Arabian Cement Company
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the Year ended 31 December 2023

Arabian Cement Company
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Arabian Cement Company (A Saudi Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Arabian Cement Company (A Saudi Joint Stock Company) and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

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

Other Matter
The consolidated financial statements of the Company for the year ended 31 December 2022 were audited by another auditor who expressed unmodified opinion on those consolidated financial statements on 7 Shaaban 1444H (corresponding to 27 February 2023).

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Arabian Cement Company (A Saudi Joint Stock Company) (Continued)

Key Audit Matters (continued)

Existence of inventories	
Key audit matter	**How our audit addressed the key audit matter**
As of 31 December 2023, Inventories of the Group amount to SR 468.8 million (2022: 454.8 million) which mainly comprise of spare parts, under progress products, finished goods, and raw materials, representing 15% of total assets (2022: 14%). Since the weighing of these inventories is not practicable, management assesses the quantities on hand at the year-end by obtaining measurements of the stockpiles and converting these measurements to unit of volumes; in doing so management appoints an independent surveyor to estimate the quantities by using certain scientific systematic measurements calculations, which are applied for similar stock in the cement industry. We have considered the existence of inventories as a key audit matter due to the significance of the closing balance and involvement of estimation in the determination of the closing quantities of under progress products and raw materials as at year end. The accounting policies for inventories is outlined in note 6 to the consolidated financial statements and breakdown of inventories is presented in Note 12.	We performed the following audit procedures: ➢ Attended the physical inventory count performed by the Company and the independent surveyor. ➢ Evaluated competence, capabilities, and objectivity of the independent expert engaged by the Company. ➢ Obtained and reviewed the inventory count report of the independent surveyor's for the major stock items and recalculated the conversion to the volumes. ➢ Assessed the completeness and adequacy of the relevant disclosures related to inventories in the consolidated financial statements.

Impairment of property, plant and equipment	
Key audit matter	**How our audit addressed the key audit matter**
The Property, plant and equipment ("PPE") are stated at cost less depreciation and impairment, if any. As at 31 December 2023, the carrying values of property, plant and equipment amounted to SR 1,989 million (2022: SR 2,101 million) representing 63% of total assets.(%64 :2022) The Group identifies cash-generating units (CGUs) for property and equipment at the lowest levels for which there are separately identifiable cash inflows. The carrying values of these CGUs are reviewed at each reporting period by management to assess whether there are indicators of impairment and, wherever indicators of impairment exist, an impairment assessment is performed by determining if the recoverable amount, being the higher of fair value less costs to sell, exceeds its carrying value.	We performed the following audit procedures: ➢ Reviewed the Management's procedures in identifying impairment indicators in respect of property, plant and equipment in accordance with the requirements of the relevant International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia, as well as indicators supporting the reversal of previously recognized impairment losses, if any. ➢ Tested, on a sample basis, the integrity of inputs of the projected cash flows used in the valuation performed by the valuers.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Arabian Cement Company (A Saudi Joint Stock Company) (Continued)

Key Audit Matters (continued)

Impairment of property, plant and equipment (Continued)	
Key audit matter	**How our audit addressed the key audit matter**
The Group's management has studied the impairment of the subsidiary's property, plant and equipment during prior years, and the study has resulted an impairment loss recorded in prior years. During the current year, Group's management conducted impairment study and reversed portion of the previously recognized impairment losses. Since the determination of recoverable amounts involve significant judgement and estimation uncertainties, this is considered a key audit matter. The accounting policies for impairment of non-financial assets is outlined in note 6 to the consolidated financial statements	➢ Involved our specialists to review the reasonableness of significant Management assumptions used in the impairment study, including determination of appropriate valuation methodologies, future margins and terminal values. ➢ Reviewed the adequacy of disclosures in related impairment disclosures in the accompanying consolidated financial statements.

Other information included in The Group's 2023 Annual Report
Other information consists of the information included in the Group's 2023 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2023 annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Group's 2023 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Arabian Cement Company (A Saudi Joint Stock Company) (Continued)

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

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

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

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

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

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Arabian Cement Company (A Saudi Joint Stock Company) (Continued)

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

for Ernst & Young Professional Services

Ahmed Ibrahim Reda
Certified Public Accountant
License No. (356)

Jeddah: 03 Ramadan 1445H
13 March 2024

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(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
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Arabian Cement Company
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Note	*31 December 2023 SR ('000)*	*31 December 2022 SR ('000)*
Assets			
Non-current assets			
Property, plant and equipment	7	**1,989,135**	2,101,446
Intangible assets	8	**12,008**	13,239
Investment property	9	**5,000**	5,000
Investments in associates	10	**77,348**	67,162
Financial assets at FVOCI	11	**90,844**	108,885
Deferred tax assets	24 (d)	**20,185**	21,221
Right-of-use assets	32 (a)	**3,917**	4,291
TOTAL NON-CURRENT ASSETS		**2,198,437**	2,321,244
Current assets			
Inventories	12	**468,842**	454,818
Trade receivables	13	**225,135**	220,587
Prepayments and other receivables	14	**25,929**	19,826
Cash and cash equivalents	15	**217,677**	263,874
TOTAL CURRENT ASSETS		**937,583**	959,105
Total assets		**3,136,020**	3,280,349
EQUITY AND LIABILITIES			
EQUITY			
Capital	16	**1,000,000**	1,000,000
Share Premium	16	**293,565**	293,565
Statutory reserve	17	**500,000**	500,000
General reserve	18	**95,000**	95,000
Foreign currency translation reserve		**(561)**	(561)
Fair value reserve of financial assets at FVOCI		**32,940**	50,981
Retained earnings		**652,162**	696,275
Equity attributable to equity holders of the Company		**2,573,106**	2,635,260
Non-controlling interests	19	**90,260**	87,102
TOTAL EQUITY		**2,663,366**	2,722,362

The accompanying notes from 1 to 38 form part of these consolidated financial statements.

STATEMENT OF CONSOLIDATED FINANCIAL POSITION (Continued)
As at 31 December 2023

	Note	*31 December 2023 SR ('000)*	*31 December 2022 SR ('000)*
Non-current liabilities			
Rehabilitation provision	20	**12,065**	7,831
Long-term loans and facilities	21	**126,230**	188,854
Employees' defined benefit obligations	22	**53,783**	52,948
Deferred tax liabilities	24 (d)	**56,116**	56,116
Lease liabilities	32 (b)	**3,774**	4,057
TOTAL NON-CURRENT LIABILITIES		**251,968**	309,806
CURRENT LIABILITIES			
Long term loans and facilities - current portion	21	**20,046**	42,789
Trade payables and other payables	23	**165,839**	173,914
Zakat and income tax payable	24 (a)	**20,356**	18,541
Dividends payable	25	**13,822**	12,314
Lease liabilities	32 (b)	**623**	623
TOTAL CURRENT LIABILITIES		**220,686**	248,181
TOTAL LIABILITIES		**472,654**	557,987
TOTAL EQUITY AND LIABILITIES		**3,136,020**	3,280,349

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2023

	Note	*31 December 2023 SR ('000)*	*31 December 2022 SR ('000)*
Revenue	26	**875,760**	970,949
Cost of revenue		**(668,688)**	(696,323)
Gross profit		**207,072**	274,626
Selling and distribution expenses	27	**(17,409)**	(29,577)
General and administration expenses	28	**(54,252)**	(51,603)
Reversal of Impairment provision of property, plant, and equipment	7	**17,549**	-
OPERATING PROFIT		**152,960**	193,446
Dividends from financial assets at FVOCI	11	**1,815**	4,270
Share of profit / (loss) from equity accounted investments	10	**9,902**	12,678
Finance costs	36	**(13,574)**	(15,666)
Other income, net	30	**16,090**	12,455
Profit before zakat and income tax		**167,193**	207,183
Zakat	24 (a)	**(18,571)**	(16,466)
Income Tax	24 (b)	**(5,831)**	(6,241)
PROFIT FOR THE YEAR		**142,791**	184,476
Profit for the year attributable to:			
Equity holders of the Company		**139,633**	181,006
Non-controlling interests	19	**3,158**	3,470
		142,791	184,476
Earnings per share of net profit for the year attributable to equity holders of the Company (in SR):			
Basic	31	**1,40**	1,81
Diluted	31	**1,40**	1,81

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023

	Note	***31 December 2023 SR ('000)***	*31 December 2022 SR ('000)*
Profit for the year		**142,791**	184,476
Items of other comprehensive (loss) income:			
Items that will not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gain on defined benefit obligations	22	**970**	5,409
Unrealized loss on investment in equity instruments at FVOCI	11	**(18,041)**	(40,779)
Group's share in other comprehensive loss of equity-accounted investees	10	**284**	(70)
Total other comprehensive loss		**(16,787)**	(35,440)
Total comprehensive income for the year		**126,004**	149,036
Total comprehensive income attributable to:			
Equity holders of the Company		**122,846**	145,566
Non-controlling interests		**3,158**	3,470
Total comprehensive income for the year		**126,004**	149,036

The accompanying notes from 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023

	Equity attributable to shareholders of the Company									
	Share capital SR ('000)	*Share premium SR ('000)*	*Statutory reserve SR ('000)*	*General reserve SR ('000)*	*Foreign currency translation reserve SR ('000)*	*Fair value reserve of financial assets at FVOCI SR ('000)*	*Retained earnings SR ('000)*	*Equity attributable to equity holders of the Company SR ('000)*	*Non-controlling interests SR ('000)*	*Total equity SR ('000)*
As at 1 January 2023	**1,000,000**	**293,565**	**500,000**	**95,000**	**(561)**	**50,981**	**696,275**	**2,635,260**	**87,102**	**2,722,362**
Profit for the year	-	-	-	-	-	-	**139,633**	**139,633**	**3,158**	**142,791**
Other comprehensive loss	-	-	-	-	-	**(18,041)**	**1,254**	**(16,787)**	-	**(16,787)**
Total comprehensive income	-	-	-	-	-	**(18,041)**	**140,887**	**122,846**	**3,158**	**126,004**
Dividends to the shareholders of the Parent (note 25)	-	-	-	-	-	-	**(185,000)**	**(185,000)**	-	**(185,000)**
Balance as at 31 December 2023	**1,000,000**	**293,565**	**500,000**	**95,000**	**(561)**	**32,940**	**652,162**	**2,573,106**	**90,260**	**2,663,366**

The accompanying notes from 1 to 38 form part of these consolidated financial statements.

