,981	83,220
Zakat Paid	19	(6,414,800)	(13,907,492)
Employees' defined benefits liabilities paid	21	(12,772,727)	(3,986,453)
Cash flow from operating activities		518,270,177	469,569,876
INVESTING ACTIVITIES			
Change in financial assets at fair value through profit or loss		(191,060,285)	5,144,020
Change in financial assets at fair value through OCI		(15,000,000)	-
Purchase of property, plant, and equipment		(3,019,850)	(1,819,118)
Proceeds from sale of property, plant, and equipment		34,477,148	31,398
Change in main spare parts (machinery and ovens)		(43,174,287)	(29,756,050)
Change in the right of use assets		(2,717,450)	(145)
Change in capital works in progress		(224,266,637)	(312,535,758)
Proceeds from investment income		3,967,800	2,501,149
Net cash used in investing activities		(440,793,561)	(336,434,504)
FINANCING ACTIVITIES			
Repaid amount of long-term loan		(75,190,091)	(130,000,000)
Dividends payable		(470,448)	(1,430,107)
Prior years adjustments		-	600,000
Net cash used in financing activities		(75,660,539)	(130,830,107)
Change in cash and cash equivalents		1,816,077	2,305,265
Cash and cash equivalents at 1 January		74,087,510	71,782,245
Cash and cash equivalents at 31 December		75,903,587	74,087,510

The disclosure of non-cash activities in the Note (27)

 Finance & IT EVP

 CEO

 Chairman

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

1. THE COMPANY AND NATURE OF ITS BUSINESS:

a) The Establishing of The Company

Al-Yamama Cement Company is a Saudi Joint Stock Company - formed by Royal Decree No. 15 dated 13/3/1381H – and registered in Riyadh city under Commercial Registration No. 1010001578 dated 18-4-1379H.

b) The Nature of The Company's Activity

The nature of the company's activity is represented in the manufacturing and production of cement, its accessories, derivatives and components, and trade in it inside and outside the Kingdom of Saudi Arabia with Industry License No. (2370) dated 22/09/1439 H.

c) The Company's Capital

Al-Yamama Cement Company is a public joint stock Company listed on the Saudi stock market. With a capital of SAR 2,025 million divided into 202,500,000 shares with a value of 10 riyals per share, it is wholly owned by individuals and public institutions.

d) Fiscal year

The Company's financial year is twelve months starts from first January to end of December every year

e) Functional and presentation currency

The financial statements are prepared in Saudi Riyals, which is the functional and presentation currency for the Company, all the numbers are rounded to the nearest Riyal, unless otherwise indicated.

2. THE BASIS OF PREPARATION:

2.1 Statement of compliance

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

2.2 Accounting basis

Financial statements are prepared in accordance with the principle of historical cost and using Accrual basis and the concept of continuity of activity, excluding financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss and investments in Islamic Murabaha that are proven at fair value through the statement of profits or losses and investments in associate companies which are recorded in accordance with the method of equity.

2.3 The amendments of International Accounting Standard (16) which related to 'Property, Plant and Equipment have been applied: Proceeds before intended use which began to be adopted in the current year.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES:

The policies used to prepare the financial statements for the year ended December 31, 2022 are the same as those applied in the financial statements for the year ended December 31, 2021.

3.1 Financial assets - recognition and measurement

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

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

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued):

3.1 Financial assets - recognition and measurement (continued)

Loans and receivable

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

Trade Receivables

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

Impairment in the value of financial assets

At the end of the fiscal year, an assessment is made to ensure that there is no objective evidence of an impairment in the value of any financial asset measured in cost or amortized cost. If there is such evidence of depreciation, the impairment loss is recognized by the profit or loss statement for that year. The value of the decline in value is determined as follows:

- A) For fair-value assets, the impairment represented in the difference between cost and fair value, minus any loss of value previously demonstrated in the earnings or loss statement.
- B) For cost-included assets, the impairment represented in the difference between the amount listed and the present value of future cash flows discounted by the current market rate of return from a similar financial asset line.
- C) For assets listed at the amortized cost, the impairment represented in the difference between the amount listed and the present value of future cash flows discounted by the original actual commission rate.

3.2 Financial liability - recognition and measurement

Financial obligations are classified according to contractual arrangements and include creditors, amounts payable and loans. All financial obligations are initially recognized at fair value, after the first proof of direct transaction costs are proven based on the cost extinguished using the actual commission rate over the life of the instrument and are included in the statement of profits or losses.

Loans are classified as current liabilities unless the Company has an unconditional right to postpone payment for at least 12 months after the date of the financial position statement.

Trade payable

Trade payable are reimbursed for future payments for goods and services received, whether or not they are invoiced by suppliers.

3.3 Cash and cash equivalents

For the purposes of preparing the cash flow statement, cash and equivalent cash consists of the Fund, banks and Murabaha deposits, with a maturity period of three months or less from the date of acquisition.

