ARABIAN CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022
with
INDEPENDENT AUDITOR'S REPORT

KPMG

KPMG Professional Services
Zahran Business Center
Prince Sultan Street
P. O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 403029792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
مركز زهران للأعمال
شارع الأمير سلطان
ص. ب. 55078
جده 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of the Arabian Cement Company
A Saudi Joint Stock Company

Opinion

We have audited the consolidated financial statements of the Arabian Cement Company ("the Company") and its subsidiaries ("the Group"), a Saudi Joint Stock Company, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss, comprehensive income , changes in equity and cash flows for the year then ended, and accompanying notes, comprising significant accounting policies and other explanatory 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 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

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

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 our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

To the Shareholders of the Arabian Cement Company (continued)
A Saudi Joint Stock Company

Key audit matter (1)

Referring to note (6) for the accounting policy of the revenue recognition and Note (26) for the disclosure of contracts with customers.

Revenue recognition	How the matter was addressed in our audit
During the year ended 31 December 2022, revenue from sales amounting to SR 971 million was recognized. Revenue from sales is recognized when a customer obtains controls of the goods and this is done upon acceptance and delivery of the goods to the customer and issuance of a sales invoice in accordance with the requirements of IFRS 15, Revenue from contracts from clients. Revenue is one of the core indicators for measuring performance, and consequently, there are inherent risks that revenues may be recognized at more than its actual value in order to increase profitability. Therefore, the revenue recognition process has been considered as a key audit matter.	The auditing procedures we performed in relation to recognition of revenue included, among other procedures, the following: - Assessed the appropriateness of the Group's accounting policies related to revenue recognition from sales, including those related to discounts and incentives, as well as assessing compliance with the requirements of applicable accounting standards. - Evaluated the design and implementation of the internal control procedures related to revenue recognition, including anti-fraud control procedures. - Performed an audit procedures on a sample-basis for revenue transactions against their supporting documents, to verify that they are documented and that they are recorded in the correct accounting period. - Performed cut-off procedures around the timing of recognizing revenue from sales after products have been delivered to customers and recording them within the correct accounting period. - Performed a review of a sample of customer balance adjustments made on a sample of customers balances during the subsequent period relating to revenues recognized in 2022.

Independent Auditor's Report

To the Shareholders of the Arabian Cement Company (continued)
A Saudi Joint Stock Company

Key audit matter (2)

With reference to note (6) of the accounting policy related to the impairment of property, plant and equipment and also note (7) related to the disclosure of property, plant, and equipment.

Impairment of property, plant and equipment	How the matter was addressed in our audit
As at 31 December 2022, the net book value of property, plant and equipment amounted to SR 2.1 billion. The risks related to the valuation of property, plant and equipment represent the presence of risks relating to the possibility of impairment, if indicators are there. 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. Impairment of the subsidiary's property, plant and equipment is therefore considered a key audit matter due to significant judgments and assumptions included in the impairment assessment study.	The auditing procedures we performed in relation to impairment of the subsidiary's property, plant and equipment included, among other procedures, the following: - Obtained an understanding of the Management's procedures for studying the extent of the presence of indicators of impairment of property, plant and equipment in accordance with the requirements of the relevant International Financial Reporting Standards, as well as indicators supporting the reversal of previously recognized impairment losses, if any. - Evaluated the design and implement of the internal control procedures related to the estimation of the impairment of property, plant and equipment. - Involved Our specialists to test the key assumptions that the Management used in the study and the assessment of the reasonableness of the assumptions and the bases that have been used to prepare the study of future cash flows approved by the Management of the Group. - Assessment of the adequacy of disclosures in relation to the allowance for impairment losses.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' 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 annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

KPMG

Independent Auditor's Report

To the Shareholders of the Arabian Cement Company (continued)
A Saudi Joint Stock Company

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 IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies 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, Audit Committee, are responsible for overseeing the Group's financial reporting process.

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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 judgement and maintain professional scepticism 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 the 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, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

KPMG

Independent Auditor's Report

To the Shareholders of the Arabian Cement Company (continued)
A Saudi Joint Stock Company

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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 of the **Arabian Cement Company ("the Company") and its subsidiaries.**

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' 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.

