

**UMM AL-QURA CEMENT COMPANY**  
(SAUDI JOINT STOCK COMPANY)

**FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S  
REPORT FOR THE YEAR ENDED 31 DECEMBER 2023**

**UMM AL-QURA CEMENT COMPANY**  
**(SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

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## INDEPENDENT AUDITOR'S REPORT

To: the Shareholders

**UMM AL-QURA CEMENT COMPANY**  
(Saudi Joint Stock Company)

**Riyadh - Kingdom of Saudi Arabia**

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of **Umm Al-Qura Cement Company**, a Saudi Joint Stock Company ("the Company"), which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and the notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with (IFRS Accounting Standards) as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization of Chartered and Professional Accountants (SOCPA).

#### Basis for opinion

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

#### Other matter

The company's financial statements for the financial year ending on December 31, 2022 were audited by another auditor, who expressed an unmodified opinion on those statements on Shaaban 28, 1444 H (corresponding to March 20, 2023).

#### 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 period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



**Independent Auditor's Report to the Shareholder of Umm Al-Qura Cement Company (Saudi Joint Stock Company) Riyadh - Kingdom of Saudi Arabia (Continued)**

**Key audit matters (continued)**

<b>Attendance at physical inventory counting</b>	
<b>Key audit matter</b>	<b>How the matter was addressed during our audit</b>
<p>As mentioned in Note (8), the carrying value of the Company's inventory as at 31 December 2023 amounting to SAR 388,388,265.</p> <p>As at 31 December 2023 the carrying value includes work in progress inventory - Clinker amounting to SAR 342,726,502.</p> <p>Due to the difficulty of counting the clinker inventory because it takes the form of piles, the Company uses procedures to estimate the actual quantity of clinker inventory available at year end by estimating the clinker piles available at year end, and these procedures depend on surveying these piles, measuring their density, and converting these measurements into quantities.</p> <p>We considered this to be a key audit matter as the inventory is material balance, as well as the procedures used by the Company to estimate the physical quantity of clinker inventory at the end of the year.</p> <p>For more details of the accounting policies refer to Note (3-10).</p>	<ul style="list-style-type: none"> <li>- Obtained management's physical inventory counting instructions to understand and assess their instructions and procedures regarding the cut off procedures (details of inventory movement just prior to, during and after the count inventory), and the recording of the actual counts of the Company's inventory.</li> <li>- Evaluated the competency, capabilities, and objectivity of the inspection team used by management in counting the clinker inventory.</li> <li>- Attended the physical inventory count conducted by the Company to observe the implementation of the management's procedures for counting, the identification of obsolete, damaged items of inventory, in addition to our test counts performed.</li> <li>- Obtained a copy of the final listing of the Company's physical inventory, and inspected that it is accurate, complete and reflects the actual inventory counts.</li> <li>- Based on our accumulated audit knowledge and experience, evaluated the appropriateness and reasonableness of the procedures used for estimating the physical quantity of clinker inventory piles, and tested the arithmetical accuracy of the used model.</li> <li>- Reviewed the adequacy of the Company's disclosures included in the accompanying financial statements for compliance with accounting standards that are relevant to inventory.</li> </ul>
<b>Revenues Recognition</b>	
<b>Key audit matter</b>	<b>How the matter was addressed during our audit</b>
<p>As mentioned in accounting policy (3-22) – The Company applies IFRS (15) – Revenues from contract with customers.</p> <p>The Company generated revenues of SR 168,9 million for the year ended 31 December 2023.</p> <p>Revenues is a key indicator for measuring performance and this implies the presence of inherent risk by overstatement of revenues recognition increase profitability. Therefore, revenues recognition was considered a key audit matter.</p> <p>For more details of the disclosure refer to Note (19).</p>	<ul style="list-style-type: none"> <li>- Evaluation of the revenue recognition process, taking into account the requirements of the relevant accounting standards, and an assessment of the appropriateness of the accounting policies used.</li> <li>- Test the design and implementation of internal control procedures related to revenue recognition and their operational effectiveness, including anti-fraud control procedures.</li> <li>- Conducting analytical audit procedures for revenues, by comparing sales quantities and prices for the current year with the previous year, and determining whether any significant trends as light of our understanding the current market conditions.</li> <li>- On sample basis, test revenues transactions with the supporting documents, to verify that the revenues are recorded at the correct amount and in their correct period.</li> </ul>



**Independent Auditor's Report to the Shareholder of Umm Al-Qura Cement Company (Saudi Joint Stock Company) Riyadh - Kingdom of Saudi Arabia (Continued)**

**Other information**

Other information consists of the information included in the company's annual report for the year 2023, other than the financial statements and auditor's report thereon. Management is responsible for other information included in its annual report.

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

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

**Responsibilities of the Management and Those Charged with Governance for the financial statements**

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

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

Those Charged with Governance, in particular the Audit Committee, 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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism 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.



**Independent Auditor's Report to the Shareholder of Umm Al-Qura Cement Company (Saudi Joint Stock Company) Riyadh - Kingdom of Saudi Arabia (Continued)**

**Auditor's responsibilities for the audit of the financial statements (Continued)**

- Conclude on the appropriateness of the management 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.

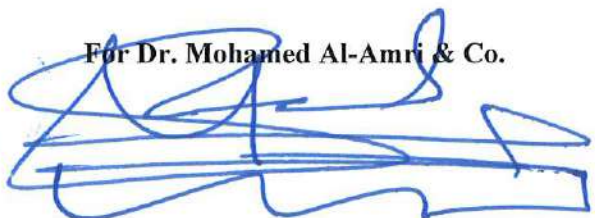
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence with regard to the financial information of establishments or commercial activities within the company, to express an opinion on the financial statements. We are responsible for directing, supervising and implementing the Company's review process. We remain solely responsible for the audit opinion.

We communicate with those charged with governance, 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, actions taken to eliminate threats or safeguards applied

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 Dr. Mohamed Al-Amri & Co.



Maher Taha Al Khatib  
Certified Public Accountant  
License Number 514



Date: 25 Sha'ban 1445(H)  
(corresponding to 6 March 2024G)

**UMM AL-QURA CEMENT COMPANY**  
**(SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2023**

	Note	31 December 2023 SAR	31 December 2022 SAR
<b>Assets</b>			
<b>Non current assets</b>			
Property, plant and equipment, net	4	737,759,432	774,234,584
Intangible assets , net	5	1,223,994	1,406,958
Right-of-use asset, net	6	822,327	1,583,033
Financial investments at fair value through OCI	7	130,042	76,912
<b>Total non current assets</b>		<b>739,935,795</b>	<b>777,301,487</b>
<b>Current assets</b>			
Inventory	8	388,388,265	335,009,142
Deposit against Bank guarantee cover	9	-	51,034,237
Accounts receivable, prepaid expenses and other receivables, net	10	11,362,595	10,988,893
Cash and cash equivalents	11	44,780,815	5,891,476
<b>Total current assets</b>		<b>444,531,675</b>	<b>402,923,748</b>
<b>Total assets</b>		<b>1,184,467,470</b>	<b>1,180,225,235</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	1	550,000,000	550,000,000
Statutory reserve	12	32,070,228	31,675,122
Retained earnings		183,863,150	180,417,936
Reserve for revaluation of Financial investments at fair value through OCI		101,706	48,576
<b>Total equity</b>		<b>766,035,084</b>	<b>762,141,634</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Saudi Industrial Development Fund loan- non-current portion	13	277,037,520	206,058,439
Provision for dismantling, removing and rehabilitation of areas subject to franchise license	15	16,166,971	14,835,978
Lease liabilities - non-current portion	6	281,894	615,721
Employees' benefit plan obligations	16	3,452,990	3,080,014
<b>Total non-current liabilities</b>		<b>296,939,375</b>	<b>224,590,152</b>
<b>Current liabilities</b>			
Saudi Industrial Development Fund loan- current portion	13	35,956,171	111,572,279
Lease liabilities - current portion	6	409,415	876,428
Accounts payable, accrued expenses and other liabilities	17	75,668,710	72,994,651
Zakat provision	18	9,458,715	8,050,091
<b>Total current liabilities</b>		<b>121,493,011</b>	<b>193,493,449</b>
<b>Total liabilities</b>		<b>418,432,386</b>	<b>418,083,601</b>
<b>Total equity and liabilities</b>		<b>1,184,467,470</b>	<b>1,180,225,235</b>

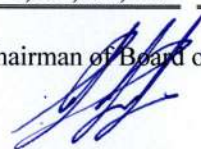
Finance Manager

Chief Executive Officer

Chairman of Board of Directors



M. Alhassani



The accompanying notes (1) to (32) form an integral part of these financial statements.