3.4 Inventory

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

3.5 Investments in associate companies using equity method

An associate Company is one over which the Company has the ability to exert significant influence, but not joint control or control, by participating in the financial and operational decisions of the Company's investor. The Company owns a minimum 20% stake in its capital.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued):

3.5 Investments in associate companies using equity method (continued)

These investments are accounted for in a proprietary manner. They are proven by cost and subsequently adjusted in light of the change in the Company's share of the Company's net assets invested in it. The Company's share of the Company's net profit and loss is included in the list of earnings or losses. Losses of an associate Company that exceeds the Company's ownership rights are not recognized.

3.6 Financial assets at fair value through other comprehensive income

Upon initial recognition, the Company can make an irrevocable decision (on an instrument-by-instrument basis) whereby the decision designates the investments in equity instruments as at fair value through other comprehensive income. These investments are not permitted to be classified at fair value through other comprehensive income if they are held for trading.

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

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

Investments in equity instruments are initially measured at fair value through other comprehensive income plus transaction costs.

Subsequently, they are measured at fair value with gains or losses arising from changes in fair value recognized in other comprehensive income and accumulated in other reserves. Gains or losses on equity instruments are never reclassified to the statement of profit or loss and no reduction is recognized in the statement of profit or loss. Investments in unlisted equity, which were previously recorded at cost in accordance with International Accounting Standard No. 39 approved in the Kingdom of Saudi Arabia, are now measured at fair value. The cumulative gain or loss will not be reclassified to the statement of profit or loss when the investments are sold.

Dividends on these investments are recognized in the statement of profit or loss when the company's right to receive the dividends is established in accordance with International Accounting Standard No. 18 endorsed in the Kingdom of Saudi Arabia, unless the dividend clearly represents a recovery of part of the cost of the investment.

The investment revaluation reserve includes the net cumulative change in the fair value of an equity investment measured at fair value through other comprehensive income. When these financial instruments are disposed of, the amount accumulated in the fair value reserve is transferred to retained earnings.

3.7 Financial assets at fair value through profit or loss

The company may, upon initial recognition, choose to classify a financial asset at fair value through profit or loss if it does not meet the requirements to classify it as a financial instrument at amortized cost or at fair value through other comprehensive income, if this leads to a significant reduction or reduction of the accounting mismatch that may appear. In other matters.

Financial assets are not reclassified after initial recognition, except for the period after the company changes its business model for managing financial assets.

Financial assets held for trading purposes, if any, whose performance is evaluated on the basis of fair value and included in financial assets at fair value through profit and loss, are measured because they are not held to collect contractual cash flows, nor are they kept to collect contractual cash flows, nor are they kept to collect contractual cash flows and sell financial assets.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued):

3.8 Property, machinery and equipment

Property, machinery and equipment appear at cost minus accumulated depreciation and any decrease in value. The cost is consumed minus the residual estimated value of property, machinery and equipment (excluding land where it is not consumed) in a fixed-installment manner over its projected production life span using the following annual depreciation ratios:

• Building and facilities	3-10%
• Machinery and equipment	3-10%
• Vehicles and transport	25%
• Tools	10%
• Furniture and office equipment	20%
• Machinery and ovens' spare parts and furnaces (*)	

(*) Machinery and ovens' spare parts are assessed at cost and a fixed obsolescence allocation is calculated annually for them, and the Company's management has carried out a comprehensive study with regard to machine parts and furnaces to determine what will be consumed during the periods to the date of transition on the new plant, as well as the management laid the foundations for determining the fair value of the rest of the items consumed and will be sold, and is currently completing the study of fair values and indicated on the basis of the foundations and assumptions prepared by the technical department of the Company.

The book value of property, machinery and equipment is audited to ensure a decrease in its value when events or changes in circumstances indicate that the book value cannot be recovered. If such evidence exists and the book value is greater than the recoverable value, the value of property, machinery and equipment is reduced to the recoverable value, which represents the greater value of the equitable value of the asset minus the sale costs or the present value of cash flows for the estimated future benefits of that asset.

The profit or loss resulting from the exclusion or disposal of an asset is determined on the basis of the difference between the net consideration from the disposal and the book value of the asset and recognizes it in the statement of profit or loss.

Leasehold improvements are depreciated on a straight-line method over the productive life of improvements or rental period, whichever is shorter.

The repair and maintenance expenses reported in the statement profit or loss. Improvements that substantially increase the value or age of the asset in question are capitalized.

The remaining values, age of use and method of consumption are reviewed at the end of each fiscal year and the impact of any changes in estimate is calculated on the future basis.

The main parts of the property, machinery and equipment are recognized at cost and subsequently assessed in the manner of the weighted average.

3.9 Intangible assets

Intangible assets with specified production ages purchased separately are included in the cost minus accumulated extinguishment and accumulated depreciation losses. Fire is recognized on a fixed premium basis over their estimated useful life. Estimated useful life and the method of extinguishing at the end of each reporting period should be reviewed, and the effects of any changes in estimates are calculated on a future basis. Intangible assets with undefined useful life purchased separately are listed at cost minus losses that have decreased the accumulate value.

The Company applies annual fire rates to its intangible assets:

• Software licenses	20%
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Any intangible asset is excluded as soon as it is disposed of or when no future economic benefits are expected from its use or disposal.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued):

3.9 Intangible assets (continued)

Gains or losses resulting from the exclusion of intangible asset, calculated on the basis of the difference between net sales intake and the book value of the asset, are recognized in gains or losses when the asset is excluded.