KPMG Professional Services

Ebrahim Oboud Baeshen
License No. 382

Jeddah, 27 February 2023
Corresponding to 7 Shaaban 1444H

كي بي إم جي للإستشارات المهنية
Lic No. 46
C.R. 4030290792
J : 1
KPMG
ترخيص رقم ٤٦
س.ت: ٤٠٣٠٢٩٠٧٩٢
KPMG Professional Services

ARABIAN CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Note	**31 December 2022 SR ('000)**	December 31 2021 SR ('000)
Assets			
Property plant and equipment	7	**2,101,446**	2,198,564
Intangible assets	8	**13,239**	14,314
Investment properties	9	**5,000**	5,700
Investments in equity accounted investees	10	**67,162**	54,554
Equity instruments at FVOCI	11	**108,885**	149,664
Deferred income tax	25.d	**21,221**	21,950
Right-to-use assets	33.a	**4,291**	4,665
Non-current assets		**2,321,244**	2,449,411
Inventories	13	**454,818**	408,357
Trade receivables	14	**220,587**	204,287
Prepayments and other receivables	15	**19,826**	17,619
Financial investments at amortised cost	12	**--**	210,000
Cash at banks	16	**263,874**	143,436
Current assets		**959,105**	983,699
Total assets		**3,280,349**	3,433,110
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	17	**1,000,000**	1,000,000
Share premium	17	**293,565**	293,565
Statuary reserve	18	**500,000**	500,000
General reserve	19	**95,000**	95,000
Foreign currency translation reserve		**(561)**	(561)
FVOCI equity instruments assessment reserve		**50,981**	91,760
Retained earnings		**696,275**	769,930
Total equity attributable to Company's shareholders		**2,635,260**	2,749,694
Non-controlling interests	20	**87,102**	83,632
Total equity (after)		**2,722,362**	2,833,326

The attached notes 1 to 39 are part of these consolidated financial statements.

ARABIAN CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 December 2022

	Note	**31 December 2022 SR ('000)**	December 31 2021 SR ('000)
Before		**2,722,362**	2,833,326
Provision for rehabilitation of areas subject to franchise license	21	**7,831**	--
Long term loans and facilities	22	**188,854**	248,674
Employees' defined benefit obligations	23	**52,948**	54,311
Deferred Tax Liabilities	25.d	**56,116**	56,116
Lease obligations	33.b	**4,057**	4,319
Non-current liabilities		**309,806**	363,420
Long-term loans and facilities - current portion	22	**42,789**	7,934
Trade payables and accruals	24	**173,914**	195,668
Zakat and income tax payable	25.a	**18,541**	19,793
Dividend payables	27	**12,314**	12,346
Lease liabilities	33.b	**623**	623
Current liabilities		**248,181**	236,364
Total liabilities		**557,987**	599,784
Total shareholders' equity and liabilities		**3,280,349**	3,433,110

The attached notes 1 to 39 are part of these consolidated financial statements.

These consolidated financial statements were approved for issuance by the Board of Directors on 23 February 2023, and signed by:

Mr. Moataz Mohamed Mortadha Vice President of Finance	Dr. Badr Osama Jawhar Chief Executive Officer	Eng. Mutaaz Qusai Al-Azawi Authorized Board of Directors Member

ARABIAN CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2022

	Note	**2022** SR ('000)	2021 SR ('000)
Revenue	26	**970,949**	1,033,205
Cost of sales	26	**(696,323)**	(724,266)
Gross profit		**274,626**	308,939
Selling & distribution expenses	28	**(29,577)**	(40,168)
General and administration expense	29	**(51,603)**	(57,424)
Provision for impairment of property, plant and equipment	7	**--**	(16,135)
Operating income		**193,446**	195,212
Dividend from investment in equity instruments at fair value	11	**4,270**	8,006
Group's share of results of equity-accounted investees	10	**12,678**	6,150
Finance costs	37	**(15,666)**	(18,819)
Other income, net	31	**12,455**	8,633
Profit before zakat and income-tax		**207,183**	199,182
Zakat	25.a	**(16,466)**	(17,371)
Income tax	25.b	**(6,241)**	(11,833)
Profit for the year		**184,476**	169,978
Profit for the year attributable to:			
Shareholders of the Company		**181,006**	161,520
Non-controlling interest	20	**3,470**	8,458
		184,476	169,978
Earnings per share for the year attributable to shareholders of the Company (SR):	32		
Basic		**1.81**	1.62
Diluted		**1.81**	1.62

The attached notes 1 to 39 are part of these consolidated financial statements.