**UMM AL-QURA CEMENT COMPANY**  
(SAUDI JOINT STOCK COMPANY)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

<u>Profit or loss</u>	Note	2023 SAR	2022 SAR
Sales	19	168,947,617	221,216,841
Cost of sales	19	(136,057,401)	(150,389,686)
<b>Gross profit</b>		<b>32,890,216</b>	<b>70,827,155</b>
Selling and marketing expenses	20	(3,418,916)	(3,790,823)
General and administrative expenses	21	(14,343,116)	(10,838,254)
<b>Profit from operations</b>		<b>15,128,184</b>	<b>56,198,078</b>
Finance costs	22	(12,646,619)	(14,840,804)
(losses) / Profits from foreign currency exchange		(89,718)	144,734
Provision against legal case		-	(10,000,000)
Gains modifying of financial liabilities		8,761,365	-
Expected Credit Losses Expense	10	-	(442,226)
Losses on disposal of Property, plant and equipment		(5,286)	(1,924,992)
Other income	23	2,168,192	1,901,631
<b>Net profit for the year before Zakat</b>		<b>13,316,118</b>	<b>31,036,421</b>
Zakat	18	(9,365,055)	(8,049,477)
<b>Net profit for the year</b>		<b>3,951,063</b>	<b>22,986,944</b>
<b><u>Other comprehensive income</u></b>			
<b>Items that will not be subsequently reclassified to profit or loss</b>			
Unrealized gains on revaluation of financial investments at fair value through OCI	7	53,130	34,408
Actuarial (Losses)/ Gains from re-measurement of employees' defined benefit obligation	16	(110,743)	369,870
<b>Total other comprehensive (Losses) / Income for the year</b>		<b>(57,613)</b>	<b>404,278</b>
<b>Total comprehensive income for the year</b>		<b>3,893,450</b>	<b>23,391,222</b>
<b><u>Earnings per share</u></b>			
Basic and diluted earning per share in net profit for the year	26	0,07	0,42

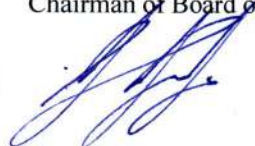
Finance Manager



Chief Executive Officer



Chairman of Board of Directors



The accompanying notes (1) to (32) form an integral part of these financial statements.



UMM AL-QURA CEMENT COMPANY  
(SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital SAR	Statutory reserve SAR	Retained earnings SAR	Reserve for revaluation of investments at fair value through OCI SAR	Total equity SAR
Balance as at 1 January 2023	550,000,000	31,675,122	180,417,936	48,576	762,141,634
Net profit for the year	-	-	3,951,063	-	3,951,063
Other comprehensive income	-	-	(110,743)	53,130	(57,613)
Total comprehensive income for the year	-	-	3,840,320	53,130	3,893,450
Transferred to the statutory reserve	-	395,106	(395,106)	-	-
Balance as at 31 December 2023	550,000,000	32,070,228	183,863,150	101,706	766,035,084
Balance as at 1 January 2022	550,000,000	29,376,428	173,109,816	14,168	752,500,412
Net profit for the year	-	-	22,986,944	-	22,986,944
Other comprehensive income	-	-	369,870	34,408	404,278
Total comprehensive income	-	-	23,356,814	34,408	23,391,222
Dividends (Note 28)	-	-	(13,750,000)	-	(13,750,000)
Transferred to the statutory reserve	-	2,298,694	(2,298,694)	-	-
Balance as at 31 December 2022	550,000,000	31,675,122	180,417,936	48,576	762,141,634

Finance Manager



Chief Executive Officer



Chairman of Board of Directors



The accompanying notes (1) to (32) form an integral part of these financial statements.

**UMM AL-QURA CEMENT COMPANY**  
**(SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

	2023 SAR	2022 SAR
<b>Cash flows from operating activities</b>		
Net profit for the year before Zakat	13,316,118	31,036,421
<b>Adjustments to reconcile net profit for the year before zakat:</b>		
Depreciations of property, plant and equipment	52,253,646	52,752,195
Amortizations of intangible assets	194,664	169,446
Depreciation of right-of-use assets	838,384	756,493
Finance costs	12,646,619	14,840,804
Letter of guarantee cover returns	(707,167)	(1,034,237)
Losses on disposal of property, plant and equipment	5,286	1,924,992
Gains adjustment of financial obligations	(8,761,365)	-
Provision for employees benefits obligations	787,221	703,869
provision for impairment of advance payments against lawsuits	-	10,000,000
Provision for expected credit losses	-	442,226
	<b>70,573,406</b>	<b>111,592,209</b>
<b>Changes in operating assets and liabilities:</b>		
Inventory	(53,379,123)	(71,068,572)
Accounts receivable, prepaid expenses and other receivables	(62,906)	(551,399)
Change in Deposit against guarantee cover	51,034,237	-
Accounts payable, accrued expenses and other liabilities	2,674,059	20,492,247
<b>Cash generated from operations</b>	<b>70,839,673</b>	<b>60,464,485</b>
Employees defined benefits liabilities paid	(524,988)	(480,621)
Finance costs paid	(6,748,000)	(10,304,000)
Zakat paid	(7,956,431)	(7,622,250)
<b>Net cash generated from operating activities</b>	<b>55,610,254</b>	<b>42,057,614</b>
<b>Cash flows from investing activities</b>		
Payment for purchase of property, plant and equipment	(15,786,780)	(2,090,293)
Payment for purchase of intangible assets	(11,700)	(1,270,868)
Proceeds from the sale of property, machinery and equipment	3,000	-
<b>Net cash used in investing activities</b>	<b>(15,795,480)</b>	<b>(3,361,161)</b>
<b>Cash flows from financing activities</b>		
Repayment of Saudi Industrial Development Fund Loan	-	(55,000,000)
Lease liabilities paid	(925,435)	(845,318)
Dividends paid	-	(13,750,000)
<b>Net cash used in financing activities</b>	<b>(925,435)</b>	<b>(69,595,318)</b>
<b>Net change in cash and cash equivalents</b>	<b>38,889,339</b>	<b>(30,898,865)</b>
Cash and cash equivalents at the beginning of the year	5,891,476	36,790,341
<b>Cash and cash equivalents at end of the year</b>	<b>44,780,815</b>	<b>5,891,476</b>
<b>Non-cash transactions</b>		
Reserve for revaluation of financial investments at fair value through OCI	53,130	34,408
Additions to right-of-use assets corresponding to related lease liabilities	77,678	1,134,236
Additions to Property, plant and equipment against provision for rehabilitation of areas subject to a concession license	-	3,756,403
Actuarial (Losses)/Gains from re-measurement of employees' benefit obligation	(110,743)	369,870

Finance Manager

Chief Executive Officer

Chairman of Board of Directors

The accompanying notes (1) to (32) form an integral part of these financial statements.



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**1- ORGANIZATION AND ACTIVITIES**

Umm Al-Qura Cement Company ("UACC" or the "Company") was registered as a Saudi joint stock company with Commercial Registration number 1010382514 issued in Riyadh on 28 Shaban 1434 H (corresponding to 7 July 2013). The share Capital of the Company is SAR 550,000,000 divided into 55,000,000 shares with a nominal amount of SAR 10 per share.

The activities of the company in the manufacture of ordinary cement (Portland), the manufacture of salt-resistant cement, the manufacture of white cement, the manufacture of agglomerated cement (clinker), according to the Industrial License No. 1549, On 5 Rajab 1435 AH (corresponding to 5 May 2014), and renewed with License No. 451102130214, On the 11 Rabih Al-Awal 1445 H (corresponding to 26 September 2023), and where the license expires on 2 Shaban 1445 H (corresponding to 12 February 2024).

The financial statements include the assets, liabilities and results of the Company's operations and the below branches:

<u>Branch</u>	<u>CR No.</u>	<u>City</u>	<u>Activity</u>
Umm Al-Qura Cement Company Factory	4032044432	Taif	The manufacture of ordinary cement (Portland), the manufacture of salt-resistant cement, the manufacture of white cement, the manufacture of agglomerated cement (clinker).
Umm Al-Qura Cement Company	4032254452	Taif	Wholesale of cement, plaster and the similar materials , retail sale of building materials, including cement, bricks, gypsum, cement tiles, etc.

The head office of the Company is in Riyadh King Abdulaziz Road, Al-Sahafa District, P.O. Box 4286, Riyadh 13321, Riyadh, Saudi Arabia. The Company's factory is located in Taif.