At the end of each reporting period, the Company reviews the book values of its tangible and intangible assets to determine whether there is any indication that those assets have suffered impairment losses. If such indicators exist, the recoverable value of the asset is estimated in order to determine the extent of loss of depreciation (if any). When it is not possible to estimate the refundable amount for a single asset, the Company estimates the refundable amount for the cash generating unit to which the asset belongs. When a reasonable and consistent basis for distribution can be established, the Company's assets are also distributed to individual cash generating

units, or otherwise distributed to the smallest set of cash units for which a reasonable and consistent basis can be determined.

The refundable amount exceeds the fair value minus the sale cost and the value generated by the use. When estimating the value of use, estimated future cash flows are deducted from their current value using the pre-tax discount rate that reflects current market assessments of the time value of the money and the specific risks of the asset for which future cash flows have not been adjusted.

If the refundable amount (cash generating unit) is less than its book value, the book value (cash generating unit) of the asset is reduced to its refundable amount. A loss of depreciation is listed directly in profits or losses.

If the loss of value is subsequently reversed, the book value of the asset (or cash generating unit) must be increased to the adjusted estimates of the recoverable amount, but so that the increased book value does not exceed the book value that could have been determined if the loss of value of the asset (or cash generating unit) was not acknowledged in previous years. The loss of impairment is recognized directly in profits or losses.

3.10 Capital works in progress

The cost of capital work-in-progress consists of the contract value, costs that are directly attributable to developing and equipping the project assets to the location and condition necessary to enable them to operate and for the purpose for which they were acquired. Capital work-in-progress costs are transferred to the tangible assets and non-current intangible assets categories when they reach operating condition and are available for their intended purpose. The book value of capital work-in-progress is reviewed for impairment when events or changes in circumstances indicate that the book value may not be recoverable. If any such indication exists and when the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount.

3.11 Borrowing costs

Borrowing costs directly related to the creation of eligible assets, which require a long period of time to be ready for the required use, are capitalized upon completion of all necessary activities related to the preparation of the eligible asset for the purpose for which it was created. All other borrowing costs are established as an allowance and are placed on the list of profits or losses in the period in which they occurred.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued):

3.12 Employees' defined benefits obligations

The Company provides severance pay compensation to its employees in accordance with the provisions of the labor and workers' system in Saudi Arabia, which is entitled on the basis of the employee's final wage, length of service and completion of the minimum period of service.

The Employees' defined benefits obligations is calculated by estimating the value of future benefits that are due to employees in current and previous periods and the value is deducted to reach the current value.

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

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

3.13 Retirement benefit costs

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

3.14 Statuary Reserve

In line with the requirements of the Saudi Arabian Company's corporate system and the Company's statutes, the Company builds a regular reserve of 10% of the annual net profit until this reserve reaches 30% of the capital. The reserve is not available for distribution as dividends.

3.15 Additional reserve

Under the Company's statutes, an additional reserve is formed for the Company and this reserve is used by a decision of the Ordinary General Assembly of Shareholders.

3.16 Zakat

- The Company is subject to zakat in accordance with the instructions of the General Authority for Zakat, Tax and Customs in Saudi Arabia and is formed a provision for the estimated zakat.
- Zakat due is calculated on the basis of 2.5% of the zakat or adjusted net income whichever is more.

3.17 Revenues from contracts with customers

The Company recognizes revenue from contracts with customers based on a five-step model as set out

in IFRS 15- revenue from contracts with customers.

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

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued):

3.17 Revenues from contracts with customers (continued)

Step 2 - Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3 - Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4 - Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

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

If the consideration promised in a contract includes a variable amount, the Company shall estimate the amount of consideration to which the Company will be entitled in exchange for transferring the promised goods or services to a customer.

An amount of consideration can vary because of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items. The promised consideration can also vary if the Company's entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event.

The Company sells packed and non-packed cement, where selling process is either through selling invoices and/or specific contracts with customers.

(a) Sales of goods

for contracts with customers which the only obligation is going to be selling cement, revenues shall be recognized at the time in which control over asset is transferred to the customer at a specific point in time, which is usually at the delivery date.

The company recognises revenue at the point in time at which the customer obtains control of a promised asset and the entity satisfies the performance obligations. The company considers the below mentioned indicators to assess the transfer of control of the promised asset:

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

3.18 Dividends income

Revenue from investment dividends is recognized after the shareholders' right to receive the dividend is declared, there is a possibility of obtaining economic benefits, and the amount of revenue can be measured reliably.

3.19 Other income

Other revenues are recognized on an accrual basis.

3.20 Expenses

Production costs and direct and indirect production-related expenses are classified as sales costs. All other expenses are classified as general and administrative expenses or sales and distribution expenses.

3.21 Foreign Exchange Translation

Transactions made during the period in foreign currencies are transferred to Saudi riyals at the prevailing transfer rates at the date of the transactions.