These consolidated financial statements were approved for issuance by the Board of Directors on 23 February 2023, and signed by:

Mr. Moataz Mohamed Mortadha Vice President of Finance	Dr. Badr Osama Jawhar Chief Executive Officer	Eng. Mutaaz Qusai Al-Azawi Authorized Board of Directors Member

ARABIAN CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Note	**2022** **SR ('000)**	2021 SR ('000)
Profit for the year		**184,476**	169,978
Items of (loss) / other comprehensive income:			
Items that are not or may not be reclassified subsequently to the statement of profit or loss:			
Gain / (loss) from actuarial revaluation	23.b	**5,409**	(4,344)
Unrealized loss on investments in equity instruments at FVOCI	11	**(40,779)**	(30,317)
Group's share in other comprehensive (loss) / income of equity-accounted investees	10	**(70)**	61
Total other comprehensive loss		**(35,440)**	(34,600)
Total comprehensive income for the year		**149,036**	135,378
Total comprehensive income attributable to:			
Shareholders of the Company		**145,566**	126,920
Non-controlling interests		**3,470**	8,458
Total comprehensive income for the year		**149,036**	135,378

The attached notes 1 to 39 are part of these consolidated financial statements.

These consolidated financial statements were approved for issuance by the Board of Directors on 23 February 2023, and signed by:

Mr. Moataz Mohamed Mortadha Vice President of Finance	Dr. Badr Osama Jawhar Chief Executive Officer	Eng. Mutaaz Qusai Al-Azawi Authorized Board of Directors Member

ARABIAN CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	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)	FVOCI equity instruments assessment reserve SR ('000)	Retained earnings SR ('000)	Total equity attributable to Company's shareholders SR ('000)	Non-controlling interests SR ('000)	Total equity SR ('000)
Balance as at January 1, 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
Transactions with shareholders of the Company										
Dividend distributed (note 27)	--	--	--	--	--	--	(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 attached notes 1 to 39 are 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 2022

	Equity attributable to shareholders of the Company									
	Share capital	**Share premium**	**Statutory reserve**	**General reserve**	**Foreign currency translation reserve**	**FVOCI equity instruments assessment reserve**	**Retained earnings**	**Total equity attributable to Company's shareholders**	**Non-controlling interests**	**Total equity**
Balance as at January 1, 2021	**1,000,000**	**293,565**	**500,000**	**95,000**	**(561)**	**122,077**	**862,693**	**2,872,774**	**75,174**	**2,947,948**
Profit for the year	--	--	--	--	--	--	161,520	161,520	8,458	169,978
Other comprehensive loss	--	--	--	--	--	(30,317)	(4,283)	(34,600)	--	(34,600)
Total Comprehensive income	--	--	--	--	--	(30,317)	157,237	126,920	8,458	135,378
Transactions with shareholders of the Company										
Dividend distributed (note 27)	--	--	--	--	--	--	(250,000)	(250,000)	--	(250,000)
Balance at 31 December 2021	**1,000,000**	**293,565**	**500,000**	**95,000**	**(561)**	**91,760**	**769,930**	**2,749,694**	**83,632**	**2,833,326**

The attached notes 1 to 39 are part of these consolidated financial statements.

These consolidated financial statements were approved for issuance by the Board of Directors on 23 February 2023, and signed by:

Mr. Moataz Mohamed Mortadha Vice President of Finance	Dr. Badr Osama Jawhar Chief Executive Officer	Eng. Mutaaz Qusai Al-Azawi Authorized Board of Directors Member