Arabian Cement Company
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)
For the year ended 31 December 2023

	Equity attributable to shareholders of the Company									
	Capital SR ('000)	*Share premium SR ('000)*	*Statutory reserve SR ('000)*	*General reserve SR ('000)*	*Foreign currency translation reserve SR ('000)*	*Fair value reserve of financial assets at FVOCI SR ('000)*	*Retained earnings SR ('000)*	*Equity attributable to equity holders of the Company SR ('000)*	*Non-controlling Interest SR ('000)*	*Total equity SR ('000)*
As of 1 January 2022	1,000,000	293,565	500,000	95,000	(561)	91,760	769,930	2,749,694	83,632	2,833,326
Profit for the year	-	-	-	-	-	-	181,006	181,006	3,470	184,476
Other comprehensive loss	-	-	-	-	-	(40,779)	5,339	(35,440)	-	(35,440)
Total comprehensive income	-	-	-	-	-	(40,779)	186,345	145,566	3,470	149,036
Dividends to the shareholders of the Parent (note 25)	-	-	-	-	-	-	(260,000)	(260,000)	-	(260,000)
Balance at 31 December 2022	1,000,000	293,565	500,000	95,000	(561)	50,981	696,275	2,635,260	87,102	2,722,362

The accompanying notes from 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

	Note	*31 December 2023 SR ('000)*	*31 December 2022 SR ('000)*
Operating activities			
Profit for the year before zakat and income tax		**167,193**	207,183
Adjustments:			
Depreciation of property plant and equipment	7	**148,388**	143,104
Amortization of intangible assets	8	**1,231**	1,213
Amortization of right-of-use assets	32	**374**	374
Group's share of results of associated companies	10	**(9,902)**	(12,678)
Dividends from financial assets at FVOCI	11	**(1,815)**	(4,270)
Impairment reversal of property, plant and equipment	7	**(17,549)**	-
Gain on disposal of property and equipment	30	**(88)**	(1,111)
Provision for impairment of inventory	12	**1,940**	2,657
Provision for impairment of trade receivables	13	**-**	1,529
Rehabilitation provision	20	**4,234**	7,831
Finance costs	36	**13,574**	15,666
Employees' defined benefit obligations charged for the period	22	**5,714**	5,008
		313,294	366,506
Changes in working capital:			
Trade receivables, prepayments and other receivables		**(10,911)**	(19,307)
Inventories		**(17,139)**	(50,596)
Trade payables and other payables		**(8,135)**	(26,316)
		277,109	270,287
Financial charges paid		**(13,234)**	(15,305)
Zakat and income tax paid		**(21,231)**	(19,397)
Employees' defined benefit obligations paid	22	**(3,909)**	(962)
Net cash from operating activities		**238,735**	234,623
Investing activities			
Additions in property, plant and equipment	7	**(17,353)**	(44,749)
Dividends from financial assets at FVOCI	11	**1,815**	4,270
Proceeds on disposal of property and equipment		**88**	1,914
Financial investments held at amortized cost		**-**	210,000
Net cash (used in) / from investing activities		**(15,450)**	171,435

The accompanying notes from 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
For the year ended 31 December 2023

	Note	*31 December 2023 SR ('000)*	*31 December 2022 SR ('000)*
Financing activities			
Proceeds from term loans	21	**52,891**	198,131
Repayments of term borrowings	21	**(138,258)**	(223,096)
Repayments of lease liabilities	32	**(623)**	(623)
Divdends paid	25	**(183,492)**	(260,032)
Net cash used in finance activities		**(269,482)**	(285,620)
Net (decrease) / increase in cash and cash equivalents		**(46,197)**	120,438
Cash and cash equivalents at 1 January		**263,874**	143,436
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**217,677**	263,874
Significant non-cash transactions			
Net loss from investment in equity instruments at FVOCI		**(18,041)**	(40,779)
Employees' defined benefits		**970**	5,409
Transferred from projects in progress to property, plant and equipment		**404,260**	7,612
Transferred from inventory to property, plant and equipment		**1,175**	1,478
Transferred from projects in progress to intangible assets		**-**	138

The accompanying notes from 1 to 38 form part of these consolidated financial statements.

1. CORPORATE INFORMATION

Arabian Cement Company (the Company" or the Parent Company") is a Saudi Joint Stock Company incorporated in accordance with the Companies' Law in the Kingdom of Saudi Arabia under the Royal Decree No. 731 dated 12 Jumada Al-Ula 1374H (corresponding to 7 January 1955) and the Company operates under the commercial registration No. 4030000148 issued in Jeddah dated 14 Ramadan 1376H (corresponding to 15 April 1957).

The Company's share capital is SR 1 billion, divided into 100 million shares of SR 10 each, as at 31 December 2023 and 31 December 2022.

The Company's shares are listed in the Capital Market Authority of the Kingdom of Saudi Arabia. The Parent Company is owned by 7.96% to a major shareholder, while 92.04% is owned by other shareholders as at 31 December 2023 (31 December 2022: 6.67% by major shareholder and 93.33% by other shareholders).

The principal activities of the Company are as follows:

1. Production of cement, construction materials and other related materials and derivatives inside and outside the Kingdom of Saudi Arabia.

2. Trading of clinker, cement, construction materials and other related materials and derivatives inside and outside the Kingdom of Saudi Arabia.

3. Utilization of mines and establishing of factories and stores for the Company's purposes which are needed in manufacturing, storage, selling, purchase, importing and exporting and other complementary and supportive industries.

To achieve these purposes, the Company has the right to enter into all types of contracts of properties and movable assets and enter into other agreeements within the limits of the applicable laws.

The registered address of the Company is Arabian Cement Company building, 8605 King Abdulaziz Road, Nahdha District, Jeddah 23523-2113, Kingdom of Saudi Arabia.

As at 31 December 2023 and 31 December 2022, the Company has direct and indirect investments in the following subsidiaries (collectively referred as the Group"):

The details of the subsidiaries are as follows:

Subsidiary	*Principal activity*	*Country of incorporation*	***Shareholding percentage (%)***	
			2023	*2022*
Bahrain Arabian Cement Holding Company (One Person Company) ("Bahrain Cement Company")	Holding Company	Kingdom of Bahrain	**100%**	100%

on 5 November 2007, Bahrain Arabian Cement Holding Company was established as a sole proprietorship registered in the Kingdom of Bahrain with the purpose of managing its subsidiaries and to invest its funds in shares, bonds and securities and to own properties and movable assets necessary to its operations and to provide loans warranties and financing to its subsidiaries.

Bahrain Cement Company has an investment in the following subsidiary:

Subsidiary	***Principal activity***	***Country of incorporation***	***Shareholding percentage (%)***	
			2023	*2022*
Qtrana Cement Joint Stock Private Company ("Qtrana Cement Company")	Cement production	Hashemite Kingdom of Jordan	**86.74%**	86.74%

1. CORPORATE INFORMATION (continued)

Bahrain Arabia Cement Holding Company owns 86.74% of Qatrana Cement Joint Stock Company's shares and holds control over its business and management of it, and thus, Qatrana Cement Company is considered an indirectly owned subsidiary by the Parent Company and consolidated in these consolidated financial statements. Qatrana Cement Company's activity is production of black Portland cement, white cement and calcium carbonate.

The consolidated statement of profit or loss includes the results of operations of subsidiaries for the year ended 31 December 2023, and the consolidated statement of financial position includes the assets and liabilities of subsidiaries as at 31 December 2023.

As at 31 December 2023 and 31 December 2022, the Group has investments in the following associate companies:

The details of the associates are as follows:

Name of the Company	*Country of incorporation*	*Principal activity*	*Shareholding %* 2023	2022
Ready Mix Concrete and Construction Supplies Company	Kingdom of Jordan	Concrete production	**36.67%**	36.67%
Cement Products Industry Company Limited	Kingdom of Saudi Arabia	Bags of cement production	**33.33%**	33.33%

2. BASIS OF PREPERATION

2.1 Statement of compliance

These consolidated financial statements have been prepared for the year ended 31 December 2023 in accordance with International Financial Reporting Standards ('IFRSs') as endorsed in Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The Group's management has made an assessment of its ability to continue in as a going concern based on the current liquidity position and cash flow projections and do not have any material uncertainty that might raise doubt and management is satisfied that the Group has the necessary resources to continue and fulfill its obligations when they fall due in the ordinary course of business in the foreseeable future. Accordingly, these consolidated financial statements of the Group have been prepared on the going concern basis.

The new Companies' Law was issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the New Companies Law and will amend its By-Laws for any changes to align the By-Laws to the provisions of the Companies' Law. Consequently, the Company shall present the amended By-Laws to the shareholders in their Extraordinary Annual General Assembly meeting for their ratification.

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost convention, except for the following major items presented in consolidated statement of financial position:

- Equity investments are measured at fair value through other comprehensive income.
- Financial defined benefits liabilities for future obligations are recognized based on the expected credit unit method.

2.3 Functional and presentation currency

These consolidated financial statements are prepared in Saudi Arabian Riyals (SR) which is the Company's functional and presentation currency of the Group. All amounts have been rounded off to the nearest thousand Saudi Riyals unless otherwise stated.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risk and uncertainties includes:

- Financial instrument risk management and policies (Note 35)
- Sensitivity analysis disclosures (Notes 7 & 22)

Estimates and assumptions are based on previous experience and factors that may include expecting suitable future events which are used to extend book period of dependent assets and liabilities from other resources and estimates and assumptions are evaluated on an on-going basis. The recognized accounting estimates are also reviewed in the period in which the estimates are revised in the audit period and future periods, if the changed estimates affect current and future periods.

Significant judgments made by the management upon adopting the Company's accounting policies are consistent with the disclosed policies in the financial statements for the previous year.

3,1 Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Zakat

Determining the zakat provision includes a material judgement, including the calculation of the zakat base and the Zakatable profits in accordance with the provisions of zakat and income tax applicable in the Kingdom of Saudi Arabia, which may be subject to different interpretations. The final assessment amount may differ significantly from the Group's declarations and objections. When determining the amount payable to the Zakat, Tax and Customs Authority ("ZATCA"), the Group applied its judgement and interpretation of the ZATCA's requirements for calculating Zakat.

Lease classification - the Group as lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Keeping in view the business model of the Group, the Group has determined that leasing of vehicles does not transfer substantially all the risks and rewards incidental to ownership of the vehicles subject to the lease arrangement, hence such lease arrangements are classified as operating lease.

Determining the lease term of contracts with renewal and termination options the Group as a lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

3,2 Estimates and assumptions

The key assumptions concerning future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company used these available assumptions and estimates when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. Information about the assumption and estimation uncertainties is included in the following areas:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3,2 Estimates and assumptions (continued)

Provision for Expected Credit Losses (ECL) of trade receivables
The Group's uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and coverage by letters of credit and other forms of credit insurance).

The Company's determination of expected credit losses on trade receivables requires the Group to take into account certain estimates of forward-looking factors while calculating the probability of default. These estimates may differ from actual conditions.

The provision matrix is initially based on the company's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the air transport sector sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. For further details, see note 13.

The Company has determined the GDP growth rate to be the macroeconomic factor most relevant to future information that would affect customers' credit risks, and accordingly it has adjusted historical loss rates based on expected changes in this factor using different scenarios. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 13.

Measurement of employee benefits liability
The cost of the employees defined benefit liability and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employees' turnover rate. Due to the complexities involved in the valuation and its long-term nature; a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate and future salary increase. In determining the appropriate discount rate, the management considers the market yield on high quality corporate/government bonds. Future salary increases depend on future inflation rates, seniority, promotion, supply and demand in the employment market. The mortality rate is based on publicly available mortality tables for the Country. Those mortality tables tend to change only at intervals in response to demographic changes. Further details about employee terminal benefits obligations are provided in note 22.

Impairment of inventory
Management estimates the impairment to reduce the inventory to its net realizable value if the cost of the inventory is not recoverable or the inventory is damaged or become an obsolete in whole or in part, or if the selling price is lower than cost or any other factors that cause the net realizable value to become less than the carrying amount. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into account fluctuations in prices or costs directly attributable to events occurring after the date of the financial statements to the extent that they confirm that the circumstances of such events exist as at end of the financial period.