**2- BASIS OF PREPARATION FINANCIAL STATEMENTS**

**2-1 STATEMENT OF COMPLIANCE**

The financial statements have been prepared in accordance with the International Financial Reporting Standard approved in the Kingdom of Saudi Arabia and other standards and publications issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

**2-2 PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared on a historical cost convention except when IFRS requires the use of another measurement basis, as indicated in the applied accounting policies (Note 3), and in accordance with the accrual principle and going concern.

**2-3 FUNCTIONAL AND PRESENTATION CURRENCY**

These financial statements are presented in Saudi Riyals, which is the Company's functional currency and the amounts in these financial statements are rounded to the nearest Saudi Riyal.

**3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise. In addition, the Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material' rather than 'significant' accounting policies. Although the amendments did not result in any changes to the accounting policy themselves, they impacted the accounting policy information disclosed in certain instances.

**3-1 New standards, amendments to standards, and interpretation**

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023.

**3-1-1 Amendments to IAS 8**

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3-1 New standards, amendments to standards, and interpretation (Continued)**

**3-1-2 Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction**

These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

**3-2 Standards issued but not yet effective**

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2024 and earlier application is permitted; however, the Company has not early adopted them in preparing these Financial Statements. These amendments are not expected to have significant impact in the Company's Financial Statements.

**3-2-1 Amendments to IFRS 16 – Leases on sale and leaseback:**

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.

**3-2-2 Amendments IAS 1 – Non-current liabilities with covenants and Classification of Liabilities as Current or Noncurrent Amendments**

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

**3-2-3 Amendments to IAS 7 and IFRS 7 – Supplier finance arrangements**

**3-2-4 Amendments to IAS 27 – Lack of exchangeability**

Following are the new IFRS sustainability disclosure standards effective for annual periods beginning on or after 1 January 2024 subject to endorsement of the standards by SOCPA.

**3-2-5 IFRS S1, 'General requirements for disclosure of sustainability-related financial information**

This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.

**3-2-6 IFRS S2, 'Climate-related disclosures'**

This is the first thematic standard issued that sets out requirements for entities to disclose information about climate related risks and opportunities.

**3-3 Use of judgments and estimates**

The preparation of the financial statements in conformity with International Financial Reporting Standards endorsed in Saudi Arabia requires from the management to make judgments, estimates and assumptions that affect application of accounting policies and the reported amounts of assets and liabilities, revenues and expenses. These estimates and judgments are based on management's best knowledge of past events and actions and other factors which form a base for estimating the carrying amount of assets and liabilities which can not be easily determined from other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments to accounting estimates are recognized prospectively.

The following is information about assumptions and estimates that have a material impact on the amounts reported in the financial statements:

**- Estimate useful lives of property, plant and equipment and intangible assets**

Management estimates the useful lives of property, plant and equipment and intangible assets to calculate depreciation and amortization. These estimates are determined after taking into account the expected use of assets, obsolescence and damage. The management reviews the residual value and useful lives annually and changes in depreciation and amortization expenses in current and future periods, -if any-.

**- Impairment for slow inventory**

Management makes custom work for slow-moving and obsolete inventory items. Inventory is measured at cost or net realizable value and estimates of net realizable value are based on the most reliable evidence at the time of the estimates. These estimates take into account price fluctuations or costs directly related to events occurring after the date of the financial statements.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3-4 Impairment of Non-Financial Assets**

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

**Impairment of non-derivative financial assets**

The Company recognizes loss allowances according to the expected credit loss model on financial assets recognised at amortized cost, such as trade receivables. The Company evaluates future losses of credit based on the model of expected credit losses of financial assets listed at amortized cost for trade receivables accounts, the Company applies the simplified approach, which requires the recognition of life expectancy losses of trade receivables from the date of initial recognition of trade receivables. To measure expected credit losses, receivables were grouped based on the features of common credit risk and the ages of outstanding debts. The expected loss rates have been calculated from the historical information of the company and adjusted to reflect the expected future result, which also includes future information for macroeconomic factors such as inflation and GDP growth rate, other financial assets such as employee receivables and bank balances have low credit risk, and the application of the expected credit loss model is considered insignificant.

**Measuring the fair value of financial instruments including derivative financial instruments**

Where the fair value of financial assets and liabilities recorded in the statement of financial position cannot be measured on the basis of prices listed in the active market and where international standards require that such assets or liabilities be valued at their fair value, their fair value is determined using valuation methods, including the use of the present value of expected cash flows from those assets or using other methods as stipulated in IFRS 13. Possible, but if this is not possible, a degree of appreciation is needed to determine fair value and these estimates take into account liquidity risk, credit risk and volatility. Changes in assumptions regarding these factors can affect the listed fair value of financial instruments.

**Derecognition**

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset.

**Fair value**

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. Fair value definition includes the assumption that the Company will continue its operations where there is no intention or condition to physically limit the volume of its operations or conduct a transaction with negative terms.

Fair values are categorized into different levels in the fair value hierarchy based on the inputs used in the valuation methods as follows:

Level 1: Quoted market prices in active markets for identical assets.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

**Classification of assets and liabilities from "current" to "non-current"**

The Company presents assets and liabilities in the statement of financial position on a current / non-current basis. The assets are current as follows:

- When it is expected to be realized or is intended to be sold or consumed during the normal cycle of operations.
- If it is acquired primarily for the purpose of trading.
- When it is expected to be achieved within twelve months after the fiscal year, or

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3-4 Impairment of Non-Financial Assets (Continued)**

**Classification of assets and liabilities from "current" to "non-current" (Continued)**

- When they are cash and cash equivalents, unless there are restrictions on their replacement or use to pay any liabilities for a period of not less than twelve months after the financial year.

All other assets are classified as "non-current".

All liabilities are current as follows:

- When it is expected to be paid during the normal business cycle.
- If it is acquired primarily for the purpose of trading.
- When it matures within twelve months after the fiscal year, or
- When there is no unconditional right to defer the payment of liabilities for a period of not less than twelve months after the financial year.

All other liabilities are classified as "non-current".

**3-5 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciations and any impairment losses, if any. Cost includes expenditure that is directly attributable to acquisition of asset. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Expenditures on maintenance and repairs are expensed, while expenditures for improvements are capitalized. Depreciation is computed using the straight line method based on the estimated useful lives of the assets. Improvements in lease building is amortized on straight line method based on the expected life or the lease term which is lower. Sold or disposed asset and its accumulated depreciation are written-off at the date of sale or disposal. Profit or loss on disposal is recognized in the statement of profit or loss. The estimated useful lives of the principal classes of assets are:

<u>Statement</u>	<u>Years</u>
Buildings and roads	10-30
Property and equipment	4-20
Furniture and fixtures	5-20
Trucks and forklifts	7

Depreciation method and useful lives are reviewed periodically to ensure that depreciation method is appropriate with the expected economic benefits of property, plant and equipment.

**3-6 Projects under Construction**

The cost of projects under construction is calculated on the basis of the actual cost and is shown as projects under construction until they are completed and then transferred to the various items within the property, plant and equipment, and then their depreciation begins.

**3-7 Impairment of assets**

At each statement of financial position date, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If there is any indication that assets have suffered an impairment loss, the recoverable amount of any affected asset (or Company of assets) is estimated and compared the its carrying amount. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses other than goodwill, 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 recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**3-8 Intangible assets**

Intangible assets that include Software and the query discovery fee which the Company has acquired and have a useful life of 5 to 10 years re measured at cost, less accumulated amortization and any accumulated impairment losses, if any.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in a specific asset to which they relate, and all other expenses that are internally generated are recognized in the statement of profit or loss when incurred. Costs of intangible assets are calculated less the residual value using the straight-line basis over their estimated useful lives and are recognized in the statement of profit or loss.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3-9 Financial Instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that relate directly to the purchase or issue of financial assets and liabilities (other than financial assets and financial liabilities at fair value through the statement of profit or loss) are added to the fair value of financial assets and financial liabilities or deducted from them, as appropriate, upon initial recognition. Transaction costs that are directly related to the purchase of financial assets and liabilities and are measured at fair value through the statement of profit or loss are recognized directly in the statement of profit or loss.

**First: Financial assets**

Financial assets are classified into the following specified categories: Financial assets at FVTPL, FVOCI, and financial assets measured at amortized cost. The classification depends on the nature and purpose of the financial contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

**A) Financial assets measured at fair value through profit or loss**

Financial assets are measured at fair value through the statement of profit or loss if they have been acquired or held for the purpose or selected to be classified in this category.