ARABIAN CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Note	2022 SR ('000)	2021 SR ('000)
OPERATING ACTIVITIES			
Profit for the year before zakat and income-tax		**207,183**	199,182
Adjustments:			
Depreciation on property, plant and equipment	7	**143,104**	140,467
Adjustments to property, plant and equipment		**--**	3,558
Amortization of intangible assets	8	**1,213**	1,197
Amortization of right to use assets		**374**	374
Group's share of results of equity-accounted investees	10	**(12,678)**	(6,150)
Dividends from equity instruments at FVOCI	11	**(4,270)**	(8,006)
Provision for impairment of property, plant and equipment		**--**	16,135
Gain on disposal of property, plant and equipment and investment property	31	**(1,111)**	(38)
Provision for impairment in the value of inventory		**2,657**	727
Provision / (reversal) for trade receivables	14	**1,529**	(747)
Provision for rehabilitation of areas subject to franchise license	21	**7,831**	--
Finance costs		**15,666**	18,819
Employee defined benefit obligation charge for the year	23.b	**5,008**	5,035
		366,506	370,553
Changes in working capital:			
Trade receivables, prepayments and other receivables		**(19,307)**	15,729
Inventories		**(50,596)**	138,843
Trade payables, accrued amounts and dividends payables		**(26,316)**	(15,468)
		270,287	509,657
Finance costs paid		**(15,305)**	(18,439)
Zakat and income tax paid	25.a & 25.b	**(19,397)**	(19,088)
Employees defined benefit obligations - paid	23.b	**(962)**	(4,811)
Net cash provided by operating activities		**234,623**	467,319
Investing activities			
Additions of property, plant and equipment	7	**(44,749)**	(28,994)
Additions of intangible assets	8	**--**	(34)
Dividends from equity instruments at FVOCI	11	**4,270**	8,006
Proceeds from sale of property, plant and equipment and investment properties		**1,914**	51
Financial investments at amortised cost	12	**210,000**	(210,000)
Net cash generated from / (used in) investing activities		**171,435**	(230,971)
Financing activities			
Proceeds from long-term loans	22. c	**198,131**	70,000
Payment of long-term loans	22. c	**(223,096)**	(146,692)
Payment of lease obligations		**(623)**	(628)
Dividends paid	27	**(260,032)**	(250,020)
Net cash used in financing activities		**(285,620)**	(327,340)

The attached notes 1 to 39 are part of these consolidated financial statements.

ARABIAN CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2022

	Note	2022 SR ('000)	2021 SR ('000)
Change in cash and cash equivalents during the year (before)		**120,438**	(90,992)
Cash and cash equivalents as at the beginning of the year	16	**143,436**	234,428
Cash and cash equivalents at 31 December	16	**263,874**	143,436
Significant non-cash transactions			
Net losses from investment in equity instruments at FVOCI	11	**(40,779)**	(30,317)
Employees defined benefits	23.b	**5,409**	(4,344)
Transferred from projects in progress to property, plant and equipment	7	**7,612**	9,948
Transferred from inventory to property, plant and equipment	7	**1,478**	1,331
Transferred from projects in progress to intangible assets	7	**138**	--
Deferred tax liability		**--**	6,651
Lease liabilities		**--**	91
Right-to-use assets	33.a	**--**	(91)

The attached notes 1 to 39 are part of these consolidated financial statements.

These consolidated financial statements were approved for issuance by the Board of Directors on 23 February 2023, and signed by:

Mr. Moataz Mohamed Mortadha Vice President of Finance	Dr. Badr Osama Jawhar Chief Executive Officer	Eng. Mutaaz Qusai Al-Azawi Authorized Board of Directors Member

1. CORPORATE INFORMATION

Arabian Cement Company (the "Company" or the "Parent Company") is a Saudi Joint Stock Company incorporated in accordance with the Companies' Regulations in the Kingdom of Saudi Arabia under the Royal Decree No. 731 dated 12 Jumada Al-Oula 1374H (5 January 1955) and the Company works under the commercial registry No. 4030000148 Jeddah, 14 Ramadan 1376 H (corresponding to 13 April 1957).

The Company's shares are listed in the Capital Market Authority in the Kingdom of Saudi Arabia. The Parent Company is owned by 6.67% to a major shareholder, while 93.33% is owned by other shareholders as at 31 December 2022 (31 December 2021: 6.67% by major shareholders and 93.33% by other shareholders).

The main activity of the Company is as follows:

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

2. Trading of clinker, cement, construction materials and other related materials and derivatives inside and outside the Kingdome 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, exporting and importing 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 within the limits if the applicable regulations.

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 2022 and 31 December 2021, the Company has direct and indirect investments in the following subsidiaries (collectively referred as the "Group"), which have been consolidated in the accompanying consolidated financial statements:

The details of the subsidiaries are as follow:

Subsidiary	**Principal activity**	**Country of incorporation**	**% of direct holding**	
			2022	2021
Bahrain Arabian Cement Holding Company (Bahrain Cement Company)	Holding company	Kingdom of Bahrain	**100%**	100%

At 5 November 2007, Bahrain Arabian Cement Holding Company has been established as an individual Company registered in the Kingdom of Bahrain with the purpose of managing its subsidiaries and to invest in shares, bonds and securities and to own properties and movable assets necessary to its operations and to provide loans and has facilities to provide loans warranties and financing for its subsidiaries.