3.22 Earnings per share

Earnings per share from major operations and dividends per share from net profit for the year are calculated by dividing net profit from major operations and net profit on the weighted average number of shares at the end of the year.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued):

3.23 Dividends

Dividends are confirmed in the financial statements in the year in which the General Assembly approves these dividends.

3.24 Transactions with related parties

Parties are related parties because of their ability to exercise control over the Company or to exert significant influence or joint control over the Company's financial and operational decisions. Also, companies are related parties when the Company can exert influence, or jointly control the financial and operational decisions of these parties.

Transactions with related parties usually involve the transfer of resources, services, or obligations between the parties.

4. MEASURING FAIR VALUE:

A) Fair value is the amount received when an asset is sold or paid to transfer a liability in an organized transaction between market participants on the date of measurement. Fair value measurement assumes that the transaction to sell assets or to transfer the liabilities line occurs either:

1. In the main market of asset or liabilities. Or
2. In the absence of the main market, in the most preferred market for asset or liabilities.

The fair value of the asset or liability line is measured using assumptions that market participants will use when pricing the asset line or liabilities, assuming that market participants act on the basis of their economic interest.

Measuring the fair value of non-financial assets takes into account the ability of the market participant to achieve economic advantages by using the asset line at the highest and best use of it or by selling it to another market participant who will use the asset line at the highest and best use.

All assets and liabilities for which fair value is measured or disclosed in financial statements are classified into the fair value hierarchy, described as follows, based on the minimum input needed to measure fair value as a whole:

Level 1. (unadjusted) market prices in active markets for similar assets or liabilities.

Level 2 - valuation techniques that use the minimum inputs required to measure fair value and directly or indirectly observe

Level 3 - other valuation techniques that use the minimum inputs required to measure fair value but are not based on observable market data.

With regard to the assets and liabilities recognized in the financial statements on a recurring basis, the Company determines whether the transfers were made between levels in the sequence by reassessing the classification (based on the minimum input needed to measure the fair value as a whole) at the end of each year to prepare the financial reports.

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4. MEASURING FAIR VALUE (continued):

B) Book values and fair value

Below are the levels in the hierarchy of financial instruments measured at fair value:

December 31, 2022	Level 1 SAR	Level 2 SAR	Level 3 SAR	Total SAR
Financial assets at fair value				
Through profit or loss	225,000,000	-	-	225,000,000
Through other comprehensive income	58,725,449	-	489,374,861	548,100,310
	283,725,449	-	489,374,861	773,100,310
December 31, 2021	Level 1 SAR	Level 2 SAR	Level 3 SAR	Total SAR
Financial assets at fair value				
Through profit or loss	-	32,346,497	-	32,346,497
Through other comprehensive income	48,772,411	-	470,249,866	519,022,277
	48,772,411	32,346,497	470,249,866	551,368,774

C) Fair value measurement

The following table shows the evaluation methods used to measure the fair value of the second level as at December 31, 2022. and December 31, 2021. addition to the substantial inputs used, which are not observed.

Type	Evaluation method	Unobserved material input	The relationship between unobserved core inputs and fair value measurement
Sukuk and investment funds	Evaluations are based on prices received by the portfolio manager at the end of each year and on closing prices for the net value of the declared assets.	Not applicable.	Not applicable.
Investment in unlisted companies	Cost that falls within the range of potential fair value measurements as the best estimate of fair value	Not applicable.	Not applicable.

5. PROPERTY, PLANT, AND EQUIPMENT:

	2022	2021
Property, Plant, and Equipment (Note 5-1)	4,697,852,096	65,379,626
ADD:		
Main spare parts (machinery and ovens) *	392,657,625	349,483,338
Provision for main spare parts (machinery and ovens) **	(149,163,350)	(77,163,350)
Net, main spare parts (machinery and ovens)	243,494,275	272,319,988
Total	4,941,346,371	337,699,614

5. PROPERTY, PLANT, AND EQUIPMENT (continued):

*The management has carried out a comprehensive study regarding the inventory of Spare Parts Machineries and Furnaces to determine what will be depreciated during the coming periods until the date of the transfer to the new factory, they also established the basis for determining the fair values of the rest of the depreciated items or the ones that will be sold, and currently they are finishing up studying Fair values referred to above based on the foundations and assumptions prepared by the technical management of the Company.

**Based on the decisions of the Board of Directors on October 17, 2022 and on December 10, 2022, a provision was created for the obsolescence of main spare parts in the machinery and ovens amounted to SAR 72 million during the fiscal year ending on December 31, 2022, and the movement of the provision was as follows:

	2022	2021
Balance as at 1 January	77,163,350	72,163,350
Formed during the Year	72,000,000	5,000,000
Balance as at 31 December	149,163,350	77,163,350

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1/5. PROPERTY, PLANT, AND EQUIPMENT (continued):