Deferred tax assets
Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Impairment of non-financial assets
At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill is tested for impairment annually.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3,2 Estimates and assumptions (continued)

Impairment of non-financial assets (continued)

Impairment exists when the carrying value of the 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 cashflows (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested for impairment.

The recoverable amount is based on the discount rate used for the discounted cash flows model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the CGUs, are disclosed and further explained in Note 7.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in the consolidated statement of profit or loss. They are collected first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Useful lives of Property, plant and equipment

The Management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage physical wear and tear. Management reviews depreciation and amortization methods and useful lives annually and will be amended future depreciation and amortization charges when management believes the useful life is different from previous estimates and to ensure that the methods and periods of depreciation and amortization are consistent with the expected pattern of benefits Exemption from these assets.

Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the market or, in its absence, the most advantageous market to which the access is available at that date. The fair value of a liability reflects its non-performance risk.

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

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

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3,2 Estimates and assumptions (continued)

Fair value measurement of financial instruments (continued)
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these techniques are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions related to these judgments could affect the reported fair value of financial instruments.

The carrying values and fair values of financial assets and liabilities including their fair value hierarchy are disclosed. It does not include information about fair value of financial assets and financial liabilities not measured at fair value if book value reasonably equals fair value in note 35.

4. Changes in accounting policies and disclosures

4.1 New and amended standards, interpretations
The adopted accounting policies and calculation methods are consistent with the policies of the previous financial year, except for the items disclosed below. There have been several new amendments to the standards and interpretations that apply for the first time in 2023, but they are not relevant or do not have a material impact on the Group's financial statements.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts" (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition, measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts that was issued in 2005.

IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

This amendment had no impact on the consolidated financial statements of the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non- current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- This classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

These amendments related to the classification of liabilities as current or non-current had no impact on the consolidated financial statements of the Group.

4. Changes in accounting policies and disclosures (continued)

4.1 New standards, interpretations and amendments (continued)

Definition of accounting estimates amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

This amendment had no impact on the Group's consolidated financial statements.

Disclosure of Accounting Policies Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements", in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities to provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their significant' accounting policies with a requirement to disclose their material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

These amendments had no impact on the consolidated financial statements of the Group.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction Amendments to IAS 12
In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

These amendments had no impact on the consolidated financial statements of the Group.

4.2,2 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Standard, interpretation or amendments	*Description*	*Effective date*
Amendment to IFRS 16: Lease Liability in a Sale and Leaseback	These amendments include the sale and leaseback transaction requirements in IFRS 16 to indicate how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions in which some or all of the lease payments are variable lease payments that are not based on an index or rate are more likely to be affected.	1 January 2024
Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements	These amendments require disclosures to enhance the transparency of supplier financing arrangements and their impact on the Company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investor concerns that some companies' supplier financing arrangements are not sufficiently clear, hampering investor analysis.	1 January 2024
Amendment to IAS 1 Non-current Liabilities with Covenants	These amendments clarify how the convents that an entity must comply with during the twelve months after the reporting period affect the classification of the liability. The amendments also aim to improve the information provided by the entity in relation to the obligations subject to these convents.	1 January 2024

5. BASIS OF CONSOLIDATION

The consolidated financial statements of the Group include the financial statements of the Group and its subsidiaries set forth in Note 1. Control is achieved when the Group is exposed, or has rights to returns from its involvement with the investee and has the ability to affect those returns through exercising its power over the investee. The Group is considered having control over the investee in the following cases or elements:

- Control over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure to rights in variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

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

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

The Group reassesses whether it has control over the investee if facts and circumstances indicate that there have been changes in one of the above-mentioned elements of control. Consolidation of a subsidiary's financial statements begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, revenue, and expenses of the acquired or disposed subsidiary during the period are included in the consolidated financial statements from the date the Group gains control over the subsidiary until the date the control ceases.

Profits, losses and all components of other comprehensive income are attributable to the equity holders of the Parent Company of the Group and to the holders of non-controlling interests, even if this results in a deficit balance in favor of the non-controlling interest holders.

When necessary, adjustments are made to the financial statements of subsidiaries in order to reconcile their accounting policies with the Group's financial policies. All intra-Company assets and liabilities, equity, revenue, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is considered as an equity transaction.

If the Group loses control over a subsidiary, it disposes the assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in consolidated statement of profit and loss. Held investments are recognized at fair value.

Investments in equity-accounted investees

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Shares in associates are recognized using equity method and are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases

6. MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. In addition, the Group has adopted disclosure of accounting policies (amendments to IAS 1 and IFRS Practice Statement 2) effective from 1 January 2023. The amendments require disclosure of material" rather than "significant" accounting policies. The amendments did not result in any changes in the accounting policy.

6. MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies

Foreign currency transactions
Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the prevailing exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the prevailing exchange rates at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated into the functional currency at the prevailing exchange rates when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the prevailing exchange rate at the date of the transaction. Foreign currency differences resulting from the retranslation are recognized in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognized in OCI:

- Equity instruments investments at FVOCI (except on impairment, in which case foreign currency differences that have been recognized in OCI are reclassified to profit or loss).

Foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into SR at the prevailing exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into SR at the exchange rates at the dates of the transaction.

Foreign currency differences are recognized in OCI and accumulated in the translation reserve, except to the extent that the translation differences is allocated to NCI.

Revenue from contracts with customers
The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15- revenue from contracts with customers.

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

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

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

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

Step 5 Recognize revenue when (or as) the entity satisfies a performance obligation. The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:
- The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date;
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Company performs.

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

6. MATERIAL ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

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

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

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or an agent.

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably. The Group sells packed and non-packed clinker and cement, where selling process is either through selling invoices and/or independent specific contracts with customers.

a) Sale of goods

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

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

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

Employees' benefits

Employees' defined benefit plans

The Group is required by law to pay end of service benefits (defined benefit plan) in accordance with the Saudi Labor Law. The benefit of the end of service benefit is calculated based on half the salary of the last month of each of the first five years of service, including the fractions of the year, in addition to the salary of the last month in full for each year of the remaining subsequent service, including fractions of the year. The end of service benefit plan is unfunded.

Evaluation methodology and key assumptions for the actuarial study

In compliance with the requirements of IAS 19 Employee Benefits", the end of service indemnity is calculated by actuarial valuation using the projected unit credit actuarial cost method at the end of each financial year. The gain or loss arising from actuarial revaluation is recognized in the statement of comprehensive income for the period in which the revaluation occurred. Re-measurement recognized in other comprehensive income is immediately reflected in retained earnings and is not included in profit or loss. The cost of the previous service (past cost) is calculated in profit or loss during the plan adjustment period. Interest is calculated by applying the discount rate at the beginning of the period to the specified employee benefit obligation.

The cost of the current service of the defined benefit plan is recognized in the statement of profit or loss under employee benefit expense to reflect the increase in the liability resulting from staff services for the current year and the cases of change, reduction or adjustment of benefits. Service costs for the previous years are directly recognized in statement of profit or loss. Actuarial gains and losses arising from adjustments and changes in actuarial assumptions are charged and carried in equity in the statement of other comprehensive income in the period in which they arise.

6. MATERIAL ACCOUNTING POLICIES (continued)

Employees' benefits (continued)
Defined benefit costs are categorized as follows:
- Cost of service (including current service costs, past service cost, as well as gains and losses resulting from the scaling up and reimbursement of staff benefits);
- Interest cost;
- Re-measurement.

Short-term employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement benefit costs
The Group contributes to the retirement benefits of employees in accordance with the regulations of the General Organization for Social Insurance and is calculated as a percentage of the employees' remuneration. Payments are treated to government-managed pension benefit plans as payments to defined benefits plans as the Group's liabilities against these plans are equivalent to those that arise from a defined benefits retirement plan. Payments to retirement benefit plans are charged as an expense when due.

Finance revenue and finance costs
Finance revenue and finance costs comprise of Islamic Murabaha of invested money which are recognized in profit or loss. Interest income from Islamic Murabaha is recognized as it accrues under profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in statement of profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability, distribution of financing revenue or financing expenses during the relevant period.
EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

When calculating the effective interest rate, the Company estimates cash flows by taking into account the terms of the financial instrument (for example pre-payment options) but do not consider future credit losses. The account includes all fees and points paid or received between the parties to the contract, which are not an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Zakat and income tax
Zakat provision is calculated in accordance with the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. Zakat is calculated discretionary for the period and Zakat provision is charged in an independent item in the statement of profit or loss. Income tax for foreign entities is calculated for in the financial statements in accordance with the relevant income tax regulations of the countries in which they operate. Additional zakat and income tax liability, if any, related to prior years' assessments are accounted for in the period in which the final assessments are finalized.

The Group withholds taxes on transactions with non-resident parties and on dividends paid to non-resident shareholders in accordance with Zakat, Tax and Customs Authority ("ZATCA") regulations in the Kingdom of Saudi Arabia.

6. MATERIAL ACCOUNTING POLICIES (continued)

Deferred tax

Deferred tax is assessed in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Inventories

Inventories are measured at the lower of cost or net realizable value. Inventories cost is calculated using the weighted average method, which includes expenditure incurred in bringing inventories to their existing location and condition and in case of manufactured inventories and work in progress, inventories are charges with an appropriate share of production overheads based on normal operation capacity of the Company. Net realizable value is the estimated selling price in the Company's ordinary course of business, less the estimated costs of completion and selling.

Property, plant and equipment

Recognition and measurement

Property and equipment are recognized as an asset when, and only when, it is probable that an inflow of future economic benefits associated with such property and equipment to the Company and can be measured and the cost of this asset is reliable. Property and equipment are initially recognized and measured at cost. Cost includes the fair value of the consideration given to obtain the asset (net of discounts and rebates) and any costs that are directly attributable, such as the cost of site preparation, delivery, installation costs, the relevant labor fees, estimated cost of dismantling and removing the asset and restoring the site (to the extent that this cost is recognized as a provision).

When parts of property and equipment are significant in cost in comparison to the total cost of the item, and where such parts have a useful life different than other parts and, the Company shall recognized such parts as individual assets with and depreciate them accordingly.

The company applies a cost model to measure the entire category of property and equipment. After initial recognition as an asset, items of property and equipment are measured at cost less accumulated depreciation and impairment losses, if any.

Subsequent costs

The cost of replacing part of the item of property, plant and equipment is recognized in the carrying amount of the item if the future economic benefits of the Group in that segment are probable and the cost can be measured reliably. Book value of the replaced item is disposed. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

6. MATERIAL ACCOUNTING POLICIES (continued)

Property plant and equipment (continued)

Subsequent costs (continued)
Major inspections and overhauls are accounted for as a separate component if that component is used over more than one period. The carrying amount of such component is determined with reference to the current market price of such overhauls.

Depreciation
Depreciation is an organized distribution of depreciable value of property, plant and equipment items (asset's cost less asset's residual value) along the asset's useful life.

Depreciation expense is recognized to statement of profit or loss on a straight-line basis over the estimated useful lives of the individual items of property, plant and equipment. Leased assets are depreciated over the term of the lease contract or over the useful lives of the assets, whichever is shorter. The Group's freehold lands are not depreciated.

When the useful lives of items of property, plant and equipment differ, they are accounted for as separate items.