1. COMPANY INFORMATION (CONTINUED)

Bahrain Cement Company has a single investment in the following subsidiary:

Subsidiary	Principal activity	Country of incorporation	Indirect ownership (%)	
			2022	2021
Qtrana Cement Joint Stock Private Company ("Qtrana Cement Company")	Cement production	Kingdom of Jordan	**86.74%**	86.74%

Bahrain Arabia Cement Holding Company owns 86.74% of Qatrana Cement Joint Stock Company's shares and holds control over its business and management, 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 represented in the production of black Portland cement, white cement and calcium carbonate.

2. BASIS OF PREPERATION

2.1 Statement of compliance

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

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Group continues to prepare the financial statements on the going concern basis. The management believes, based on its assessment, that the Company has sufficient liquidity available to continue fulfilling its financial obligations in the foreseeable future as and when they fall due.

Details on significant accounting policies are clarified in note (6).

2.2 Basis of Measurement

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

- Equity investments are measured at Fair Value through Other Comprehensive Income
- Defined benefits obligations accruals for future obligations are recognised based on the expected credit unit method.

3. FUNCTIONAL AND PRESENTATION CURRENCY

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

4. USE OF JUDGEMENTS AND ESTIMATES

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

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 continuously being evaluated. Revised accounting estimates are 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 the adopting the Company's accounting policies correspond to the disclosed policies in last year's financial statements.

Information about significant estimates and uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the consolidated financial statements are described in the following notes:

Lease classification – 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 substantially transfer all the risks and rewards incidental to ownership of the vehicles subject to the lease arrangement, hence such lease arrangements are classified as an operating lease.

Determining the lease term of contracts with renewal and termination options – Group as 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 or to terminate.

Impairment of trade receivables

The impairment of trade receivables is considered and assessed using assumptions about the risk of default and the incurred loss rates. The Group uses judgments when making these assumptions and selects the inputs necessary for the impairment calculation based on past experience and current and future market conditions at the end of each reporting period, in accordance with the requirements of IFRS 9 (Note 14).

4. USE OF JUDGEMENTS AND ESTIMATES (continued)

Measurement of employee benefits obligation

The Group's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in current and prior periods and discounting that amount to arrive at present value. The calculation is performed annually by a qualified actuary using the projected unit credit method. Judgments are used in estimating the actuarial assumptions. Key assumptions are disclosed in Note (23).

Impairment for 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. Management valuation of net realizable value is based on the most reliable evidence at the time the estimates are used. 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

Unrecognised deferred tax Assets are reassessed at each reporting date and recognised 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.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

Impairment losses are recognised 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.

4. USE OF JUDGEMENTS AND ESTIMATES (continued)

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 the residual value and useful lives annually and change in amortisation charges (if any) are adjusted in current and future periods.

Fair value of assets and liabilities

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 principal 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 assets and liabilities 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.

The carrying values and fair values of financial assets and liabilities including their fair value hierarchy are disclosed. It doesn’t 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).

5. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

5.1 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted by the Group in preparing the financial statements are consistent with those followed in preparing the annual consolidated financial statements of the Group for the year ended 31 December 2022, and there are no new standards that were issued, however, there are a number of amendments to the standards which are effective as of 1 January 2022, which did not have a material impact on the consolidated financial statements.

5. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)

5.1 New standards, interpretations and amendments adopted by the Group (continued)

Effective as of	Amendments to Standards
01 January 2022	Onerous contracts - Cost of contact completion (Amendments to IAS 37) Annual adjustments to IFRS Standards Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) Reference to the conceptual framework (amendment to IFRS 3)

5.2 Standards issued and not yet effective

Standards and amendments issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group does not expect a material impact on the consolidated financial statements if the below standards and amendments are applied.

Effective for annual periods starting from or after	New standards or amendments
January 1, 2023	Amendments to IAS 1 “Presentation of Financial Statements” on the classification of liabilities IFRS 17 - Insurance contracts and amendment to IFRS 17 - Insurance contracts
Available for optional adoption / effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

6. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been consistently applied to all periods presented in these consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (referred to in Note 1). The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company, using consistent accounting policies consistent with the Company's financial policies.

Subsidiary

Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over these entities. The subsidiaries are consolidated from the date on which control commences until the date on which control ceases.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-controlling interests
NCI are measured at their proportionate share of the identifiable net assets at the date of acquisition.

Change in the Group's interest in a subsidiary that do not result in a loss of control is accounted for as equity transactions.