Financial assets are classified as held for trading if:

- If they were acquired mainly to be sold in near future.
- If they represent known portfolio of financial instruments managed by the Company and includes the actual pattern of a financial instrument that generates profits in the short term.
- If they represent a derivative but not classified or effective as a hedging instrument.

Financial assets measured at fair value through the statement of profit or loss are stated at their fair value, and any gain or loss resulting from the revaluation is recognized in profit or loss.

Net profit or loss includes any dividends or interest due from the financial asset and is included in the statement of profit or loss.

**B) Financial assets measured at amortised cost**

Accounts receivable, including trade and other receivables, bank balances and cash are measured at amortized cost using the effective interest method less any impairment loss, and charged to the profit or loss.

Interest income is determined using the effective interest rate, except for short-term receivables when the discount effect is insignificant.

**C) Financial assets measured at Fair value through other comprehensive income (FVOCI)**

Profits and losses arising from changes in fair value are included in the statement of other comprehensive income and are added to statement of accumulated changes in fair value of investments within equity other than impairment losses which are included in the statement of profit and loss. If investment is disposed or suffered an impairment, profits and losses resulted from previous evaluation which were recognized in investment revaluation reserve are included in the statement of other comprehensive income.

Dividends income from investments is recognized in equity instruments at fair value through the statement of other comprehensive income when the Company's right to receive payment has been established and is shown as income in the statement of profit or loss unless dividends clearly represent a recovery of part of the investment cost. Other profits and losses are recognized in statement of other comprehensive income and are never reclassified to the statement of profit or loss.

**Second: Financial liabilities:**

Financial liabilities (including loans and accounts payable) are measured initially and subsequently at amortised cost using the effective interest method.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of disposed financial liabilities and amount paid is charged to the statement of profit or loss.

**- Effective interest rate method**

The effective interest method is an accounting practice used for calculating the amortized cost of a debt instrument and for distributing interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (Including all fees and points paid or received, which form an integral part of the effective interest rate, transaction costs, installments or other discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3-10 Inventory**

Inventory are stated at the lower of cost and net realizable value. Costs of Inventory are determined on weighted average basis. The Cost of finished and under process goods includes the cost of materials, labor and indirect industrial costs that contribute to the conversion of raw materials into a final product. Net realizable value is the estimated selling price in the ordinary course of business, less any costs to complete the sale. A provision for obsolete and slow moving items based on management estimates at the reporting date.

**3-11 Related parties**

Related party is the person or entity associated with the company that prepares its financial statements.

A) If the person or a member of his family is closely related to the company whose financial statements are prepared:

- Has joint control or control over the company preparing its financial statements;
- It has a material impact on the company preparing its financial statements. or
- He is a member of the top management of the company whose financial statements are prepared or the parent company of the company that prepares its financial statements.

B) If the entity is related to the company that prepares its financial statements if any of the following conditions are fulfilled:

- The entity and the company that prepares its financial statements are members of the same company (which means that both the parent company, subsidiaries and associates have a relationship with the other).
- One of the two companies is an associate or a joint venture of the other company (or an associate or a joint venture of a member of the company of which the other company is a member).
- Both companies are joint ventures of the same third party.
- One of the two companies is a joint venture of a third company and the other company is an associate of the third company.
- The company is jointly controlled or controlled by a person specified in Paragraph (a).
- The person identified in paragraph (a) (1) has a material influence on the company or is a member of the top management in the company (or the parent company).
- The company or any member of the company provides part of the services of senior management employees of the company that prepares its financial statements or to the parent company of the company that prepares its financial statements.

**3-12 Accounts receivable**

Accounts receivable are stated at the original amount of invoice, less provision for expected credit losses. An allowance against expected credit losses is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Bad debts are written off as incurred against related receivables. Provisions are charged to the statement of profit or loss. Any receivables recovered subsequently that were previously written off are recorded under other revenues statement of profit or loss.

**3-13 Cash and cash equivalent**

Cash and cash equivalent comprise cash on hand and bank balances, time deposits and other highly liquid short-term investments with original maturities of three months or less from the acquisition date which are available to the Company without restrictions and which is subject to insignificant risk of changes in value.

**3-14 Loans**

Borrowings are initially recognised at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, long-term borrowings are measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3-15 Provision for dismantling, removing and rehabilitation of areas subject to franchise license**

Provision for dismantling, removal and rehabilitation of areas subject to the concession license is measured at the present value of the expected cost of restoring the concession site using the discount rate as at the start date of the concession contract.

**3-16 Provisions**

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Provisions are measured to the best of the expected fair value of the liability as at the balance sheet date, taking into account risks and uncertainties surrounding the obligation. When an allowance is measured using estimated cash flows to settle the present obligation, the receivable is recognized as an asset if the receipt and replacement of the amount are confirmed and the amount can be measured reliably.

**3-17 Employees' benefit**

**-End of service indemnities**

The end-of-service indemnity provision is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurements, comprising actuarial gains and losses, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur and are not charged to the statement of profit or loss.

**-Retirement benefits**

The Company makes contributions for a defined contribution retirement benefit plan to the General Organization for Social Insurance in respect of its Saudi employees. These payments are expensed when incurred.

**-Short-term employee benefits**

Liabilities recognized in respect of short-term employee benefits related to wages and salaries are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of short-term employee benefits are measured at the amount of the benefits expected to be paid in exchange for the related service.

**3-18 Accounts payable, accrued expenses and other credit balances**

Liabilities are recognized for amounts to be paid in future for services received, whether billed or not by suppliers.

**3-19 Value added tax**

Expenses and assets are recognized net of value added tax, with the exception of:

- Where the value-added tax incurred on the purchase of assets or services is not recoverable from the Zakat, Tax and Customs Authority, in which case the value-added tax is recognized as part of the cost of purchasing the asset or as part of the expense item, as appropriate.
- When listing accounts receivable and accounts payable with the VAT amount .

**3-20 Zakat provision**

Zakat is a liability on the Company and provided for in the accompanying financial statements. Zakat is charged to the statement of profit or loss on an accruals basis, in accordance with Zakat standard issued by SOCPA. where it is calculated for the year in accordance with the principle of accrual.

The zakat charge is computed at year-end on Zakat base or adjusted net income whichever is higher, in accordance with the regulations of the Zakat, Tax and Customs Authority in Saudi Arabia.

Additional amounts that may become due on finalization of an assessment are accounted for in the year in which assessment is finalized.

**3-21 Board of directors remunerations**

According to the international financial reporting standards adopted in the Kingdom of Saudi Arabia, the remuneration of the members of the board of directors is recorded through the statement of profit or loss .

**3-22 Recognition of revenues from contracts with customers**

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

Step (1) - Define the contract(s) with the customer: A contract is defined as an agreement between two or more parties that establishes enforceable rights and obligations and specifies the criteria that must be met for each contract.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3-22 Recognition of revenues from contracts with customers (Continued)**

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

Step (1) - Define the contract(s) with the customer: A contract is defined as an agreement between two or more parties that establishes enforceable rights and obligations and specifies the criteria 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 consideration that the company expects to receive in exchange for the transfer of goods or services promised to the 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 includes more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that specifies the amount of contract consideration that the Company expects to receive in exchange for fulfilling each performance obligation.

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

The Company satisfies a performance obligation and recognizes revenue when the customer obtains control of the goods at a specified point in time (ie when the goods are delivered and acknowledged), and the goods are sold at substantial retrospective discounts 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 discounts. Accumulated experience is used to estimate and provide discounts using expected value and revenue is recognized to the extent reasonably probable that there will be no material reversal. The related liability (included under trade and other payables) is recognized for expected discounts on amounts payable to customers in respect of sales made during the year.

The Company sells bulk and packaged cement, under specific and independent sales invoices entered into with the customers. There is no financing component present as sales are made either on cash or on term credit in line with market practice.

**Sale of goods:**

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

The Company considers the following indicators in evaluating the transfer of control over the asset towards the customer:

- The Company has an immediate right to a payment for the principal.
- The customer has legal ownership of the asset.
- The Company has transferred the actual ownership of the asset.
- The customer bears the significant risks and rewards of ownership of the asset.
- Customer acceptance of the original.

**3-23 Expenses**

General and administrative expenses include direct and indirect costs not specifically part of cost of revenue or selling and marketing expenses. Sales and marketing expenses include all expenses related to selling and marketing.