	Land	Building, Construction	Plants & Machinery of the Factory	Vehicles	Tools	Furniture & Office Equipment	Total
Cost							
Balance as at January 1,2022	12,234,510	1,244,802,512	2,836,051,971	26,083,820	11,522,580	40,151,488	4,170,846,881
Adjustments	-	800,549	250,133	415,605	64,448	1,395,115	2,925,850
Transferred from capital works in progress*	-	2,179,709,558	2,462,038,077	2,076,287	5,409,162	13,164,805	4,662,397,889
Disposals**	-	(655,709,299)	(1,660,777,003)	(17,000)	-	(3,119,467)	(2,319,622,769)
Balance as at December 31,2022	12,234,510	2,769,603,320	3,637,563,178	28,558,712	16,996,190	51,591,941	6,516,547,851
Accumulated depreciation							
Balance as at January 1,2022	-	1,206,722,804	2,832,645,037	24,495,380	9,310,456	32,293,578	4,105,467,255
Depreciation	-	14,257,229	14,499,961	694,493	511,838	2,887,748	32,851,269
Disposals**	-	(655,709,299)	(1,660,777,003)	(17,000)	-	(3,119,467)	(2,319,622,769)
Balance as at December 31,2022	-	565,270,734	1,186,367,995	25,172,873	9,822,294	32,061,859	1,818,695,755
Net Book Value:							
Balance as at December 31,2022	12,234,510	2,204,332,586	2,451,195,183	3,385,839	7,173,896	19,530,082	4,697,852,096
Balance as at December 31,2021	12,234,510	38,079,708	3,406,934	1,588,440	2,212,124	7,857,910	65,379,626

*On October 17, 2022, the company's board of directors approved the transfer of capital work in progress related to the new Al-Yamama factory project with a balance of SAR 4.662 billion to property, plant and equipment according to the consultant's report. Also, The consultant's report stated that the first and second production lines are operating normally at full production capacity, starting from November 1, 2022, which was the same date for transferring of capital work in progress to property, plant and equipment.

** There are some of property and machinery related to the old factory of the company have been sold during 2022, and this sale process resulted in a recognized gain amounted to SAR 34.5 million.

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6. CAPITAL WORKS IN PROGRESS:

	2022	2021
Remaining works related to new Yamama factory project	41,545,769	4,481,239,523
IT project for purchasing and finance	5,742,900	4,329,000
	47,288,669	4,485,568,523

7. INTANGIBLE ASSETS:

	2022	2021
Cost:		
Balance as at 1 January	13,517,514	6,848,600
Transfer from capital works in progress	950,000	6,668,914
Additions	94,000	-
Total costs as at 31 December	14,561,514	13,517,514
Amortization:		
Balance as at 1 January	3,271,612	1,123,852
Amortization during the year	2,753,970	2,147,760
Balance as at 31 December	6,025,582	3,271,612
Net book value as at 31 December	8,535,932	10,245,902

8. Leasing contracts

	2022	2021
Right to use assets		
Cost:		
Balance as at 1 January	6,811,637	5,449,192
Adjustment on leasing contracts during the year	4,077,961	1,362,445
Total costs as at 31 December	10,889,598	6,811,637
Amortization:		
Balance as at 1 January	4,087,043	2,724,743
Amortization during the year	1,360,511	1,362,300
Balance as at 31 December	5,447,554	4,087,043
Net book value as at 31 December	5,442,044	2,724,594

Leasing obligations

	2022	2021
Cost:		
Balance as at 1 January	2,850,270	2,767,050
Adjustment on leasing contracts during the year	3,952,284	-
Finance cost	166,697	83,220
Paid during the year	(1,444,000)	-
Balance as at 31 December	5,525,251	2,850,270
The current portion of leasing obligations	2,763,865	1,436,251
Non-current portion of leasing obligations	2,761,386	1,414,019
	5,525,251	2,850,270

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9. INVESTMENTS IN ASSOCIATE COMPANIES USING EQUITY METHOD:

	Percentage equity %	2022	2021
Saudi Yamani Cement Co. (closed joint Stock)	20%	75,060,000	75,060,000
Less: Provision for Investments		(75,060,000)	(75,060,000)
Net, Investment in Saudi Yamani Cement Co. (closed joint stock)		-	-
Cement Product Industry Co. Ltd.	33.33%	46,433,630	37,292,877
Balance as at 31 December		46,433,630	37,292,877

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME:

	Percentage equity %	2022	2021
Investments in Securities:			
Industrialization & Energy Service Co. (Joint Stock Co.)	3.92%	489,374,861	470,249,866
Investments in real estate funds and sukuk		58,725,449	48,772,411
		548,100,310	519,022,277

The movement on financial assets at fair value through other comprehensive income during the year ended on 31 December as follows:

	2022	2021
Balance as at 1 January	519,022,277	324,445,658
Additions during the year	15,000,000	-
Disposals during the year	-	(6,250)
Change in fair value during the year	14,078,033	194,582,869
Balance as at 31 December	548,100,310	519,022,277

11. TRADE RECEIVABLES:

	2022	2021
Accounts receivables	145,684,971	91,021,204
Advances to suppliers	27,977,353	30,153,579
	173,662,324	121,174,783

Trade receivables generally have a term of 30 to 90 days. There is no provision for credit losses as the balance of trade receivables as at 31 December 2022 is fully covered against letters of guarantee received from customers.