The Group does not add its indirect share in the subsidiary that it owns through investments in equity-accounted investees. When calculating shares attributable to non-controlling equity, shares owned directly and indirectly by other associates are taken into consideration.

Loss of control
When the Group loses control of subsidiaries, the assets, liabilities, non-controlling interests and other components of equity are eliminated and any gains or losses are recognized in the statement of profit or loss and any shares held are recognized at fair value when control is lost.

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated.

Interests 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.

Interests in associates are accounted for using the equity method. They are initially recognised 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.

Foreign currencies

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

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

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

- available-for-sale equity investments at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss).

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Revenues 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.

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

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

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

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Sales of goods

For contracts with customers which the only obligation is going to be selling cement, revenues shall be recognized at the time in which control over asset is transferred to the 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 Group 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

Employee benefits

Defined employee 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 equals 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 determined 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 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 asset or liability.

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 are recognized in profit or loss.

Actuarial gains and losses arising from adjustments and changes in actuarial assumptions are charged in equity in the statement of other comprehensive income in the period in which they arise.
Defined benefit costs are classified 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, and
- Remeasurement.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Short-term employee benefits
Liabilities are recognized and measured for benefits in respect of wages, salaries, annual leave and sick leave in the period in which they are rendered in the undiscounted amounts of the benefits expected to be paid for these services.

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 specific contribution plans as the Group's liabilities against these plans are equivalent to those that arise in a defined contribution retirement plan. Payments to retirement benefit plans are charged as an expense when due.

Finance income and finance costs

Finance income 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 consolidated statement of profit or loss using the effective interest method.

Zakat and Income tax

Zakat charge is accounted for 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 provided for 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.

Deferred tax

Deferred tax is recognised 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.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax (continued)

Deferred tax assets are recognised 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 realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax Assets are reassessed at each reporting date and recognised 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 realisable 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, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

Cost includes expenses that are directly attributable to the acquisition of the asset. For internally established assets, cost of asset includes materials and direct labor costs and other direct costs required to operate these assets in the location and purpose which they are acquired for.

If a significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses from disposal of an item of property, plant and equipment are determined based on the deference between net proceeds from selling and book value of disposed items of property, plant and equipment and they are carried on in the statement of profit or loss at the same period at which the disposal takes place.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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.

Major inspections and overhauls are identified and 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 cost is charged to statement of profit or loss on a straight-line basis over the estimated useful lives of the individual items of property and equipment. Leased assets are depreciated on the lower of lease period or the useful life Freehold lands held by the Group are not depreciated.

When the useful lives of items of property 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 follow:

Asset	Estimated lives (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	7-4
Furniture and fixture	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)

Projects in progress
The cost of under construction projects are accounted on actual cost basis and presented under property, plant and equipment item till these projects are ready to use, then they are transferred under property, plant and equipment and its depreciation starts to be accounted in accordance with expected useful lives.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

The estimated useful lives of intangible asset are as follows:

Asset	Useful lives (Years)
Mining assets	27-30.3
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).

Leases

a) Definition of a lease

The Group assesses whether a contract is or contains a lease. Under IFRS 16, an arrangement is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

b) As a lessee

We have measured the lease liability 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 recognise 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.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Non-derivative financial instruments
The Group has applied the following classification and measurement requirements for financial instruments.

Recognition of financial instruments
Financial asset and liability is recognized when the Group represents a part of contractual obligations of the instrument, which is usually at the date of trade. The Company derecognizes financial asset when contractual cash flows of these assets are expired, or when the Company transfers financial asset's contractual cash flows in a transaction in which all risks and rewards of ownership of assets are substantially transferred. Any interests resulted from transferred financial assets that the Company has established or held as separate assets or liabilities are recognized.

Derecognition
On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in the profit or loss. However, in respect of equity securities designated as at FVOCI, any cumulative gain / loss recognized in OCI is not recognized in the profit or loss on derecognition.

A financial liability is derecognized from the consolidated statement of financial position when the Group has discharged its obligation or the contract is cancelled or expires.

Classification of financial instruments
The Group classifies its financial assets into the following measurement categories:

1) Assets to be measured at amortized cost; or
2) Fair value through profit or loss (FVTPL); or
3) FVOCI - investment in equity instruments

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

Financial assets are not reclassified subsequently to initial recognition unless the Group changed business model for managing the financial assets. In such case, all affected financial assets are reclassified at the first day of the first financial period subsequent to business model change.