**3-24 Leases**

**Company as a lessor**

The company recognizes lease payments received under the lease contracts as income in the statement of profit or loss on a straight-line basis over the term of the lease

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3-24 Leases (Continued)**

**Company as a lessee**

Upon initiation of non-cancellable operating leases, the leased asset is identified and defined as the "right to use the leased asset" and is measured at cost with an appropriate discount on the relevant components of the lease term and payment obligations including the initial direct cost, terms and incentives mentioned in the basic lease agreement after initial measurement and recognition, the "right to use the leased asset" is subsequently measured periodically using a cost model that includes initial measurement and any re-measurement adjustments minus accumulated depreciation.

The company depreciates the asset of the right of use over the estimated period of the lease contract using the straight-line method.

On the lease commencement date at the net present value of all unpaid lease payments as on that date discounted at an appropriate rate. After initial measurement, 'lease liabilities' are measured periodically by increasing the carrying cost to reflect the interest cost on future unpaid lease liabilities and any re-measurement adjustment minus the lease payments made up to that date.

An appropriate depreciation rate and an appropriate profit rate are applied to the "right to use the leased asset" and the "lease liability" respectively. This depreciation, interest and financing expenses are charged to the statement of profit or loss.

**3-25 Short-term and low-value leases**

The Company has chosen not to prove the assets (right to use) and lease obligations for short-term leases of 12 months or less and low-value lease contracts, the Company recognizes the lease payments associated with these contracts as expenses in the condensed statement of profit or loss on a straight-line basis over a period lease.

**3-26 Contingent Liabilities and assets**

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

**3-27 Offset**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**3-28 Earnings per share**

Basic and diluted earnings per share are calculated based on the weighted average number of shares outstanding as of year-end.

**3-29 Segment information**

The company is engaged in its activities in one operating sector in the production of cement and is fully operating in the Kingdom of Saudi Arabia. The financial information is not divided into different business segments or geographically.

**3-30 Foreign currency translation**

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rates prevailing at year's end. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of profit or loss.

**UMM AL-QURA CEMENT COMPANY**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**4- PROPERTY, PLANT AND EQUIPMENT, NET**

	<b>Buildings and roads</b>	<b>Property and equipment</b>	<b>Furniture and fixtures</b>	<b>Trucks and forklifts</b>	<b>Water wells</b>	<b>Total</b>
	<b>SAR</b>	<b>SAR</b>	<b>SAR</b>	<b>SAR</b>	<b>SAR</b>	<b>SAR</b>
<b>Cost</b>						
Balance as at 1 January 2022	305,516,706	755,348,883	1,437,949	37,596,000	1,003,012	1,100,902,550
Additions during the year	4,834,001	382,346	202,523	427,826	-	5,846,696
Disposal during the year	-	(2,778,854)	-	-	-	(2,778,854)
Balance as at 31 December 2022	310,350,707	752,952,375	1,640,472	38,023,826	1,003,012	1,103,970,392
<b>Additions during the year</b>	<b>4,315,773</b>	<b>11,129,479</b>	<b>341,258</b>	<b>-</b>	<b>-</b>	<b>15,786,780</b>
<b>Disposal during the year</b>	<b>(18,000)</b>	<b>(14,049)</b>	<b>(170,926)</b>	<b>-</b>	<b>(1003,012)</b>	<b>(1,205,987)</b>
<b>Balance as at 31 December 2023</b>	<b>314,648,480</b>	<b>764,068,075</b>	<b>1,810,804</b>	<b>38,023,826</b>	<b>-</b>	<b>1,118,551,185</b>
<b>Accumulated depreciation</b>						
Balance as at 1 January 2022	53,358,344	194,954,461	1,287,368	27,252,776	984,526	277,837,475
Charged for the year	10,169,400	37,275,935	136,267	5,152,107	18,486	52,752,195
Disposal during the year	-	(853,862)	-	-	-	(853,862)
Balance as at 31 December 2022	63,527,744	231,376,534	1,423,635	32,404,883	1,003,012	329,735,808
<b>Charged for the year</b>	<b>10,654,725</b>	<b>38,116,744</b>	<b>96,107</b>	<b>3,386,070</b>	<b>-</b>	<b>52,253,646</b>
<b>Disposal during the year</b>	<b>(9,762)</b>	<b>(14,049)</b>	<b>(170,878)</b>	<b>-</b>	<b>(1003,012)</b>	<b>(1,197,701)</b>
<b>Balance as at 31 December 2023</b>	<b>74,172,707</b>	<b>269,479,229</b>	<b>1,348,864</b>	<b>35,790,953</b>	<b>-</b>	<b>380,791,753</b>
<b>Net book Value</b>						
<b>As at 31 December 2023</b>	<b>240,475,773</b>	<b>494,588,846</b>	<b>461,940</b>	<b>2,232,873</b>	<b>-</b>	<b>737,759,432</b>
As at 31 December 2022	246,822,963	521,575,841	216,837	5,618,943	-	774,234,584

- The land, on which the plant is constructed under a raw material quarry license granted to the Company by the Ministry of Industry and Mineral Resources for the exploitation of limestone to manufacture ordinary Portland cement from Hurra Hodun location (2), in Taif is a city in the Mecca Province, is Sqm 24,537.
- The entire factory, its buildings, machinery, equipment and related accessories are mortgaged as a guarantee for SIDF loan (Disclosure No. 13).



**UMM AL-QURA CEMENT COMPANY**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**5- INTANGIBLE ASSETS, NET**

The item of intangible assets in the system used in the operating activities of the company "SAP", in addition to the exploration fees for the private quarry for the extraction of limestone, is amortized over a period ranging from (5) years to (10) years.

The movement on intangible assets as at 31 December 2023 is as follows:

	<b>Programs SAR</b>	<b>Exploration fee SAR</b>	<b>Total SAR</b>
<b>Cost</b>			
Balance at the beginning of the year	1,782,315	1,244,810	3,027,125
<b>Additions during the year</b>	<b>11,700</b>	<b>-</b>	<b>11,700</b>
<b>Balance at the end of the year</b>	<b>1,794,015</b>	<b>1,244,810</b>	<b>3,038,825</b>
<b>Accumulated amortization</b>			
Balance at the beginning of the year	1,615,051	5,116	1,620,167
<b>Charged for the year</b>	<b>70,182</b>	<b>124,482</b>	<b>194,664</b>
<b>Balance at the end of the year</b>	<b>1,685,233</b>	<b>129,598</b>	<b>1,814,831</b>
<b>Net book Value 31 December 2023</b>	<b>108,782</b>	<b>1,115,212</b>	<b>1,223,994</b>
Net book Value 31 December 2022	167,264	1,239,694	1,406,958

**6- RIGHT-OF-USE ASSET, NET**

The following table shows the movement during the year that took place on both the right of use assets and lease liabilities, and it is as follows:

	<b>Right of use assets (Buildings) SAR</b>	<b>Right of use assets (Cars) SAR</b>	<b>Total right of use assets SAR</b>
<b>Cost</b>			
Balance as at 1 January 2023	3,079,849	1,987,379	5,067,228
Additions during the year	-	77,678	77,678
Disposal during the year *	(117,227)	(1,081,897)	(1,199,124)
<b>Balance as at 31 December 2023</b>	<b>2,962,622</b>	<b>983,160</b>	<b>3,945,782</b>
<b>Accumulated depreciation</b>			
Balance as at 1 January 2023	2,399,199	1,084,996	3,484,195
Charged for the year	466,804	371,580	838,384
Disposal during the year	(117,227)	(1,081,897)	(1,199,124)
<b>Balance as at 31 December 2023</b>	<b>2,748,776</b>	<b>374,679</b>	<b>3,123,455</b>
<b>Net book Value</b>			
<b>Balance as at 31 December 2023</b>	<b>213,846</b>	<b>608,481</b>	<b>822,327</b>
Balance as at 31 December 2022	680,650	902,383	1,583,033

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**6- RIGHT-OF-USE ASSET, NET (CONTINUED)**

\* Disposal during year 2023 represent in expiration of some car leases and leased buildings.