The estimated useful lives of the items of properties, plant and equipment for the current period and the comparative periods are as follows:

Asset	*Estimated lives (in years)*
Buildings and constructions	20-33
Plant, factory installations and power and water stations	20-30
Workshop tools and equipment	5-10
Equipment and vehicles	4-7
Furniture and fixtures	5-11

The Group reviews depreciation methods, useful lives and residual value of property, plant and equipment at the end of each financial year and in case there are any differences, they are considered as change in accounting estimates (in the change year and the subsequent years)

Project in progress
Projects in progress represent all costs directly and indirectly related to the purchase of airport equipment and construction in progress. Such costs include cost of equipment, material and other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Projects in progress are not depreciated. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property and equipment category and is accounted for in accordance with the Group's policies.

Derecognition
An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with carrying amount. They are included in the statement of profit or loss and other comprehensive income under other income" at the time the item is derecognized.

Intangible assets
Intangibles acquired separately are measured on initial recognition at cost. Cost of intangible assets acquired based on business combinations represents the fair value at the acquisition date. Following initial recognition, intangibles are carried at cost less any accumulated amortization and any accumulated impairment losses, if any. Intangible assets internally developed (except for capitalized development costs) are not capitalized and expenses are included in the consolidated statement of profit or loss at the date of their maturity.

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

6. MATERIAL ACCOUNTING POLICIES (continued)

Intangible assets (continued)

The estimated useful lives of intangible assets are as follows:

Asset	*Estimated lives (in years)*
Mining assets	27 - 30.3
Computer software	5
Right-to-use power plant	25

Investment Properties

Investment property are properties or lands acquired either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business of the Group, and it shall not be used in the production or supply of goods or services or for administrative purposes. Investment properties are initially presented at cost including transaction costs, measured later in accordance with the cost model (at historical cost less accumulated depreciation except lands which are measured at their cost and accumulated impairment losses, if any).

Leases

a) Definition of a lease

The Group assesses whether a contract is or contains a lease, at inception of the contract. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes Right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use).

b) Group as a lessee

We have measured the lease liabilities at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the Group as at the date of lease. The right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued rents. The Company has applied this approach to all leases.

The Group used the allowed exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of the lease term.

Lease liabilities are re-measured when there is a change in future lease payments.

Financial Instruments - initial recognition and subsequent measurement

Financial Instruments - initial recognition and subsequent measurement. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement

Assets are measured on initial recognition and are subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus transactions costs, in the case of a financial asset not at fair value through profit or loss. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 "Revenue from contracts with customers".

6. MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

Initial recognition and measurement (continued)
In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI)' on the principal amount outstanding.

This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or arrangement in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in following categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

Financial assets at amortized cost (debt instruments)
Financial assets at amortized cost are subsequently measured using the Effective Interest ("EIR") method and are subject to impairment. Gains and losses are recognized in consolidated statement of profit or loss when the asset is derecognized, modified or impaired. The Group's financial assets at amortized cost includes cash and cash equivalents, trade and staff receivables other receivables.

Financial assets at fair value through other comprehensive income (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. On derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under International Accounting Standard 32- Financial Instruments (IAS 32): Presentation, and are not held for trading. The rating was determined on an instrument-by-tool basis.

Profits and losses from these financial assets are never recycled in profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI.

Equity instruments designated at fair value through OCI are not subject to impairment assessment. Currently, the Company does not have any equity instruments designated at fair value through other comprehensive income.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss. This category includes derivative instruments and listed equity instruments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity instruments are recognized as other income in the statement of profit or loss when the right of payment has been established.

6. MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

Subsequent measurement (continued)

Derecognition
Financial assets (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. disposed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also continues to reognize an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual clients, the Group individually makes an assessment as to the timing and amount of write-offs based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

The Group considers a financial asset to be in default when it is unlikely that its outstanding balance will be paid to the Group in full without the Group recourse to procedures such as the realization of securities (if it holds any). However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

6. MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments initial recognition and subsequent measurement (continued)

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, upon initial recognition, as financial liabilities at fair value through profit or loss or as borrowings or payables, as appropriate. All financial liabilities are initially recognized at fair value, net of costs directly attributable to transactions in the case of borrowings and payables. The Group's financial liabilities include trade and other payables, lease liabilities and borrowings.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in following categories:
- Financial liabilities at FVPL
- Financial liabilities at amortized cost (loans and borrowings)

Financial liabilities at FVPL
Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss and other comprehensive income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortized cost (loans and borrowings)
This category is more relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate.

The effective interest rate amortization is recognized as a finance cost in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings. For more information, refer to (Note 36).

Derecognition
A financial liability is derecognized when the obligation under liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference between the respective book values is recognized in the statement of profit or loss.

Offsetting of financial instruments
Assets and liabilities are offset, and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments ("derivatives") ("interest rate swaps") to hedge against risks related to interest rates and are recognized as cash flows hedges Initially, these derivatives are initially recognized at fair value at the date of signing the contract of the derivative instrument, and then remeasured at fair value. Derivatives are carried at books as assets when the fair value is positive and as liabilities when the fair value is negative.

6. MATERIAL ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Any gains or losses arising from changes in fair value of derivatives not eligible for hedge accounting are directly recognized in the consolidated statement of profit or loss.

At the beginning of hedging process, the Group determines and documents the process that the Group wants to apply the hedging accounting on, as well as the objectives of risk management and hedging strategy. Documents include the hedging instrument definition and the item or process hedged for, it also include the risks' nature and how would the entity evaluate effectiveness of hedge instrument against exposure to changes in the item's cash flows and risks return. These hedges are expected to be highly effective in decreasing changes in cash flows and are continually evaluated to determine its effectiveness during periods of preparing financial statements.

Current portion of profit or loss arising from cash flows hedges, which matches hedging accounting requirements are directly recognized in equity, while any non-current portion are directly recognized in consolidated statement of profit or loss.

Amounts presented in equity are transferred to statement of profit or loss when transaction starts to impact profit or loss, i.e, when hedging for an expense or revenue or when an expected selling takes place. If the hedged item represents the cost of non-financial assets or non-financial liabilities, then amounts registered in equity are transferred to original book value of non-financial assets or non-financial liabilities.

If hedge instrument has expired, disposed, terminated, used without being replaced or renewed (as a part of the hedge strategy), or in the case of hedge derecognition or if hedge instrument doesn't meet the hedge accounting requirements any more, then accumulated profit or loss previously recognized in equity remains under a separate account in equity till the expected transaction takes place or the fixed obligation from the foreign currencies is met. If expected transaction and fixed obligation are not expected to take place, then all amounts previously recognized in equity are transferred to consolidated statement of profit or loss.

Share capital

Instruments issued by the Company are classified as equity (shareholders' equity) only to the extent that the definition of the asset or liability does not apply. The Company's ordinary shares are classified as equity instruments (Shareholders' equity).

Impairment of financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an assets or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-zakat discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. The Company bases its impairment calculation on the detailed budget and forecast calculations.

Impairment losses of continuing operations are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

6. MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a consolidated asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Loans and receivables
These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

For trade receivables, which are reported net; such provisions are recorded in a separate allowance account with the loss being recognized within the consolidated statement of profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with maturities of three months or less from the date of the original investment, which are available to the Company without any restrictions, and the statement of cash flows statement are prepared according to the indirect method.

Trade and other payables
Trade payables and other payables are recognized at fair value and are subsequently carried at amortized cost using the effective interest method. The Group derecognizes a financial liability (or part of a financial liability) from its statement of financial position when, and only when, it is extinguished; that is, when the liability specified in the contract is discharged or canceled or expires.

Expenses
Selling and distribution expenses are those arising from the Company's efforts underlying their marketing, selling and distribution functions. All other expenses, excluding cost of sales and financial charges, are classified as administrative expenses. Allocation of common expenses between cost of sales, selling and distribution and general and administrative expenses, where required, is made on a reasonable basis with regards to the nature and circumstances of the common expenses.

6. MATERIAL ACCOUNTING POLICIES (continued)

Current non-current classification

Assets
The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

Liabilities
A liability is classified as current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- It does not have an unconditional right to defer settlement of the liability for at least twelve months after reporting date.

The Company classified all other liabilities as non-current.

Segment information

A business segment is group of assets, operations or entities:

a) is engaged in business activities from which revenues can be generated and expenses incurred, including revenues and expenses that relate to transactions with other components of the Goup;
b) The results of its operations are continuously analyzed by the chief operating decision maker in order to make decisions related to distributing resources and evaluating performance; and
c) For which financial information is available independently.

An operating segment is a group of assets and processes that jointly engage in the rendering of products or services subject to risks and rewards that differ from those of other business segments and which are measured in accordance with the reports used by the executive management.

A geographical segment is associated with the provision of products or services in a specific economic environment that is subject to risks and rewards that differ from those of segments of business in economic environments.

Dividends
Interim dividends are recorded in the period in which they are approved by the Board of Directors. Final dividends are recorded in the period in which they were approved by the general assembly of shareholders.

Statutory Reserve
Company's By-Laws requires transferring 10% of annual net income to a statutory reserve. The ordinary General Assembly can decide to stop transferring to the above mentioned reserve till it reaches 30% of paid share capital.

6. MATERIAL ACCOUNTING POLICIES (continued)

Earnings per share

The management determines basic earnings per share by dividing profit or loss attributable to ordinary equity holders (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the year. The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares bought back or issued during the year multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year; a reasonable approximation of the weighted average is adequate in many circumstances.

Diluted EPS amounts are calculated by dividing the profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

Contingent liabilities

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

7. PROPERTY, PLANT AND EQUIPMENT

Movement in property, plant and equipment for the year ended 31 December 2023 is as follows:

	Lands SR ('000)	*Buildings and constructions SR ('000)*	*Plant, factory installations and power and water stations SR ('000)*	*Workshop tools and equipment SR ('000)*	*Equipment and vehicles SR ('000)*	*Furniture and fittings SR ('000)*	*Projects under progress SR ('000)*	*Total SR ('000)*
Cost:								
Balance at 1 January 2023	7,753	1,656,516	3,403,457	80,005	76,854	80,724	441,733	5,747,042
Additions	-	-	3,154	2,898	1,147	1,799	17,255	26,253
Transferred from projects under progress	-	6,629	397,474	-	23	134	(404,260)	-
Disposals	-	(82,338)	-	-	(291)	(129)	(8,900)	(91,658)
Transferred from inventories	-	-	1,175	-	-	-	-	1,175
Balance at 31 December 2023	7,753	1,580,807	3,805,260	82,903	77,733	82,528	45,828	5,682,812
Accumulated depreciation and impairment								
Balance at 1 January 2023	-	873,137	2,528,484	76,502	73,163	74,761	19,549	3,645,596
Depreciation charged during the year	-	46,922	96,732	1,205	1,268	2,261	-	148,388
Disposals	-	(82,338)	-	-	(291)	(129)	-	(82,758)
Reversal of impairment of property and equipment	-	-	(17,549)	-	-	-	-	(17,549)
Balance at 31 December 2023	-	837,721	2,607,667	77,707	74,140	76,893	19,549	3,693,677
Net book value:								
At 31 December 2023	7,753	743,086	1,197,593	5,196	3,593	5,635	26,279	1,989,135

7 PROPERTY, PLANT AND EQUIPMENT (continued)

Movement in property, plant and equipment for the year ended 31 December 2022 is as follows:

	Lands SR ('000)	*Buildings and constructions SR ('000)*	*Plant, factory installations and power and water stations SR ('000)*	*Workshop tools and equipment SR ('000)*	*Equipment and vehicles SR ('000)*	*Furniture and fittings SR ('000)*	*Projects under progress SR ('000)*	*Total SR ('000)*
Cost:								
Balance at 1 January 2022	7,853	1,650,602	3,386,658	79,096	75,442	78,391	423,810	5,701,852
Additions	-	93	14,041	909	1,844	2,189	25,673	44,749
Transferred from projects under progress	-	5,821	1,280	-	-	511	(7,612)	-
Disposals	(100)	-	-	-	(432)	(367)	-	(899)
Transferred from inventories	-	-	1,478	-	-	-	-	1,478
Transferred to intangible assets	-	-	-	-	-	-	(138)	(138)
Balance at 31 December 2022	7,753	1,656,516	3,403,457	80,005	76,854	80,724	441,733	5,747,042
Accumulated depreciation and impairment:								
Balance at 1 January 2022	-	826,831	2,437,071	74,936	72,528	72,373	19,549	3,503,288
Depreciation charged during the year	-	46,306	91,413	1,566	1,067	2,752	-	143,104
Disposals	-	-	-	-	(432)	(364)	-	(796)
Balance at 31 December 2022	-	873,137	2,528,484	76,502	73,163	74,761	19,549	3,645,596
Net book value:								
At 31 December 2022	7,753	783,379	874,973	3,503	3,691	5,963	422,184	2,101,446

7 PROPERTY, PLANT AND EQUIPMENT (continued)

a) The Company's buildings, plant and facilities were built on lands within the concession obtained by the Parent Company for mining in Rabigh under Royal Decree No. M/29 on 9 Dhu Al-Qi'dah 1406H (corresponding to 16 July1986) for a period of 30 years, renewable for a similar period if the Company so desires, in return for an annual fee. The license for the exploitation of limestone was renewed pursuant to Ministerial Decision No. S/7197 dated 15/9/1437H (corresponding to 20 June 2016) and valid for 30 years from the date of 9 Shawwal 1437H (corresponding to 14 July 2016).

b) The depreciation for the year has been allocated as follows:

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Cost of sales	**146,357**	140,514
General and administrative expenses (Note 28)	**1,938**	2,504
Selling & distribution expenses (Note 27)	**93**	86
	148,388	143,104

c) The Group studied the impairment of the property, plant and equipment of its subsidiary, "Qatrana Cement Company" and calculated the recoverable amount as at 31 December 2023, based on the value in use of the cash-generating unit that was determined by the Group's management, which consists of net operating assets of Qatrana Cement Company. When determining the value in use of the cash-generating unit, the cash flows that were determined were discounted using the financial budgets approved by the Company's management for a period of five years at an average rate of 15.38% until the year 2028 (2022: 16.23%) according to the estimated useful lives of the related plant and equipment. This study resulted in a refund of the impairment charge in the amount of SR 17.5 million, bringing the impairment charge to SR 245.2 million (JD 46.4 million) as at 31 December 2023 (31 December 2022: SR 262.7 million (JD 49.7 million), which was distributed among property, plant , equipment, and intangible assets. The value-in-use calculation is affected and is considered to have a high degree of sensitivity if any of the following key assumptions change:

- Future business plans and future performance improvements
- Discount rate used in cash flows estimates
- Sale prices and quantities

Sensitivity to changes in key assumptions:
In relation to the value-in-use assessment, management believes that there is no reasonably possible change in any of the key assumptions above that would cause the carrying value of the cash-generating unit to materially exceed its recoverable amount.

d) The Group's property, plant and equipment as at 31 December 2023 include projects under progress of SR 46 million (31 December 2022: SR 442 million) mainly related to work projects to raise the level of efficiency of production lines.

In previous years, the Company's management reviewed the recoverable amount of some projects under progress and reduced their book value by SR 19.5 million.

e) There are no mortgages on the Group's property, plant and equipment against outstanding loans as at 31 December 2023 and 31 December 2022.

f) During the fourth quarter of 2023, the Company transferred an amount of SR 385 million from the item of projects under progress related to the new cement mills project to the item of plant, fixtures and factory equipment.

8 INTANGIBLE ASSETS

Intangible assets balance is mainly represented in an agreement in which Qatrana Cement Company, the subsidiary, obtained the right to use electricity transforming station of Qatrana Cement Company to supply the factory with electric power. The right to use cost is amortized over 25 years which represent the agreement's duration.

Movement on book value of intangible assets is as follows:

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Cost		
Balance at 1 January	**30,762**	30,624
Additions during the year	**-**	138
Balance at 31 December	**30,762**	30,762
Accumulated amortization and impairment losses:		
Balance at 1 January	**17,523**	16,310
Amortization	**1,231**	1,213
Balance at 31 December	**18,754**	17,523
Carrying value	**12,008**	13,239

Amortization is included under 'cost of sales'.

9 INVESTMENT PROPERTY

Investment prosperity represented in lands that the Group either re-leased to other parties under operating lease contracts or intended for resale.

The fair value of the investment prosperity amounted to SR 332.7 million as at 31 December 2023 (31 December 2022: SR 358.7 million) and was determined based on the evaluation provided by Thman Alarabia for Real Estate Evaluation Office, an independent certified real estate evaluator (license number 1210000180). The fair value of the properties was determined based on the prevailing market prices for similar invetments.

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Carrying value	**5,000**	5,000
Fair value	**332,686**	358,728

10 INVESTMENTS IN ASSOCIATES

Investments in equity accounted investees as at 31 December comprise the following:

Name of Company	Country of incorporation	Principal activities	Shareholding % 2023	Shareholding % 2022	2023 SR ('000)	2022 SR ('000)
Ready Mix Concrete and Construction Supplies Company	The Hashemite Kingdom of Jordan	Concrete production	**36.67%**	36.67%	**28,936**	20,516
Cement Products Industry Company Limited	Kingdom of Saudi Arabia	Cement bags production	**33.33%**	33.33%	**48,412**	46,646
					77,348	67,162

Movement on investments in associates is as follows:

	31 December 2023 SR ('000)	31 December 2022 SR ('000)
Balance at the beginning of the year	**67,162**	54,554
Group's share of results for the year	**9,902**	12,678
Group's share in other comprehensive income	**284**	(70)
Balance at the end of the year	**77,348**	67,162

As a result of the losses incurred by the Ready Mix Concrete and Construction Supplies Company during previous years, the Group studied impairment of investments in the equity-accounted investees of the Ready Mix Concrete and Construction Supplies Company. As a result of that study, a decrease in the value of investments amounted to SR 51.2 million, which was included in the statement of profit or loss for the year ended 31 December 2019.

Financial information of associates is as follows:

	Ready Mix Concrete and Construction Supplies Company		Cement Product Industry Company	
	31 December 2023 SR ('000)	31 December 2022 SR ('000)	31 December 2023 SR ('000)	31 December 2022 SR ('000)
Total revenues	**263,319**	208,947	**165,728**	200,527
Total profit for the year	**22,105**	9,639	**6,175**	26,967
Total other comprehensive income	**927**	(192)	**82**	-
Group's share of results of associates	**8,080**	3,533	**1,822**	9,145

10 INVESTMENTS IN ASSOCIATES (continued)

	Ready Mix Concrete and Construction Supplies Company		*Cement Products Industry Company Limited*	
	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*	***31 December 2023 SR ('000)***	*31 December 2022 SR ('000)*
Total assets	**299,955**	309,338	**228,995**	261,247
Total liabilities	**134,952**	167,295	**83,743**	121,766
Total equity (100%)	**165,003**	142,043	**145,252**	139,481
Adjustments	**(31,571)**	(31,571)	**-**	157
Carrying value of investments in associates	**28,936**	20,516	**48,412**	46,646

11. FINANCIAL ASSETS AT FVOCI

Financial assets at fair value through other comprehensive income represent investments in the Southern Province Cement Company:

Listed investments

	Direct holding (%)			
	2023	*2022*	***2023 SR ('000)***	*2022 SR ('000)*
Southern Province Cement Company	**1,52**	1,52	90,844	108,885

The Group recognized unrealized losses during the year on financial assets at fair value through other comprehensive income as follows:

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Balance at the beginning of the year	**108,885**	149,664
Unrealized Losses	**(18,041)**	(40,779)
Balance at the end of the year	**90,844**	108,885

The Group received cash dividends from investments in equity instruments at fair value through the consolidated statement of profit or loss amounting to SR 1.8 million (2022: SR 4.3 million).

12 INVENTORIES

Inventories at 31 December comprise the following:

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Under progress products and finished inventories	**315,533**	296,307
Spare parts	**198,044**	202,062
Raw materials and fuels	**43,301**	45,263
Goods in-transit	**6,091**	3,373
	562,969	547,005
Slow-moving provision	**(94,127)**	(92,187)
Balance at the end of the year	**468,842**	454,818

The movement in the provision for slow moving inventories is as follows:

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
At the beginning of the year	**92,187**	89,531
Charge during the year	**5,291**	2,779
Write-off during the year	**(3,351)**	(123)
At the end of the year	**94,127**	92,187

Inventories are stated at the lower of cost or net realizable value. During the year, the value of inventories was written down by SR 5.29 million (2022: SR 2.77 million) in the consolidated statement of profit or loss.

13 TRADE RECEIVABLES

Trade receivables comprise of the following:

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Trade receivables	**188,177**	172,586
Account receivables due from related parties (Note 34(b))	**41,327**	52,370
	229,504	224,956
Provision for impairment of trade receivables	**(4,369)**	(4,369)
Balance at the end of the year	**225,135**	220,587

13 TRADE RECEIVABLES (continued)

The movement in the provision for impairment of receivables is as follows:

	31 December 2023 SR ('000)	31 December 2022 SR ('000)
Balance at the beginning of the year	4,369	2,840
Charge during the year	-	1,529
Balance at the end of the year	4,369	4,369

Additional information related to the Group's exposure to credit and market risk is disclosed in note (35).

14 PREPAYMENTS AND OTHER RECEIVABLES

Prepayments and other receivables comprise of the following:

	31 December 2023 SR ('000)	31 December 2022 SR ('000)
land rent	11,500	-
Employee advances	3,842	3,154
Prepaid expenses	2,489	2,735
Advances to suppliers	2,329	4,697
Bank guarantees and letters of credit	347	515
Other receivable balances, net	5,422	8,725
	25,929	19,826

Other receivable balances at 31 December 2023 include SR nil (31 December 2022: SR 285 thousand) due from a related party, Note (34-B) against purchases.

15 CASH AND CASH EQUIVALENTS

a) Cash and cash equivalents comprise the following:

	31 December 2023 SR ('000)	31 December 2022 SR ('000)
Short-term deposits (Note "B" below)	130,000	200,000
Cash at banks	87,677	63,874
	217,677	263,874

b) Short-term deposits represent deposits at banks with maturity do not exceed three months from deposit date.

16 SHARE CAPITAL

As at 31 December 2023 and 31 December 2022, the Company's authorized, subscribed and fully paid capital amounted to SR 1 billion, divided into 100 million shares, each valued at SR 10.

Share premium

Share premium is the difference between share's price offered for subscription and the share's nominal value at the subscription date less issuance costs. This balance has been made during the year ended 31 December 2008.

17 STATUTORY RESERVE

In accordance with the Company's By-Laws, the Company is required to transfer 10% of its net annual profit to a statutory reserve. According to the By-Laws, the Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital As such condition is achieved, the Company decided to stop such transfers and this reserve is not available for distribution.