Financial assets are measured at amortized cost if it meets both of the following conditions and are not recognized as financial assets at fair value through profit or loss:

- Kept in business model which aims to keep assets to gain contractual cash flows; and
- The contractual conditions lead to enter into certain dates for cash flows which represent the principal and the interests of the basic pending amount.

Upon the initial measurement of equity instruments, which the Group does not hold for trading purpose, the Group can elect to present any subsequent changes in fair value for these investments in the statement of other comprehensive income. This election is made on an investment by investment basis.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Non-derivative financial assets (continued)

Any other financial assets not classified or measured at amortized cost or fair value through other comprehensive income as above mentioned, are measured at fair value through profit or loss, including derivative financial assets.

Financial assets – subsequent measurement:

Financial assets at amortised cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses (see below). Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss is recognized in profit or loss.
FVOCI (Equity instruments)	These assets are subsequently measured at fair value. Dividends are recognized as revenues in the statement of profit or loss, unless these dividends represent recoverable amounts for part of the investment cost. Any other profits or losses are recognized in the statement of other comprehensive income and shall not be reclassified to the statement of profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net profits or losses, including any benefits or dividends are recognized in the statement of profits or loss.

Reclassification
When an entity changes its business model for managing financial assets it shall reclassify all affected financial assets in accordance with the above mentioned classification requirements.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention for the Group to settle on a net basis or to realise the assets and settle the liabilities 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.

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.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Non-derivative financial assets (continued)

Derivative financial instruments and hedge accounting (continued)

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

Impairment of financial assets

IFRS 9 requires an entity to follow an expected credit loss model for the impairment of financial assets.

Expected credit loss should be measured for financial assets measured at amortized cost or fair value through other comprehensive income, except for equity instruments investments.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

Impairment of financial assets (continued)

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECL. These are ECLs that result from possible default events within the 12 months after the reporting date;
- Lifetime expected credit loss. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a credit asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. The Company can assume that credit risks on a financial instrument didn't significantly increase since the initial recognition; if the financial instrument is previously determined as low credit risk instrument at the date of report. However, lifetime expected credit loss measurement is always applied on trade receivables and assets of the contracts without the presence of a significant finance item, in which the Group can adopt this policy to trade receivables with a non-significant finance item.

The Group elected to evaluate trade receivables impairment using 12-month expected credit loss model.

The carrying amount of financial asset is reduced through the use of an allowance account and the amount of the loss is recognized in the profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write off is later recovered, it is recognized in profit or loss in the period of recovery.

Impairment of non-financial assets
The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any impairment. If any such indication exists the asset's recoverable amount is estimated.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The 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 groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to the recoverable amount. 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. The value in use is based on a discounted cash flow (DCF) model, whereby the future expected cash flows discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

Impairment of non-financial assets (continued)

The losses arising from impairment are recognized in the consolidated statement of profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An assessment is conducted at each reporting date to determine whether there is an evidence of impairment loss previously recorded or curtailed. 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. Such reversal is recognized in the statement of consolidated profit or loss.

Non-financial assets other than goodwill, if any, that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Provisions
A provision is recognised if the Company has a present (legal or contractual) obligations at the reporting date arising from previous events and the payment of the obligation may result in outflow of economic benefits and can be reliably measured. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to this liability.

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 includes 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.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade payables and accruals

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.

Current / non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. Asset is classified as current when it is:

- Expected to be realised 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.

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
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the date of financial position.

The Group classifies all other liabilities as non-current.

Segment information

An operating segment is a company 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

Dividends are recorded as liability 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.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