**A-Movement on leases liabilities as follows:**

	<b>31 December 2023</b>	31 December 2022
	<b>SAR</b>	<b>SAR</b>
Balance at the beginning of the year	<b>1,492,149</b>	1,150,121
Additions during the year	<b>77,678</b>	1,134,236
Amortization of interest during the year (note 22)	<b>46,917</b>	53,110
Paid during the year	<b>(925,435)</b>	(845,318)
<b>Balance at the end of the year</b>	<b>691,309</b>	1,492,149

- Lease liabilities are classified as follows:

	<b>31 December 2023</b>	31 December 2022
	<b>SAR</b>	<b>SAR</b>
Non-current portion	<b>281,894</b>	615,721
Current portion	<b>409,415</b>	876,428
	<b>691,309</b>	1,492,149

**7- FINANCIAL INVESTMENTS AT FVOCI**

Financial investments represent investments in equity instruments of listed companies that are accounted for at FVOCI. The following is a statement of these investments:

	<b>As at 31 December</b>	
	<b>2023</b>	2022
International Water and Energy Works Company (Aqua Power)	<b>76,912</b>	42,504
Gains on change in fair value	<b>53,130</b>	34,408
	<b>130,042</b>	76,912

- **Reserve for revaluation of financial investments at fair value through other comprehensive income**

	<b>As at 31 December</b>	
	<b>2023</b>	2022
Reserves Balance, At the beginning of the year	<b>48,576</b>	14,168
Gains on change in fair value	<b>53,130</b>	34,408
	<b>101,706</b>	48,576

**8- INVENTORY**

	<b>31 December 2023</b>	31 December 2022
	<b>SAR</b>	<b>SAR</b>
Goods in production process*	<b>344,569,282</b>	297,182,109
Spare parts	<b>24,056,827</b>	20,680,280
Raw materials	<b>7,820,993</b>	6,216,685
Finished goods	<b>5,484,466</b>	5,449,244
Fuel and oil	<b>4,323,372</b>	2,257,068
Packaging and other materials	<b>2,133,325</b>	3,223,756
	<b>388,388,265</b>	335,009,142

\* Goods in production process mainly comprise of clinker material. As at 31 December 2023, clinker inventory balance amounted to SAR 342,73 million (31 December 2022: SAR 295,6 million). Clinker is a basic material used by the Company in the production of cement (finished goods). This material is stored in large areas of the plant and can maintain their quality for five years, according to estimation of production management of the Company.

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**9- DEPOSIT AGAINST BANK GUARANTEE COVER**

The company signed a facility agreement with Riyadh Bank on March 21, 2021, with the possibility that the cash insurance amounting to 50 million SAR, which represents 50% of the cash cover of the letter of guarantee in favor of the Ministry of Energy and Mineral Resources, or that this amount be used as a deposit in exchange for facilities for the purpose of issuing this guarantee. During the first quarter of 2022, the company transfer the deposit amount against this facility to issue a letter of guarantee to get fuel and the company commitment to establish a white cement factory. This deposit is paid quarterly at variable rates, as the returns during period ending on December 31, 2023 amounted to 707,167 SAR, and during the second quarter of 2023, the company received a written letter from the Ministry of Industry and Mineral Resources to release the bank guarantee amounting to 100 million SAR, and the amount of the bank guarantee amounting to 50 million SAR was received on April 12, 2023, bringing the total value of the deposit as of December 31, 2023, the nil amount, (December 31, 2022 : the amount of 51,034,237 SAR).

**10- ACCOUNTS RECEIVABLE, PREPAID EXPENSES AND OTHER RECEIVABLES, NET**

	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>SAR</b>	<b>SAR</b>
Accounts receivable	<b>7,305,427</b>	7,583,811
(Less): Provision for expected credit loss	<b>(872,929)</b>	(872,929)
Net accounts receivable	<b>6,432,498</b>	6,710,882
Prepaid expenses	<b>2,121,240</b>	13,178,224
(Less): Legal case impairment *	<b>-</b>	(10,000,000)
	<b>8,553,738</b>	9,889,106
Prepayments to contractors and supplier	<b>2,808,857</b>	1,099,787
	<b>11,362,595</b>	10,988,893

Below is the movement in provision for expected credit losses:

	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>SAR</b>	<b>SAR</b>
Balance at the beginning of the year	<b>872,929</b>	430,703
Charged during the year	<b>-</b>	442,226
<b>Balance at the end of the year</b>	<b>872,929</b>	872,929

The following table shows accounts receivable aging of the Company as follows:

	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>SAR</b>	<b>SAR</b>
From 1 to 90 days	<b>4,144,517</b>	6,702,333
From 91 to 180 days	<b>2,376,889</b>	13,216
From 181 to 360 days	<b>-</b>	-
More than 360 days	<b>784,021</b>	868,262
	<b>7,305,427</b>	7,583,811

\*There is a case against the company by one of the regulatory authorities in Saudi Arabia, where the company was notified on 5 Rabi' al-Awwal 1443 (corresponding to 11 October 2021) of the decision to impose a fine of SAR 10 million on the company which was paid and intercepted later. The company and its legal advisor have filed proceedings against at the Administrative Court in Riyadh a preliminary ruling annulled the decision of the Court of the Public Authority and the trial judgement was again overturned after a ruling The Company and its Legal Counsel submitted a cassation application to the Supreme Court, and during the current year 2023, the Court of Appeal decided to reject the lawsuit filed by the company and acquired the final judgment and final status by charging the company with the full value.



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**11- CASH AND CASH EQUIVALENT**

	<b>31 December 2023</b>	31 December 2022
	<b>SAR</b>	<b>SAR</b>
Bank balances	<b>14,241,646</b>	5,381,388
Cash on hand	<b>39,680</b>	26,383
Highly liquid financial investments*	<b>30,499,489</b>	483,705
	<b>44,780,815</b>	5,891,476

\*The amount represents the value of an investment in the units of Al-Rajhi Commodity Mudaraba Fund, in addition to speculation in treasury and islamic income account by AL-Riyadh bank, which is a highly liquid investment and the risk rate is low, and profits were made from that investment during the year ending on 31 December 2023, amount to SAR 857,612 (31 December 2022: SAR 699,269) included in other revenue .

**12- STATUTORY RESERVE**

The company's by laws require to transfer 10% of net income to statutory reserve until the reserve equals 30% of the share capital. The reserve is not available for distribution as dividends to Shareholders.

**13- SAUDI INDUSTRIAL DEVELOPMENT FUND LOAN**

Movement of the Saudi Industrial Development Fund Loan is as follows:

	<b>31 December 2023</b>	31 December 2022
	<b>SAR</b>	<b>SAR</b>
Balance at the beginning of the year	<b>323,000,000</b>	378,000,000
Loan payments during the year	-	(55,000,000)
Balance at the end of the year	<b>323,000,000</b>	323,000,000
<b>(Less)</b>		
Deferred administrative financing costs*	<b>(10,006,309)</b>	(5,369,282)
<b>Balance at the end of the year</b>	<b>312,993,691</b>	317,630,718
<b>Loan balance is classified as follows:</b>		
SIDF loan: current portion	<b>35,956,171</b>	111,572,279
SIDF loan - non-current portion	<b>277,037,520</b>	206,058,439

\*The following table shows the movement of deferred administrative finance costs:

	<b>31 December 2023</b>	31 December 2022
	<b>SAR</b>	<b>SAR</b>
Balance at the beginning of the year	<b>5,369,282</b>	10,313,153
Amortization of deferred administration finance costs	<b>(4,124,338)</b>	(4,943,871)
Gains from adjustment of financial obligations	<b>8,761,365</b>	-
<b>Balance at the end of the year</b>	<b>10,006,309</b>	5,369,282

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**13- SAUDI INDUSTRIAL DEVELOPMENT FUND LOAN (CONTINUED)**

- On 21 May 2014, the Company signed long-term loan agreement with the Saudi Industrial Development Fund (SIDF) At an amount of SAR 678,000,000 to finance establishing a cement production plant. The loan is secured by mortgage the Company's buildings, machines and equipment to the Fund. The loan agreement included covenants regarding maintaining some financial ratios. The loan will be paid in 16 installments. The first installment is due on 15 Safar 1439H (4 November 2017) and the last installment is due on 15 Shaban 1446 H (14 February 2025).
- On 23 Dhu al-Qi'dah 1438 H (15 August 2017), a letter was signed to amend the original terms the loan which included decreasing the loan amount to SAR 656,876,000, amending the payments to be 15 unequal semi-annual installments and amending first installment due date to be 15 Shaban 1439H (1 May 2018) without amending the last installment due date.
- Deferred finance costs represent fee deducted in advance upon receipt of the loan. These fees are amortized over the term of the related loan using the effective interest rate. Follow-up fees have incurred in these loans.
- During the current year 2023, a rescheduling agreement was concluded between the company and the Saudi Industrial Development Fund, provided that the loan repayment period will be extended, as the remaining part will be paid in (8) semi-annual installments, with the first installment being paid on 15 Safar 1446 H (corresponding to 19 August 2024), and the last installment of the loan will be on 15 Shaaban 1449 H (corresponding to 12 January 2028).
- In accordance with the requirements of International Financial Reporting Standard No. (9), the company studied whether the rescheduling represents a fundamental modification in the terms of the existing financial obligation. It was found from that study that it does not represent a fundamental modification in the terms of the loan, and the company recorded gains of 8,761,365 SR in the statement of Profit or loss and other comprehensive income, which represents the difference between the present discounted value of the cash flows under the new terms, using the original effective interest rate, and the discounted present value of the remaining cash flows of the financial obligation according to the original terms.