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12. INVENTORY:

	2022	2021
Work in Process - clinker	195,359,809	233,639,697
Work in Process - other	27,598,814	20,973,443
Finished Goods	8,517,516	13,264,665
Fuel and oil	7,815,377	7,039,740
Raw materials	26,246,322	3,102,281
Packing materials	1,548,459	4,639,898
	267,086,297	282,659,724

13. PREPAYMNETS AND OTHER DEBIT BALANCES:

	2022	2021
Due to employees	4,609,887	3,351,681
Other debit balance	3,989,601	3,727,317
Pre-paid expenses	2,667,179	12,007,880
	11,266,667	19,086,878

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14. RELATED PARTIES:

Dealing with related parties are in ordinary scope of work for the Company. Determining the value of those transactions by fair value.

Due from Related Parties:

Obeikan Digital Solutions Co. Ltd.
Saudi Yamani Cement (Joint Stock Co.)

Nature of relationship	2022	2021
Procurement services development	747,500	-
Associate Company	-	890,782
	747,500	890,782

Due to Related Parties:

Sahl Al-Madar Trading Co. Ltd.
Cement Product Industry Co. Ltd.

Nature of relationship	2022	2021
Development of logistics services	301,992	-
Associate Company	-	1,842,300
	301,992	1,842,300

Significant year end balances arising from transactions with related parties are as follows:

Name of related party	Type of Transactions	2022	2021
Cement Product Industry Co. Ltd.	Purchasing Packing Paper Bags	33,591,408	16,302,368
Arabian Shield Co-operative Insurance Co (Saudi Joint Stock)	Insurance	16,299,251	13,545,982
Saudi Yamani Cement (Joint Stock Co.)	Payments on behalf	198,790	252,444
Mobile Telecommunication Company Saudi Arabia -Zain-(Saudi Joint Stock)	Communication services	2,287,662	1,543,879
Al Rajhi Bank	Sukuk Investment	15,000,000	-
Obeikan Digital Solutions Co. Ltd.	Purchasing services development	747,500	-
Sahl Al-Madar Trading Co. Ltd.	Development of logistics services	1,085,050	-

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14. RELATED PARTIES (continued):

The Chairman of Board of Directors of the Arabian Shield Co-operative Insurance Company is a member of the Board of Directors of the Company.

The Chairman of Zain is a member of the Board of Directors of the Company.

Board member of Arabian Shield Co-operative Insurance Company is a member of the Board of Directors of the Company.

The Chairman of the Board of Directors of Al Rajhi Bank is the brother of the member of the Board of Directors of the company.

Chairman of Obeikan Digital Solutions Company He is a member of the Board of Directors of the company.

Chairman of Sahl Al-Madar Trading Company He is a member of the Board of Directors of the company.

Transactions with members of the Board of Directors and senior executives:

Related party transactions are mainly the salaries, allowances and remunerations of senior executives. Senior management personnel are the persons who exercise authority and responsibility in planning, directing and controlling the Company's activities, directly or indirectly, including directors and shareholders (whether executive or non-executive). That). The item on salaries, wages and the like during the year ending on December 31, includes the following:

<u>Transaction with</u>	<u>Nature of transaction</u>	<u>2022</u>	<u>2021</u>
Senior Executives	Salaries and benefits	<u>9,297,600</u>	<u>7,995,893</u>
Senior Executives	Employees benefits defined obligations	<u>740,896</u>	<u>2,550,313</u>
Board of Directors	Board Remuneration	<u>1,650,000</u>	<u>2,050,000</u>

The reward for attending committees for the year ended December 31, 2022, was SAR 195,000 compared SAR 249,000 in December 31, 2021.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS:

	<u>2022</u>	<u>2021</u>
Registered Murabaha funds	225,000,000	-
Un-registered Murabaha funds	-	32,346,497
	<u>225,000,000</u>	<u>32,346,497</u>

16. CASH AND CASH EQUIVALENTS:

	<u>2022</u>	<u>2021</u>
Cash at banks*	75,878,678	74,043,572
Cash in hand	24,909	43,938
Cash and cash equivalents	<u>75,903,587</u>	<u>74,087,510</u>

* The cash at banks including a restricted cash amounted to SAR 36 million for dividends payable, and this balance not available for Company's use.

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17. LONG TERM LOANS:

	2022	2021
Saudi Industrial Development Fund	540,000,000	615,000,000
Saudi National Bank	563,000,000	-
Al Rajhi bank	-	563,190,091
Total	1,103,000,000	1,178,190,091
divided into:		
Short portion of long-term loans	262,666,667	-
Long term portion of long-term loans	840,333,333	1,178,190,091
	1,103,000,000	1,178,190,091

Saudi Industrial Development Fund:

On December 20, 2016, the Company received long-term financing which was in accordance with sharia laws of SAR 900 million from the Saudi Industrial Development Fund to finance the construction of a new Al Yamama cement plant in the Northern Halal area of Al-Kharj, Riyadh. With a guarantee mortgage of the new plant assets. which are in addition to order bonds for the loan to be repaid on 12 semi-annual payments as of 2020. The Company settled an amount of SAR 155 million against the loan during 2020 and SAR 130 million during 2021.

Also, The Company settled an amount of SAR 75 million as an early settlement against the loan during 2022.