18 GENERAL RESERVE

According to the Company's By-Laws, the General Assembly of shareholders has the right to make general revere through transferring from retained earnings. This reverse can be increased or decreased based on the Ordinary General Assembly's decision.

19 NON-CONTROLLING INTERESTS

Non-controlling interests comprise the following:

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Balance at the beginning of the year	**87,102**	83,632
Profit for the year	**3,158**	3,470
Balance at the end of the year	**90,260**	87,102

20 PROVISION FOR REHABILITATION

The management of the Company conducted a study by a specialized external expert to estimate and calculate the quantities of earth materials to cover and protect the detective holes and the costs of stabilizing the soil, rocky slopes and surfaces to be safe for humans and animals for all the Company's quarries, based on the surroundings of the exploited areas in the quarries after the end of the mining period. A discount rate was used 7.2 % by the management for the estimated amounts of the assumed life of the inventories in each quarry.

The provision for the rehabilitation of areas subject to a franchise license represents the present value of the expected cost of re-settlement of the Company's franchise site.

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Balance at the beginning of the year	**7,831**	-
Finance costs for rehabilitation of areas subject to franchise license	**4,234**	7,831
Balance at the end of the year	**12,065**	7,831

21 LONG TERM LOANS AND FACILITIES

a) Arabian Cement Company

During the year ended 31 December 2022, the Company obtained a short-term loan from a local bank, in the amount of SR 150 million and it was paid in full during the year. As at 31 December 2023, the Company did not obtain any loan.

b) Qatrana Cement Company (Subsidiary) – Jordan

On 31 July 2017, the subsidiary "Qatrana Cement Company" obtained from the Arab Bank a diminishing loan amounted to SR 528.9 million (JD 100 million). The agreement includes certain conditions, maintaining financial ratios and that the ownership of the Arabian Cement Company, the Parent Company, doesn't directly or indirectly become less than 75% of Qatrana Cement Company's share capital during the loan lifetime.

The bank loan's principal shall be paid on 16 equal semi-annual installments, each equals SR 33.1 million (JD 6.25 million), and interests shall be paid on monthly basis.

The installment due for the month of July 2020 has been rescheduled amounting to SR 33.1 million (JD 6.25 million), in addition to the interest of the loan for the period from 1 April until 31 December 2020, amounting to of SR 17.3 million (JD 3.3 million) and extending the loan repayment tenure for an additional year, so that the last installment will be due on 20 July 2026.

The gearing ratio (total liabilities / total equity) must not exceed 100% throughout the loan period.

Any realized profits shall not be distributed in the event that there are due amounts of the principal and interest of the loan, except with the prior written approval of the Bank

During 2019, the subsidiary obtained a revolving loan from the Arab Bank with a ceiling of SR 34.4 million (JD 6.5 million) at an interest rate of 7.75%. During the year 2022, the ceiling of the revolving loan granted by the Arab Bank was increased to become SR 53 million (JD 10 million) instead of SR 34.4 million (JD 6.5 million), and SR 37 million (JD 7 million) were used from the granted ceiling during the year ended 31 December 2023 (31 December 2022: SR 5.3 million (JD 1 million).

The Company obtained a loan from the Arab Bank, subsidized by the Central Bank, at a value of SR 15.9 million (JD 3 million) at an interest rate of 3.50% for a period of 24 months. The first installment is due on 1 January 2021, and the total repayment of the loan amounted to SR 15.9 million (JD 3 million) during the year ended 31 December 2022.

On 19 July 2022, the subsidiary obtained from the Arab Bank a loan subsidized by the Central Bank of Jordan in the amount of SR 11.1 million (JD 2.1 million), at an interest rate of 3.00% for a period of 30 months, and the first installment is due on 1 December 2022. The total repayment of the loan amounted to SR 370.2 thousand (JD 70 thousand) during the year ended 31 December 2022, and an amount of SR 4.5 million (JD 840 thousand) during the year ended 31 December 2023, so that the net outstanding loan balance becomes an amount of SR 6.3 million (JD 1.2 million) during the year ended 31 December 2023. The interest rate on the Arab Bank loan reached 6.87% during the year 2023 (6.87% during the year 2022).

During June 2023, a loan was granted from the Arab Bank, subsidized by the Central Bank, in the amount of SR 15.86 million (JD 3 million), with an interest rate of 3%. The loan is repaid in 30 equal and consecutive monthly installments, each of which is SR 528 thousand (JD 100 thousand). The first installment is dated 30 October 2023. The total amount paid during the year 2023 amounted to SR 1.59 million (JD 300 thousand).

21 LONG-TERM LOANS AND FACILITIES (continued)

Long-term borrowings and facilities are presented in the consolidated statement of financial position as follows:

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Current portion of long-term loans and facilities	**20,046**	42,789
Non-current portion of long-term loans and facilities	**126,230**	188,854
	146,276	231,643

Movement of the finance during the year is as follows:

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Balance at the beginning of the year	**231,643**	256,608
Proceeds during the year	**52,891**	198,131
Paid during the year	**(138,258)**	(223,096)
	146,276	231,643

The non-current portion of the long-term loans and facilities is due as follows:

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
2024	**-**	70,557
2025	**74,312**	67,966
2026	**51,918**	50,331
	126,230	188,854

22 EMPLOYEES' DEFINED BENEFITS LIABILITIES

The valuation was prepared by an independent external actuarial using the following key assumptions:

- As at 31 December 2023, the discount rate was 4.90% for the Company annually (31 December 2023: Discount rate of 4,35% for the Company annually).
- As at 31 December 2023, the salary increase rate was 2% for the Company annually (31 December 2022: 2% for the Company annually).

22 EMPLOYEES' DEFINED BENEFITS LIABILITIES (continued)

The movement in the employee benefit liabilities is as follows:

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Current value of the liability as at the beginning of the year	**52,948**	54,311
Components of cost charged to the year in the consolidated statement of profit or loss:		
Current service cost	**3,502**	3,560
Interest cost	**2,212**	1,448
Total expenses charged to the consolidated statement of profit or loss	**5,714**	5,008
Items within statement of other comprehensive income:		
Re-assessment losses of employee benefit liabilities	**(970)**	(5,409)
Actual benefits paid during the year	**(3,909)**	(962)
Current value of the liability at the end of the year	**53,783**	52,948

Sensitivity in defined benefit liability

		31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Rate of change in salaries	*Base*		
	Increase by 1%	**58,234**	56,480
	Decrease by 1%	**49,664**	49,135
Discount rate	Base		
	Increase by 1%	**49,664**	49,135
	Decrease by 1%	**58,235**	56,480
Assumption of a statistical study of employees			
Average age of employees (years)		**43.26**	42,9
Average years of past service		**13.26**	12,89

23 TRADE AND OTHER PAYABLES

Tradepayables and accruals comprise the following:

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Trade payables	**62,118**	83,741
Other accrued expenses	**50,764**	34,636
Tax payables	**9,365**	5,485
Customers of credit balances	**7,602**	17,841
Accrued expenses against limestone extraction fees	**4,340**	13,158
Income tax secretariats	**4,217**	3,895
Other liabilities	**27,433**	15,158
	165,839	173,914

24 ACCRUED ZAKAT AND INCOME TAX

a) The movement in zakat provision for the year ended 31 December is as follows:

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Balance at the beginning of the year	**18,541**	19,793
Charge during the year	**18,571**	16,466
Paid during the year	**(16,756)**	(17,718)
Balance at the end of the year	**20,356**	18,541

b) Actual tax on accountable profit of the subsidiary is different from legal tax rate applied on the subsidiary's profit as follows:

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Taxable profit before tax exemption	**29,636**	32,421
Provisions	**2,645**	4,179
Taxable profit	**32,281**	36,600
Legal tax percentage	**%19**	%18
Income tax expense	**6,133**	6,587
National contribution tax	**323**	365
Income tax expense for prior years	**-**	139
Deferred tax assets	**(625)**	(850)
Balance at the end of the year	**5,831**	6,241

24 ACCRUED ZAKAT AND INCOME TAX (continued)

The current taxes due are calculated at an income tax rate of 19% (31 December 2022: 18%) in addition to the national contribution of 1% in accordance with the prevailing income tax law in the Hashemite Kingdom of Jordan implemented on 1 January 2019. The effective tax rate during the year ended 31 December 2023 was 21.78% (31 December 2022: 21.87%).

c) Zakat and tax status

Arabian Cement Company

The Company finalized its zakat status up to the year ended 31 December 2013 .

The Company filed its zakat returns for the years ended 31 December 2014 up to 2018 and obtained an unrestricted Zakat certificate for 2018.

ZATCA issued zakat assessment for the years ended 31 December 2014 up to 2018 which showed accrued zakat differences at an amount of SR 16,4 million. The Company settled accrued zakat differences for the undisputed items amounting to SR 2,6 million during the year ended 31 December 2020. The Company objected to zakat assessment. ZATCA issued a revised assessment based on the said resolution of the Objection Committee to Tax Committee for Resolution of Tax Violations and Disputes which showed a reduction in Zakat differences at an amount of 3,5 million .

The Company escalated the objection to Tax Committee for Resolution of Tax Violations and Disputes for consideration and issue a decision in this regard .

The Committee issued resolution no. IZD-2022-943 related to the Company's objection for the aforementioned years to reduce zakat differences by SR 9,2 million, so that the amount becomes as per the Committee's resolution SR 1,04 million. Both ZATCA and the Company appealed to the resolution of the Appeal Committee for Tax Violations and Disputes for consideration and issuance of another resolution .

The First Appeal Tax Income Violations and Disputes Committee issued its resolution no. IR-2023-133879 registered under appeal no Z-2022-133879 related to the Company's objection for the aforementioned two years. As per our understanding of the Department's resolution, we are expecting that the Company's accrued Zakat difference to become SR 3,9 million. The Company's management is in the process of filing an appeal for reconsideration of the resolution before the end of the statuary period .

The Company filed Zakat returns for the two years ended 31 December 2019 and 2020 and obtained an unrestricted Zakat certificate for the year 2020.

ZATCA issued Zakat and withholding tax assessment for the two years ended 31 December 2019 and 2020, which showed total differences of accrued Zakat, withholding tax and a delay fine of SR 1.8 million. The Company submitted an objection to the Zakat assessment for the two years mentioned above and paid accrued Zakat for the undisputed items at an amount of SR 83 thousand, in addition to paying the maximum difference in accrued Zakat as per Zakat assessment at 25% according to the system which amounted to SR 414 thousand.

ZATCA issued a revised Zakat and withholding tax assessment for the two years ended at 31 December 2019 and 2020, which showed a reduction in the differences in accrued Zakat, withholding tax and the delay fine which amounted to SR 744 thousand, so that the amount as per the revised assessment amounted to SR 1.07 million. The Company escalated the aforementioned objection to Tax Committee for Resolution of Tax Violations and Disputes for consideration. Tax Committee for Resolution of Tax Violations and Disputes issued the two resolutions no. IZD-2022-2100 and IZD-2022-2025 related to the Company's objection for the aforementioned two years to reduce the zakat differences in full by SR 1.07 million. ZATCA appealed against the two aforementioned resolutions issued by the Appeal Committee for Tax Violations and Disputes for consideration and issuance of a decision regarding them .