**Below are maturities of SIDF loan after rescheduling:**

<b>Year</b>	<b>31 December 2023 SAR</b>	<b>31 December 2022 SAR</b>
<b>2023</b>	-	115,000,000
<b>2024</b>	<b>40,000,000</b>	134,000,000
<b>2025</b>	<b>80,000,000</b>	74,000,000
<b>2026</b>	<b>80,000,000</b>	-
<b>2027</b>	<b>80,000,000</b>	-
<b>2028</b>	<b>43,000,000</b>	-
	<b>323,000,000</b>	<b>323,000,000</b>

**14- CREDIT FACILITIES**

The Company signed a Shariah-compliant credit facilities agreement with a bank on 23 April 2019 and renewed on 28 November 2023 with an amount of SAR 50 million. The facilities expire on 28 November 2026 and they are guarantee with a promissory note issued for the bank by the Company amounting to SAR 54 million. The purpose of the facilities is to finance the requirements of the Company's working capital, capital purchases and letters of credit. The company has not use any of these banking facilities during the year 2022, 2023.

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**15- PROVISION FOR DISMANTLING, REMOVING AND REHABILITATION OF AREAS SUBJECT TO FRANCHISE LICENSE**

The provision for dismantling, removing and rehabilitating areas subject to a concession license is represented in the present value of the expected cost of re-leveling the concession site for the company's factory land. During the year 2018, the company appointed an expert specialized in the fields of estimating the current values of the allocations and the residual values of property, machinery and equipment (Astroplan) in order to estimate the present value For the provision of jaw and removal.

On December 17, 2022, Ministerial Resolution No. 503/3/1444 was issued granting the company a mining license to exploit limestone ore for industry from a site in Radwan - the main Taif-Riyadh road in the Taif Governorate of the Emirate of the region Makkah Al-Mukarramah, the period of the license granted to the company is ten years, the cost of rehabilitation of the quarry after the end of the exploitation period amounted to 6,727,147 SAR, based on an estimate and calculation of an expert specialized in the areas of estimating the current values of provisions.

Movement in provision for dismantling, removing and rehabilitation is as follows:

	<b>31 December 2023</b>	31 December 2022
	<b>SAR</b>	SAR
Present value of provision for dismantling, removing and rehabilitation	<b>4,105,867</b>	4,105,867
Present value additions Provision for rehabilitation of new quarries during the year	<b>3,756,403</b>	3,756,403
The total present value of the provision for dismantling, removal and rehabilitation	<b>7,862,270</b>	7,862,270
<b>Actual interest</b>		
Actual interest at the beginning of the year	<b>6,973,708</b>	5,960,156
Actual interest charged for the year	<b>1,330,993</b>	1,013,552
Actual interest at the ending of the year	<b>8,304,701</b>	6,973,708
<b>Total present value of provision for dismantling, removing and rehabilitation</b>	<b>16,166,971</b>	14,835,978

**16- EMPLOYEES' BENEFIT OBLIGATIONS**

A- The company determines the current value of the employee benefit obligations by making an actuarial valuation using the projected credit unit method, after taking into account the following set of assumptions:

	<b>31 December 2023</b>	31 December 2022
Discount rate	<b>4.60%</b>	4.75%
Benefits increase rate	<b>5.60%</b>	5%



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**16-EMPLOYEES' BENEFIT OBLIGATIONS (CONTINUED)**

B- The movement in employees benefit obligations is as follows:

	<b>31 December 2023</b>	31 December 2022
	<b>SAR</b>	SAR
Employees benefits obligations balance the beginning of the year	<b>3,080,014</b>	3,226,636
<b><u>Charged to the statement of profit or loss</u></b>		
Cost of current service	<b>631,167</b>	620,933
Interest cost	<b>156,054</b>	82,936
<b><u>Charged to statement of other comprehensive income</u></b>		
Actuarial Losses/(Profits) from re-measurement of employees benefit obligation	<b>110,743</b>	(369,870)
Paid during the year	<b>(524,988)</b>	(480,621)
<b>Employees benefits obligations balance at the end of the year</b>	<b>3,452,990</b>	3,080,014

C- Defined benefit liability sensitivity

		<b>31 December 2023</b>	31 December 2022
		<b>SAR</b>	SAR
	Base		
Rate of change in salaries	Increase by 0,5% - 1%	<b>3,516,121</b>	3,165,672
	Decrease by 0,5% -1%	<b>3,392,725</b>	2,999,134
	Base		
Discount rate	Increase by 0,5% - 1%	<b>3,370,538</b>	2,979,072
	Decrease by 0,5% -1%	<b>3,540,116</b>	3,187,973
<b>Assumption of a statistical study of employees Membership data</b>			
Average age of employees (years)		<b>40</b>	36
Average years of past experience		<b>15</b>	14

**17- ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES**

	<b>31 December 2023</b>	31 December 2022
	<b>SAR</b>	SAR
Contractors and suppliers receivables	<b>30,191,742</b>	30,196,359
Exploitation fees - Ministry of Industry and Mineral Resources (A)	<b>32,534,668</b>	29,683,958
Retention amounts for maintenance works (B)	<b>5,365,300</b>	5,365,300
Accrued expenses	<b>3,146,631</b>	2,919,558
Follow-up fees of SIDF Loan (C)	<b>1,942,831</b>	2,050,170
Amounts accrued to employees	<b>1,632,233</b>	1,798,315
Advances from customers	<b>852,113</b>	660,793
Value added tax and withholding tax	<b>3,192</b>	320,198
	<b>75,668,710</b>	72,994,651

A) The amount represent due to Ministry of Industry and Mineral Resources , according to the license granted to the Company for the exploitation of Limestone in the licensed area.

B) The Amount represents in provision charged for maintenance of the company's silos and production line during the subsequent period.

C) SIDF loan follow-up fees represent amounts due on the loan granted by the SIDF to the Company for the project, in accordance with the agreement signed with SIDF .

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**18- ZAKAT PROVISION**

A) The principal elements of Zakat base are the following:

	<b>31 December 2023</b>	31 December 2022
	<b>SAR</b>	<b>SAR</b>
Equity, provisions at the beginning of the year, and other adjustments	<b>1,100,169,449</b>	1,076,325,080
Long-term assets	<b>(765,736,557)</b>	(795,289,742)
Adjusted net income	<b>15,434,332</b>	32,210,988

B) The following is the movement in estimated Zakat provision:

	<b>31 December 2023</b>	31 December 2022
	<b>SAR</b>	<b>SAR</b>
Balance as at the beginning of the year	<b>8,050,091</b>	7,622,864
Charged during the year	<b>9,006,480</b>	8,049,477
Charged during the year for zakat differences	<b>358,575</b>	-
Paid during the year	<b>(7,956,431)</b>	(7,622,250)
<b>Balance as at the end of the year</b>	<b>9,458,715</b>	8,050,091

D) The company submitted zakat returns for the previous years and up to the year 2022 and the zakat certificate was obtained for that year.

E) Preliminary assessments issued for the company at the years 2021 and 2022, with the company claiming zakat differences in the amount of 358,575 SR, and they are still under discussion, and no final assessment has been issued to date. Accordingly, the company created a provision for the full value on December 31, 2023.

**19- SALES AND COST OF SALES**

-The company's revenues are represented by sales resulting from bulk and packaged cement, and there are no other products for the company. The company's products are sold inside the Kingdom of Saudi Arabia. The company sells its products entirely through distributors, and the sale takes place at a point of time and sales do not take place over a period of time. The company's sales as at December 31, 2023: 168,947,617 Saudi riyals (2022: 221,216,841 SAR).

-The cost of sales is mainly represented by the cost of raw materials, direct wages, fuel, energy, spare parts, packing, manufacturing expenses and depreciation. The cost of sales as on December 31, 2023: 136,057,401 SAR (2022: 150,389,686 SAR).