The Company has also made the following pledges:

- The ratio of the current assets to the current liabilities should not be less than 1:1 throughout the life of the loan.
- That the ratio of total liabilities to net tangible value is not less than 3: 1 throughout the life of the loan.
- There are no restrictions on the profits allocated for distribution, annual rents and capital expenditures as long as the Company is committed to paying the loan installments.

Commercial banks:

- On March 31, 2022, the company signed an Islamic Murabaha agreement with the Saudi National Bank that is compatible with Islamic Sharia, according to which the company obtains partial bank facilities in the amount of SAR 1,842,500,000 million, of which only an amount of 563 million Saudi riyals was used for the purpose of repaying the Al-Rajhi Bank loan, which was paid in full on the day of April 3, 2022.
- An Islamic Murabaha agreement with the Saudi National Bank, secured by a promissory note, provided that the loan will be repaid in 6 semi-annual installments, starting from March 2023.

The Company has also made the following pledges:

- The liquidity ratio should not be less than (1) throughout the term of the loan.
- The leverage ratio should not exceed (2:1) throughout the term of the loan.
- The tangible property rights should not be less than (3 billion) Saudi riyals throughout the term of the loan.
- The percentage of debt service coverage ratio should not be less than 1.25%.
-

The Company was committed to all loans' covenants mentioned above as at 31 December 2022.

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18. ACCRUED EXPENSES AND OTHER CREDIT BALANCES:

	2022	2021
Accrued expenses	18,607,718	14,052,244
Advances from customers	17,538,567	33,519,738
Accrued taxes	10,148,633	6,190,349
Due to employees	1,470,164	9,209,470
Other credit balances	1,925,514	3,924,495
Total	49,690,596	66,896,296

19. PROVISION FOR ZAKAT:

A) Zakat Calculations:

	2022	2021
Book Net profit	360,000,000	160,000,000
Provision made during the year	93,566,476	19,769,382
Adjusted profit	453,566,476	179,769,382
Total added items	6,178,736,470	5,605,779,958
Total subtracted items	(5,776,881,338)	(5,468,866,029)
Estimated Zakat base	401,855,132	316,683,311
Estimated Zakat by 2.5% of the Zakat base	10,046,378	7,917,083

B) The movement in zakat provision is as follows:

	2022	2021
Balance in 1 January	20,549,855	15,957,347
Paid during the Year	(6,414,800)	(13,907,492)
Formed during the Year *	22,000,000	18,500,000
Balance at 31 December	36,135,055	20,549,855

* The amount of zakat provided during the year includes zakat differences from previous years, amounting to approximately SAR 26.1 million.

C) Zakat position:

The Company submitted its Zakat Declaration up to the Year 2020. The Company paid Zakat due according to these Declarations and obtained the final assessment until the year 2012. Also, they received a certificate for the years 2012 to 2020.

20. PROVISION FOR LAND RESTORATION COST:

The present value of provision:

	2022	2021
Balance as at 1 January	1,497,635	1,453,907
Interest	9,046,059	43,728
Balance as at 31 December	10,543,694	1,497,635

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21. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS:

	2022	2021
Balance as at 1 January	110,757,016	103,792,571
Provided during the Year	7,425,251	12,791,943
Interest cost	2,667,163	1,977,438
Paid during the Year	(12,772,727)	(3,986,453)
Actuarial losses	(1,401,477)	(3,818,483)
Balance as at 31 December	106,675,226	110,757,016

The main assumptions for the actuarial valuation were as follows:

	2022	2021
Salary increases rate	4%	4%
Discount rate	4.7%	2.4%

22. REVENUE:

The company sells cement product and there is no fundamental difference between the selling prices or the production cost for the two types of bulk or packaged cement. The sale takes place at a point in time, and the sale does not take place over a period of time.

23. SELLING AND DISTRIBUTION EXPENSES:

	2022	2021
Shipping and freight expense	14,553,029	5,545,416
Salaries and employees' benefits	8,018,925	7,038,960
Advertisement	2,137,068	193,572
Depreciation	174,253	107,704
Training Expenses	145,357	100,212
Fees and subscription	152,597	5,521
Insurance	151,160	10,810
maintenance	67,147	12,781
Donation	9,750	93,300
Other	604,400	76,488
	26,013,686	13,184,764

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24. GENERAL AND ADMINISTRATIVE EXPENSES:

	2022	2021
Salaries and employees' benefits	35,794,338	33,329,521
Legal fees	10,000,000	-
Depreciation	5,742,720	5,633,530
Fees & Subscription	3,919,185	2,540,315
Donation	1,925,000	1,752,000
Maintenance	1,265,787	1,623,571
Water & Electricity	936,230	828,606
services expenses	613,147	760,470
Training	459,969	301,210
Bank charges	287,572	158,652
Insurance	112,770	123,913
Other	2,998,816	3,325,226
Total	64,055,534	50,377,014

25. INVESTMENT INCOME:

	2022	2021
Realized and unrealized gain from financial assets at fair value through profit or loss	2,836,552	1,938,080
Realized gain from financial assets at fair value through other comprehensive income	2,724,466	2,501,149
Income from investments in associate companies	9,140,753	4,731,927
	14,701,771	9,171,156