ZATCA submitted an appeal request to waive the appeal for the two years aforementioned and a resolution by the Frist Appellate Department for Income Tax Violations and Disputes was issued to accept the waiver for the two years aforementioned. Accordingly, Zakat status of the Company is considered finalized for 209 and 2020 .

The Company filed Zakat returns for the years ended 31 December 2021 and 2022 and obtained an unrestricted Zakat certificate for the year 2022. ZATCA has not issued Zakat assessment for the said two years till to date.

24 ACCRUED ZAKAT AND INCOME TAX (continued)

c) Zakat and tax status (continued)

Qatrana Cement Company (Subsidiary) – Jordan
Income tax returns have been reviewed by Income and Sales Tax Department until the end of the year 2020. The Company also filed income tax returns to the Department until the end of 2022. With regards to sales tax, sales tax returns were audited by the Income and Sales Tax Department until the end of 2021. The Company also submitted sales tax returns to the Department for the end of December 2023.

The Income and Sales Tax Department reviewed the Company's income tax for the year 2014 and issued its preliminary decisions requiring the Company to pay tax differences resulting from a difference in the interpretation of the Board of Investment's exemption decision. Accordingly, the objection was submitted to the Objection Committee in the Income and Sales Tax Department, and on 21 June 2020 a decision was issued. The objection included not calculating the investment encouragement exemption on profits for the year 2014. However, the Company submitted its objection to the Department's decisions and the files were referred to the court to decide on the dispute. The Company did not calculate an additional allocation for income tax since, according to the opinion of the legal advisor, the Company has strong chances to win this case.

On 31 January 2023, the First instance Court issued its resolution which included the nullification of the contested resolution, previously issued by the Dispute Committee, and decided to consider the carried over losses for the year 2014, which amounted to JD 8.45 million (SR 44.7 million), as stated in the lawsuit. The Income Tax and Sales Department decided to include the charges, expenses and an amount of JD 1,000 (SR 5.3 thousand) as attorney's fees. The above court's resolution was appealed by the Income Tax and Sales Department and the case is still under the consideration of the Court of Tax Appeal.

d) Deferred tax assets and liabilities

Movement on deferred tax assets was as follow:

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Balance at the beginning of the year	**21,221**	21,950
Additions and amendments during the year	**625**	850
Transferred to the income tax provision	**(1,661)**	(1,579)
Balance at the end of the year	**20,185**	21,221

Movement on deferred tax liabilities was as follow:

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Balance at the beginning of the year	**56,116**	56,116
Balance at the end of the year	**56,116**	56,116

Deferred tax assets and liabilities were calculated for the year ended 31 December 2023 in accordance with Income Tax Law No. (34) of 2014 and its amendments, which came into effect on 1 January 2019. Under this law, the legal tax rate on the Company is 20% in addition to the national contribution rate of 1% (2022: 20% in addition to the national contribution rate of 1%).

25 DIVIDENDS PAYABLE

On 9 April 2023, the Company's Board of Directors recommended distributing cash dividends to shareholders in the amount of SR 110 million, which represents SR 1,1 per share. Which was approved during the 67th Ordinary General Assembly meeting on 9 April 2023.

On 6 August 2023, the Company's Board of Directors recommended distributing cash dividends in the amount of SR 75 million to shareholders for the first half of 2023, which represents SR 0.75 per share.

The movement on accrued dividends during the year is as follows:

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Balance at the beginning of the year	**12,314**	12,346
Declared during the year	**185,000**	260,000
Paid during the year	**(183,492)**	(260,032)
	13,822	12,314

26 REVENUES

Classification of the Group's revenues from contracts with customers:

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Kingdom of Saudi Arabia	**555,361**	665,430
The Hashemite Kingdom of Jordan	**320,399**	305,519
Total revenues from contracts with customers	**875,760**	970,949

- Any other classifications of revenues have not been disclosed since the Group is selling two types of products (cement and clinker) and no significant differences have appeared between the sale prices and production cost for different types of Cement, whether packed on non-packed. The Group sells its all products through distributers. The selling is conducted at a certain point in time, not over time.
- The cost of sales mainly represents the cost of raw materials, electricity, spare parts, depreciations, operational salaries and wages.

27 SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the year ended 31 December, comprise the following:

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Transport of cement and clinker for clients	**9,440**	20,340
Salaries and wages and related benefits	**6,719**	6,712
Depreciation (Note 7b)	**93**	86
Others	**1,157**	2,439
	17,409	29,577

28 GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Salaries, wages and equivalents	**31,171**	29,617
Remuneration and allowances for BOD and sub-committees meetings	**6,996**	6,710
Professional and consultancy fees	**4,125**	3,196
Information technology expenses	**3,333**	2,672
Depreciation (Note 7b)	**1,938**	2,504
Repair and maintenance	**674**	818
Customs expenses	**275**	559
Operating leases	**62**	62
Others	**5,678**	5,465
	54,252	51,603

29 SEGMENT INFORMATION

The Group is mainly engaged in one operating segment that is related to cement production and selling.

For managerial purposes, the Group is organized as business units according to the geographical distribution, where units are distributed as follows:

- All the operations of the Group are carried out in the Kingdom of Saudi Arabia.
- Group's operations outside the Kingdom of Saudi Arabia, which mainly represent the Group's operations in the Hashemite Kingdom of Jordan, in addition to the Kingdom of Bahrain.

As at 31 December 2023	***Inside KSA SR ('000)***	***Outside KSA SR ('000)***	***Reconciliations SR ('000)***	***Total SR ('000)***
Total property, plant, equipment and investment property	**1,315,497**	**757,857**	**(79,219)**	**1,994,135**
Financial assets at fair value through OCI	**90,844**	**-**	**-**	**90,844**
Total other non–current assets	**781,817**	**41,160**	**(709,519)**	**113,458**
Total current assets	**699,064**	**238,286**	**233**	**937,583**
Total assets	**2,887,222**	**1,037,303**	**(788,505)**	**3,136,020**
Total liabilities	**314,115**	**352,854**	**(194,315)**	**472,654**

As at 31 December, 2022	*Inside KSA SR ('000)*	*Outside KSA SR ('000)*	*Reconciliations SR ('000)*	*Total SR ('000)*
Total property, plant, equipment and investment property	1,411,600	791,614	(96,768)	2,106,446
Financial assets at fair value through OCI	108,885	-	-	108,885
Total other non–current assets	750,981	43,801	(688,869)	105,913
Total current assets	693,770	265,048	287	959,105
Total assets	2,965,236	1,100,463	(785,350)	3,280,349
Total liabilities	329,974	439,494	(211,481)	557,987

29 SEGMENT INFORMATION (continued)

The financial information for revenues, profits and some other items related to geographical sectors, after excluding the effect of transactions between group companies for the years ended 31 December 2023 and 2022, is as follows:

As at 31 December 2023	***Inside KSA SR ('000)***	***Outside KSA SR ('000)***	***Reconciliations SR ('000)***	***Total SR ('000)***
Revenues from contracts with customers	**555,361**	**320,399**	**-**	**875,760**
Profit for the year	**139,633**	**23,600**	**(20,442)**	**142,791**
Finance costs	**-**	**13,574**	**-**	**13,574**
Depreciations and amortizations	**107,317**	**42,676**	**-**	**149,993**

As at 31 December 2022	*Inside KSA SR ('000)*	*Outside KSA SR ('000)*	*Reconciliations SR ('000)*	*Total SR ('000)*
Revenues from contracts with customers	665,430	305,519	-	970,949
Profit for the year	181,006	26,107	(22,637)	184,476
Finance costs	314	15,352	-	15,666
Depreciations and amortizations	102,475	42,216	-	144,691

30 OTHER REVENUES, NET

Other net revenues for the year ended 31 December comprises of the following:

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Rent revenues	**10,045**	8,378
Return on Islamic deposits	**5,703**	3,984
Profits on disposal of property, plant and equipment and investment properties	**88**	1,111
Foreign currency exchange differences	**(1,355)**	(1,369)
Other revenues / (expenses)	**1,609**	351
	16,090	12,455

31 BASIC EARNINGS PER SHARE

The calculation of basic earnings per share has been based the distributable earnings attributable to shareholders of ordinary shares and the weighted average number of ordinary shares outstanding at the date of the financial statements amounting to 100 million shares.

1) *Profit attributable to ordinary shareholders (basic)*

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Profit attributable to shareholders of the Company	**139,634**	181,006
Earnings per share attributable to the shareholders of the Company	**1,40**	1,81

31 BASIC EARNINGS PER SHARE (continued)

2) *Weighted-average number of standing shares (basic)*

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Issued ordinary shares at the beginning of the year	**100,000**	100,000
Effect of shares issued	**-**	-
Weighted average number of shares outstanding at the end of the year	**100,000**	100,000

Diluted EPS

The calculation of diluted earnings per share has been based on the profit distributable to shareholders on ordinary shares and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, if any. During the year there were no diluted shares, accordingly the diluted earnings per share does not differ from the basic earnings per share.

32 LEASES

a) The right-to-use assets have been presented in statement of financial position as follows:

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Cost		
Balance at 1 January	**5,809**	5,809
Settlements	**-**	-
Balance at 31 December	**5,809**	5,809
Accumulated depreciation		
Balance at 1 January	**1,518**	1,144
Settlements	**374**	374
Balance at 31 December	**1,892**	1,518
Net Book Value		
31 December	**3,917**	4,291

b) Lease liabilities were presented in the statement of financial position as follows:

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Short-term liability	**623**	623
Long-term liability	**3,774**	4,057
	4,397	4,680

33 CONTINGENCIES AND CAPITAL COMMITMENTS

a) As at 31 December 2023, the Group has contingencies represented in outstanding letters of guarantee and credits of SR 36,5 million (31 December 2022: SR 31,8 million).

b) As at 31 December 2023, the Group had capital commitments related to modernizing the group's production lines, facilities, and factories amounting to SR 3.2 million (31 December 2022: SR 3.8 million), and there are guarantees amounting to SR 19.8 million (31 December 2022: SR 29.3 million) granted to local banks in exchange for loans and bank facilities for a subsidiary.

c) There are lawsuits filed against the subsidiary, with a value of JD 129 thousand, equivalent to SR 681 thousand, as at 31 December 2023 (as at 31 December 2022: JD 129 thousand, equivalent to SR 681 thousand) in addition to cases with unspecified value. The subsidiary's Management and its legal consultant believe that the subsidiary has strong reasons against these cases, and there is no need to take any provisions against these cases.

34 RELATED PARTIES' DISCLOSURES

a) Related parties include shareholders, members of the Board of Directors, senior management personnel of the Group, and entities controlled or jointly controlled, or significantly influence by such parties. Pricing policy and terms of transactions are approved by the Group's management.