**20- SELLING AND MARKETING EXPENSES**

	<b>2023</b>	2022
	<b>SAR</b>	<b>SAR</b>
Salaries, wages and other benefits	<b>2,788,897</b>	3,107,611
Depreciation of right of use asset	<b>196,962</b>	157,213
Rents	<b>20,603</b>	32,103
Depreciation of property, plant and equipment	<b>20,246</b>	22,500
Others	<b>392,208</b>	471,396
	<b>3,418,916</b>	3,790,823

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**21- GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>2023 SAR</b>	2022 SAR
Salaries, wages and other benefits	7,220,846	6,089,672
Remunerations and allowances of BOD members	1,892,000	2,137,000
Consultancy and professional fees	2,654,109	575,964
Shareholders' register management expenses	506,582	528,940
Depreciation of right of use asset	390,553	390,553
Technical support for computer software	429,359	415,162
Government fees	32,300	85,387
Medical insurance	459,808	221,286
Amortization of intangible assets	6,192	100,340
Depreciation of property, plant and equipment	42,541	25,349
Others	708,826	268,601
	<b>14,343,116</b>	<b>10,838,254</b>

**22- FINANCE COSTS**

	<b>2023 SAR</b>	2022 SAR
SIDF loan follow-up fees	6,640,661	7,580,271
Amortization of deferred administrative financing costs for the fund loan	4,124,338	4,943,871
Bank fees renewal letter of guarantee	503,710	1,250,000
Deduct present value for provision for the rehabilitation of areas subject to franchise license	1,330,993	1,013,552
Amortization of lease liabilities interest	46,917	53,110
	<b>12,646,619</b>	<b>14,840,804</b>

**23- OTHER REVENUE**

	<b>2023 SAR</b>	2022 SAR
Deposit earnings cover letter of guarantee	707,168	1,034,237
Profits from highly liquid financial investments	857,612	699,269
Others	603,412	168,125
	<b>2,168,192</b>	<b>1,901,631</b>

**24- RISK MANAGEMENT AND FAIR VALUE**

**Liquidity risks**

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments that the company commits to in the interest of others.

To reduce the liquidity risk and associated losses which may affect the business of the Company, the company maintains, wherever possible, sufficient highly liquid current assets in all business conditions. The Company avoids financing long-term capital requirements through short-term borrowing. Long-term projects are currently funded with long-term loans only. The Company has a highly dynamic cash flow policy and a system by which it can estimate the maturity dates of its liabilities and develop appropriate plans to provide the required funding to meet these liabilities in a timely manner.

The following is the maturities of assets and liabilities as at 31 December 2023, and 31 December 2022:

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**24- RISK MANAGEMENT AND FAIR VALUE (CONTINUED)**

	3 months or less SAR	More than 3 months to 1 year SAR	More than 1 year up to 10 years SAR	No specific maturity dates SAR	Total SAR
<b>31 December 2023</b>					
<b>Assets</b>					
Accounts receivable	7,305,427	-	-	-	7,305,427
<b>Total</b>	<b>7,305,427</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,305,427</b>
<b>Liabilities</b>					
Saudi Industrial Development Fund (SIDF) Loan	-	40,000,000	283,000,000	-	323,000,000
Provision for dismantling, removing and rehabilitation of areas subject to franchise license	-	-	4,162,483	12,004,488	16,166,971
Lease liabilities	168,086	352,344	208,582	-	729,012
Employees' benefit obligations	-	-	-	3,452,990	3,452,990
Accounts payable, accrued expenses and other credit balances	75,668,710	-	-	-	75,668,710
Zakat provision	-	9,458,715	-	-	9,458,715
<b>Total</b>	<b>75,836,796</b>	<b>49,811,059</b>	<b>287,371,065</b>	<b>15,457,478</b>	<b>428,476,398</b>
	3 months or less SAR	More than 3 months to 1 year SAR	More than 1 year up to 10 years SAR	No specific maturity dates SAR	Total SAR
<b>31 December 2022</b>					
<b>Assets</b>					
Margin letter of guarantee	-	-	-	51,034,237	51,034,237
Accounts receivable	7,583,811	-	-	-	7,583,811
<b>Total</b>	<b>7,583,811</b>	<b>-</b>	<b>-</b>	<b>51,034,237</b>	<b>58,618,048</b>
<b>Liabilities</b>					
Saudi Industrial Development Fund (SIDF) Loan	55,000,000	60,000,000	208,000,000	-	323,000,000
Provision for dismantling, removing and rehabilitation of areas subject to franchise license	-	-	3,772,493	11,063,485	14,835,978
Lease liabilities	188,948	895,536	478,473	-	1,562,957
Employees' benefit obligations	-	-	-	3,080,014	3,080,014
Accounts payable, accrued expenses and other credit balances	72,994,651	-	-	-	72,994,651
Zakat provision	-	8,050,091	-	-	8,050,091
<b>Total</b>	<b>128,183,599</b>	<b>68,945,627</b>	<b>212,250,966</b>	<b>14,143,499</b>	<b>423,523,691</b>



**UMM AL-QURA CEMENT COMPANY**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**24- RISK MANAGEMENT AND FAIR VALUE (CONTINUED)**

**Credit risks**

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

	<b>31 December 2023</b>	31 December 2022
	<b>SAR</b>	SAR
Cash at banks	<b>44,741,135</b>	5,865,093
Accounts receivable, net	<b>6,432,498</b>	6,710,882
	<b>51,173,633</b>	12,575,975

**Market price risk**

Market risk is the risk that arises from changes in the fair value of future cash flows of financial instruments due to changes in market prices. Market rates have 3 types: Interest rate risk, currency risk and other price risks such as Shares price risk and commodity price risk, and includes financial liabilities affected by market price risk on loans, account receivables and payables.

**Interest rate risk**

Interest rate risk is the risk that arises from changes in the fair value of future cash flows of financial instruments because of a change in the interests rate of the market. The company's financial assets and liabilities as at the balance sheet date, with the exception of long-term loans, are not exposed to interest rate risk. Long-term loans carry interest in addition to credit margin based on prevailing market interest rates.

**Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's primary transactions are in Saudi riyals and US dollars. Management monitors currency fluctuations.

**Fair value**

The fair value of the company's financial assets and liabilities is not materially different from carrying amounts that are included in the financial statements.

**25- TRANSACTIONS WITH COMPANY'S SENIOR EXECUTIVES**

Related parties represent non-executive directors, key management personnel of the Company who are considered those personnel exercising authority and responsibility for planning, managing and controlling the activities of the Company, directly or indirectly, including the managers. Transactions for the year ended 31 December are:

		<b>For the year ended at</b>	
		<b>31 December</b>	
<b>Related parties</b>	<b>Nature of the transaction</b>	<b>2023</b>	<b>2022</b>
Members of Board of the directors and Key Management Personnel and other committees	Salaries, wages, and equivalent and board remuneration and attendance allowances and other committees salaries	<b>5,938,637</b>	6,001,394

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**26- EARNING PER SHARE**

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

	<b>For the year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
Net profit for the year	<b>3,951,063</b>	22,986,944
	<b>Share</b>	<b>Share</b>
Number of shares	<b>55,000,000</b>	55,000,000
	<b>SAR / Share</b>	<b>SAR / Share</b>
Basic and diluted earnings per share from the net profit of the year	<b>0,07</b>	<b>0,42</b>

**27- CONTINGENT LIABILITIES**

The company has capital commitments represented in the purchase of one of the components of the cement mill for SAR 7 Million, of which SAR 1.7 Million was paid of the total cost and the remaining amount becomes 5.3 million SAR.

**28- DIVIDENDS**

On 9 Shawwal 1443 AH, corresponding to 10 May 2022, the Ordinary General Assembly held on that date approved the recommendation of the Board of Directors to distribute dividends for the second half of the fiscal year 2021 at 25 halalas per share, which represents 2.5% of the nominal value of the share, amounting to 13,750,000 SAR.

**29- SIGNIFICANT MATTERS DURING THE YEAR**

The new Companies Law promulgated by Royal Decree M/132 on 1 Dhu al-Hijjah 1443 H (corresponding to 30 June 2022), (hereinafter referred to as the "Law") entered into force on 26 Jumada Al-Thani 1444 AH (corresponding to 19 January 2023), for some provisions of the Law, full compliance with them is expected no later than two years starting from 26 Jumada Al-Thani 1444 AH (corresponding to 19 January 2023), and the management is currently evaluating the impact of the new Companies Law and will amend the Company by laws. The Company shall submit any changes to harmonize the Articles with the provisions of the Company by laws (if any), after which the Company shall present the amended the Company by laws to the shareholders at the Annual Extraordinary General Meeting for approval.

**30- SUBSEQUENT EVENTS**

In the opinion of management, there were no other significant subsequent events after 31 December 2023 until the date of approval of the financial statements that could have a material impact on the financial statements as at 31 December 2023.

**31- COMPARISON FIGURES**

Some comparative figures for the previous year have been reclassified in line with the current year's classification.

**32- APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were approved by the board of directors on 19 Sha'ban 1445 H (corresponding to 29 February 2024).