26. OTHER INCOME:

	2022	2021
Customs fees refundable and other	2,702,538	4,682,895
Earned discount	625,141	976,313
Other	40,143	485,740
	3,367,822	6,144,948

27. NON-CASH TRANSACTIONS:

	2022	2021
Gain of change in fair value of financial assets designated at fair value through other comprehensive income	14,078,033	191,489,120
Transfer from employee defined benefits obligations to capital work-in-progress	801,398	998,314
Transfer from capital work-in-progress to assets	4,663,347,889	6,668,914

28. FAIR VALUE OF FINANCIAL TOOLS:

Fair value is the amount received when an asset is sold or paid to transfer a liability in an organized transaction between market participants on the date of measurement. The Company's financial instruments consist of financial assets and financial liabilities.

The Company's financial assets consist of cash and its judgment, commercial debtors and payments to suppliers and other debtor assets due from related parties.

Financial liabilities consist of credit suppositions and receivables to related parties and other credit balances.

The fair value of financial instruments is not fundamentally different from their listed value, unless otherwise indicated.

29. RISK MANAGEMENT:

Credit risk

Credit risk represents one party's inability to meet its obligations, resulting in the other party incurring financial loss. The Company is committed to managing customer-related credit risk by setting credit limits for each customer and monitoring existing debits.

Special commission price risk

Special commission price risk relates to the risks resulting from the fluctuation of the value of a financial instrument as a result of the change in the prevailing commission rates in the market, and the Company is subject to the risk of special commission rates on its assets associated with special commissions such as Murabaha deposits and credit facilities.

Liquidity risk

Liquidity risks represent the Company's difficulties in providing funds to meet financial instrument obligations. Liquidity risk results from the inability to sell a financial asset quickly at an amount equivalent to its fair value. The Company manages liquidity risks by maintaining cash balances with banks and ensuring that adequate facilities can be obtained, if necessary, to continuously cover its short-term obligations.

The terms of collection include the collection of the value of the sales within a period of 30 to 60 days from the date of sale and that the purchases are paid within a period of 30 to 60 days from the date of purchase.

Currency risk

Currency risk resulting from fluctuating value of financial instruments is the result of changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates during its normal business cycle. The Company did not conduct any significant transactions in currencies other than the Saudi riyal, US dollar and euro during the year.

30. SHARE OF PROFIT FOR THE YEAR:

Profit per share by division of profit for the year is calculated by the weighted rate of the number of shares during the year and stated as follows:

	December 31, 2022	December 31, 2021
Profit for the year of the Company's shareholders	355,798,550	153,665,412
Weighted average number of shares	202,500,000	202,500,000
Share of profit for the year	1.76	0.76

- There were no reduced list shares during the year, so the reduced return per share is equal to the underlying return per share.

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31. GEOGRAPHICAL DISTRIBUTION:

All of the Company's assets and liabilities are located in Saudi Arabia except for investments in the Saudi Yamani Cement Company, which is headquartered in Yemen.

32. SEGMENT INFORMATION:

The Company's main business is two products (Clinker and Cement) and all sales for local customers and therefore does not report on the operating sectors in multiple products or geographical areas.

33. CONTINGUOUSNESS AND COMMITMENTS:

- A. The Company engages in commitments related to substantial capital expenditures, mainly in connection with the construction of the new YAMAMA plant. Existing capital expenditure commitments as of December 31, 2022: SAR 169 million (as at December 31, 2021: SAR 389 million).
- B. The potential liabilities are the value of the letters of guarantee issued to third parties by the Company, which amounted to SAR 59 million as of December 31, 2022, for third-party services (as at December 31, 2021: 58 million).

34. RESTATEMENT OF FIGURES FOR COMPARATIVE PERIODS:

The company adjusted the cost of revenue, net profit for the period, trade payables in addition to retained earnings and related items in the financial statements as at December 31, 2021 as a result of an error in the company's estimate of the cost of limestone used in clinker production according to the mining declaration submitted to the Ministry of Industry and Mineral Resources.

Statement of financial position

	As at December 31, 2021		
	Before Restatement	Restatement	After Restatement
Trade payables	179,115,284	6,932,792	186,048,076
Retained earnings	761,989,763	(6,932,792)	755,056,971

Statement of profit or loss and other comprehensive income

	For the year ended on December 31, 2021		
	Before Restatement	Restatement	After Restatement
Cost of revenue	(508,498,826)	(6,932,792)	(515,431,618)
Net income for the year	160,598,204	(6,932,792)	153,665,412

Statements of changes in shareholders' equity

	For the year ended on December 31, 2021		
	Before Restatement	Restatement	After Restatement
Retained earnings	761,989,763	(6,932,792)	755,056,971

35. COMPARATIVE FIGURES:

Insignificant comparative figures for the year ending on December 31, 2021 have been reclassified in line with the current year's classification.

36. APPROVAL THE FINACIAL STATEMENTS:

These financial statements were approved by the Company's Board of Directors on February 14, 2023, Rajab 23, 1444H.