Description	**Nature of relationship**
Ready Mix Concrete and Construction Supplies Company	Associate
Cement Products Industry Company Limited	Associate
Alquds Ready Mix Company	Affliates
Asas Ready Mix Company	Affliates
Rolaco Automotive and Heavy Equipment Limited	A Company related to a member of BOD
Group's BOD members	Related parties
Key management and senior executives	Related parties

34 RELATED PARTIES' DISCLOSURES (continued)

b) The following table shows the balances of related parties as at 31 December 2023 and 31 December 2022:

Transactions with	*Nature of transactions*	*Volume of transactions*		*Closing balance*	
		31 December 2023 SR ('000)	*31 December 2022 SR ('000)*	***31 December 2023 SR ('000)***	*31 December 2022 SR ('000)*
Balances due from related parties under trade receivables (Note 13)					
Ready Mix Concrete and Construction Supplies Company "associate"	Sales	**62,474**	58,218	**31,628**	40,498
Alquds Ready Mix Company "Affliate"	Sales	**11,401**	10,880	**7,412**	8,444
Asas Ready Mix Company "Affliate"	Sales	**4,127**	5,347	**2,287**	3,428
Balances due from related parties under other receivable balances (Note 14)					
Ready Mix Concrete and Construction Supplies Company "associate"	*Dividends*	-	-	**115**	175
Cement Products Industry Company Limited "associate"	*Purchases*	-	18,271	-	285
Balances due to related parties under other trade payables					
Rolaco Automotive and Heavy Equipment Limited	*Purchases*	-	290	-	-
Cement Products Industry Company Limited "associate"	*Purchases*	**19,876**	-	**2,124**	-

c) Allowances and rewards for members of the Board of Directors and senior executives:

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Salaries and remunerations of senior executives of the Company	**6,037**	6,167
BOD members' remuneration	**2,900**	2,900
BOD members' remuneration the sub committees	**1,110**	1,110
Salaries and remunerations of senior management and senior executives in the subsidiary company	**762**	762
Allowance for attending Board of Directors and committee meetings in the company	**420**	408
Remuneration of members of the board of directors and senior executives of the subsidiary company	**360**	360
Allowance for attending Board of Directors and committee meetings of the subsidiary company	**128**	132

Key managers' benefits include basic salaries, bonuses and other benefits in accordance with the Group's policy. Key managers, including the CEO and senior executives, are persons who have powers and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly.

35 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: Market risk (including currency risk, fair value, interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the fluctuation of the unpredictable financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Financial risk management framework

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The most important types of risk are credit risk, currency risk,fair value risk and interest rate risk of cash flows.

The Board of Directors has overall responsibility for establishment and oversight of the Group's risk management framework. The executive management team is responsible for developing and monitoring the Group's risk management policies. The team regularly meets, and changes and any compliance issues are reported to the Board of Directors through the audit committee.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Risk committee oversees compliance by management with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Financial instruments included in the statement of financial position include cash and cash equivalents, trade and other receivables, financial assets, loans, trade payables and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk include three types: Interest rate risk, currency risk and price risk.

Interest rate risk

Interest rate risks is the risk that the fair value or future cash flows of a financial instrument would fluctuate as a result of the of changes in interest rate in market. The group exposure to the risk of changes in market interest rates relates primarily to the group long-term debt obligations with floating interest rates. The Group manages the Company's interest rate risk by regularly monitoring interest rates on its interest bearing financial instruments. The Company's interest-bearing liabilities, which are mainly bank borrowings, are at floating rates of interest, which are subject to re-pricing. Management monitors the changes in interest rates and believes that the fair value and cash flow rate risks to the Group are not significant. Interest bearing financial assets consist of short-term murabaha deposits which carry fixed interest rates and hence there is no exposure to cash flow interest rate risk and fair value interest rate risk.

The interest rate statement for the Group's interest bearing financial instruments disclosed to the Group's management is as follows:

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Financial instruments with variable interest rates		
Loans	**146,276**	231,643

35 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)
The table below reflects the reasonably likely effect of a 100 basis point change in interest rates at the financial position date on profit or loss, assuming all other variables to remain constant.

	Profit / (loss) 2023		*Profit / (loss) 2022*	
	BPs decrease on interest rates 100 bp SR ('000)	***BPs increase on interest rates 100 bp SR ('000)***	*BPs decrease on interest rates 100 bp SR ('000)*	*BPs increase on interest rates 100 bp SR ('000)*
Loans	**1,463**	**(1,463)**	2,316	(2,316)

Foreign currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to fluctuations in foreign exchange rates. The Group is not significantly exposed to fluctuations in foreign exchange rates during its normal course of business, as the Group's core transactions during the period were denominated in Saudi Riyals, Jordanian Dinars, and US Dollars. Thus, there are no significant risks associated with transactions and balances denominated in US Dollars.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration risk arises when a number of counterparties engaged in similar business activities or activities in the same geographical region or have economic features that would cause them to fail their contractual obligations To reduce exposure to credit risk, the Group has developed a formal approval process whereby credit limits are applied to its customers, which are based on comprehensive customer ratings and past repayment rates.

The management also continuously monitors the credit exposure related to its customers and makes provision against those balances considered doubtful of recovery. Outstanding balances of customers are continuously monitored. Cash and cash equivalents are placed with national banks with sound credit ratings. Trade and other receivables are basically due from customers in local markets and most balances are pledged against effective bank guarantees from local banks with sound credit ratings. Trade and other receivables are stated at their estimated realizable values.

The Management considers reasonable and supportive forward-looking information such as:

- Actual or expected significant adverse changes in business,
- Actual or expected significant changes in the operating results of the counterparty,
- Financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations,
- Significant increase in credit risk on other financial instruments of the same counterparty,
- Significant changes in the value of the collateral supporting the obligation or in the quality of the third-party guarantees or credit enhancements.

35 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)
The Group's gross maximum exposure to credit risk is as follows:

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Financial assets		
Trade and other receivables	**251,064**	240,413
Bank balances	**217,677**	263,874
	468,741	504,287

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Financial assets		
Secured*	**370,381**	407,809
Unsecured **	**98,360**	96,478
	468,741	504,287

* As at 31 December 2023, secured financial assets include bank balances and trade receivables amounting to SR 370,381 thousand secured through bank guarantees (December 31, 2022: SR 407,809 thousand).

** As at 31 December 2022, unsecured financial assets include other receivables and amounts paid in advance to suppliers.

The ageing of trade receivables as at the date of the financial statements is as follows:

Duration	***31 December 2023***		*31 December 2022*	
	Balance	***Impairment***	*Balance*	*Impairment*
	SR ('000)	***SR ('000)***	*SR ('000)*	*SR ('000)*
Neither past due nor impaired	**174,895**	**-**	153,698	-
From 0 to 60 days	**41,057**	**-**	54,822	-
From 61 to 90 days	**4,891**	**-**	2,603	-
More than 90 days	**8,661**	**4,369**	13,833	4,369
	229,504	**4,369**	224,956	4,369

35 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell financial assets quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available.

The concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of financing and loans or reliance on a particular market in which to realize liquid assets. The following are the contractual maturities of financial liabilities at the end of the period, which are presented in gross, undiscounted amounts.

The remaining contractual maturities of financial liabilities at the reporting date are as follows. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of liquidation agreements.

	Contractual cash flows					
31 December 2023	***1 year or less SR ('000)***	***from 1 year to 3 years SR ('000)***	***3 year or more SR ('000)***	***Interest accruals for future periods SR ('000)***	***Total contractual maturity SR ('000)***	***Total carrying amount SR ('000)***
Non-derivative financial liabilities						
Loans	**20,046**	**74,312**	**51,918**	**14,997**	**161,273**	**146,276**
Trade and other payables	**165,839**	**-**	**-**	**-**	**165,839**	**165,839**
Dividends payable	**13,822**	**-**	**-**	**-**	**13,822**	**13,822**
Lease liabilities	**623**	**3,774**	**-**	**-**	**4,397**	**4,397**
	200,330	**78,086**	**51,918**	**14,997**	**345,331**	**330,334**

	Contractual cash flows					
31 December 2022	*1 year or less SR ('000)*	*from 1 year to 3 years SR ('000)*	*3 year or more SR ('000)*	*Interest accruals for future periods SR ('000)*	*Total contractual maturity SR ('000)*	*Total carrying amount SR ('000)*
Non-derivative financial liabilities						
Loans	42,789	138,523	50,331	29,988	261,631	231,643
Trade and other payables	173,914	-	-	-	173,914	173,914
Dividends payable	12,314	-	-	-	12,314	12,314
Lease liabilities	623	4,057	-	-	4,680	4,680
	229,640	142,580	50,331	29,988	452,539	422,551

35 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

- The cash flows included in the above maturity analysis are not expected to mature earlier or at materially different amounts.

Capital Management
The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders. and to maintain a strong capital base to support the sustained development of its businesses..

The adjusted ratio of the Group's net liabilities to equity is as follows:

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Total liabilities	**472,654**	557,986
Less: Cash at banks	**(217,677)**	(263,874)
Net liabilities	**254,977**	294,112
Total equity	**2,663,367**	2,722,363
Net liabilities to equity	**0.10**	0.11

Fair value of assets and liabilities
The table below shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities that are not measured at fair value if the book value is reasonably equivalent to fair value.

35 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

31 December 2023 *SR ('000)*	*Carrying amount*				*Fair value*			
	Equity investments at FVOCI	*Amortized Cost*	*Other financial liabilities*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets measured at fair value								
Equity investments at FVOCI	90,844	-	-	90,844	90,844	-	-	90,844
	90,844	-	-	90,844	90,844	-	-	90,844
Financial assets not measured at fair value								
Trade receivables, prepayments and other receivable balances	-	239,564	-	239,564	-	-	-	-
Cash at banks	-	217,677	-	217,677	-	-	-	-
	-	457,241	-	457,241	-	-	-	-
Financial liabilities not measured at fair value								
Loans and facilities	-	146,276	-	146,276	-	-	-	-
Trade payables and accruals	-	200,017	-	200,017	-	-	-	-
Lease liabilities	-	4,397	-	4,397	-	-	-	-
	-	350,690	-	350,690	-	-	-	-

35 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

31 December 2022 SR ('000)	*Carrying amount*				*Fair value*			
	Equity investments at FVOCI	*Amortized Cost*	*Other financial liabilities*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets measured at fair value								
Equity investments at FVOCI	108,885	-	-	108,885	108,885	-	-	108,885
	108,885	-	-	108,885	108,885	-	-	108,885
Financial assets not measured at fair value								
Trade receivables, prepayments and other receivable balances	-	240,413	-	240,413	-	-	-	-
Cash in banks	-	263,874	-	263,874	-	-	-	-
	-	504,287	-	504,287	-	-	-	-
Financial liabilities not measured at fair value								
Loans and facilities	-	231,643	-	231,643	-	-	-	-
Trade payables and accruals	-	204,769	-	204,769	-	-	-	-
Lease liabilities	-	4,680	-	4,680	-	-	-	-
	-	441,092	-	441,092	-	-	-	-

36 FINANCE COSTS

Finance costs for the year ended 31 December comprise the following:

	31 December 2023 SR ('000)	*31 December 2022 SR ('000)*
Finance cost charged on the statement of profit or loss under borrowings and bank expenses	**13,574**	15,666
Finance cost charged on the statement of profit or loss under employee's benefits obligations (Note 22)	**2,212**	1,448

37 SUBSEQUENT EVENTS

The Board of Directors, in its meeting held on 29 Sha'ban 1445H, corresponding to 10 March 2024, recommended cash dividends amounting to SR 75 million for the second half of the financial year 2023 at a rate of SR 0.75 per share. Provided that the dividends are attributable to the shareholders of the Company who own shares on the maturity date registered in the registry of the Company's shareholders in the Securities Depository Center (Edaa) at the end of the second trading day following the day of the Company's General Assembly meeting, the date of which will be announced later, after taking the necessary approvals.

38 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on 10 March 2024, corresponding to 29 Sha'ban1445H.