7. PROPERTY, PLANT AND EQUIPMENT

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

	Lands	Buildings and constructions	Plant, factory installations and power and water stations	Workshop tools and equipment	Equipment and vehicles	Furniture and fittings	Projects Under progress	Total
	SR ('000)	SR ('000)	SR ('000)	SR ('000)	SR ('000)	SR ('000)	SR ('000)	SR ('000)
Cost:								
Balance at 1 January 2022	7,853	1,650,601	3,220,579	79,096	75,442	78,391	420,402	5,532,364
Additions	--	93	14,041	909	1,844	2,189	25,673	44,749
Transferred from projects in progress	--	5,821	1,280	--	--	511	(7,612)	--
Disposals	(100)	--	--	--	(432)	(367)	--	(899)
Transfer from inventories	--	--	1,478	--	--	--	--	1,478
Transferred to intangible assets	--	--	--	--	--	--	(138)	(138)
Balance at 31 December 2022	**7,753**	**1,656,515**	**3,237,378**	**80,005**	**76,854**	**80,724**	**438,325**	**5,577,554**
Accumulated depreciation:								
Balance at 1 January 2022	--	826,833	2,179,326	74,936	72,528	72,374	--	3,225,997
Depreciation charged during the year	--	46,306	91,414	1,566	1,067	2,751	--	143,104
Disposals	--	--	--	--	(432)	(364)	--	(796)
Balance at 31 December 2022	**--**	**873,139**	**2,270,740**	**76,502**	**73,163**	**74,761**	**--**	**3,368,305**
Impairment of Property, Plant and Equipment (note 7e / 7f)	--	--	91,668	--	--	--	16,135	107,803
Net book value:								
At 31 December 2022	**7,753**	**783,376**	**874,970**	**3,503**	**3,691**	**5,963**	**422,190**	**2,101,446**

7. PROPERTY, PLANT AND EQUIPMENT (continued)

b) Movement in property, plant and equipment for the year ended 31 December 2021 are as follows:

	Lands	Buildings and constructions	Plant, factory installations and power and water stations	Workshop tools and equipment	Equipment and vehicles	Furniture and fittings	Projects Under progress	Total
	SR ('000)	SR ('000)	SR ('000)	SR ('000)	SR ('000)	SR ('000)	SR ('000)	SR ('000)
Cost:								
Balance at January 1, 2021	7,853	1,644,988	3,240,636	76,493	77,219	76,250	409,909	5,533,348
Additions	--	90	4,477	1,037	958	1,741	20,691	28,994
Transferred from projects in progress	--	5,370	2,405	1,566	--	607	(9,948)	--
Disposals	--	--	(23,631)	--	(2,736)	(53)	--	(26,420)
Adjustments	--	--	(3,308)	--	--	--	(250)	(3,558)
Reclassification	--	153	--	--	1	(154)	--	--
Balance at 31 December 2021	**7,853**	**1,650,601**	**3,220,579**	**79,096**	**75,442**	**78,391**	**420,402**	**5,532,364**
Accumulated depreciation:								
Balance at January 1, 2021	--	781,685	2,113,380	73,328	74,222	69,322	--	3,111,937
Depreciation charged during the year	--	45,148	89,577	1,608	1,042	3,092	--	140,467
Disposals	--	--	(23,631)	--	(2,736)	(40)	--	(26,407)
Balance at 31 December 2021	**--**	**826,833**	**2,179,326**	**74,936**	**72,528**	**72,374**	**--**	**3,225,997**
Impairment of Property, Plant and Equipment (note 7e / 7f)	**--**	**--**	**91,668**	**--**	**--**	**--**	**16,135**	**107,803**
Net book value:								
At 31 December 2021	**7,853**	**823,768**	**949,585**	**4,160**	**2,914**	**6,017**	**404,267**	**2,198,564**

7. PROPERTY, PLANT AND EQUIPMENT (continued)

c) 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 Dhul Qi'dah 9, 1406H (corresponding to July 15, 1986) 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).

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

	Note	**2022** SR ('000)	2021 SR ('000)
Cost of sales		**140,514**	137,552
General and administration expenses	29	**2,504**	2,858
Selling & distribution expenses	28	**86**	57
		143,104	140,467

e) The Company has studied the impairment of property, plant and equipment of its subsidiary "Qatrana Cement Company" and the recoverable amount is accounted for as at 31 December 2022, based on the value-in-use for cash generating unit determined by the Group, which comprise of net operating assets of Qatrana Cement Company. When determining the value in use for the cash-generating unit, the cash flows that were determined using the financial budgets approved by the Company's management for a five-year period were deducted by 16.23% on average until 2027 (2021: 11.35%), according to the estimated useful lives of related machinery and equipment, and this study did not result in the formation or response of the impairment allowance, which was fixed in previous years in the amount of SR 96.8 million (JD 18.3 million), which was distributed to each of the property, plant and equipment and intangible assets. Value-in-use calculating is impacted and is considered highly sensitive in case of change in the following key assumptions:

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

f) As at 31 December 2022, the Company's property, plant and equipment includes projects in progress amounting to SR 438.3 million (31 December 2021: SR 420.4 million) mainly ralates to projects of works for improving efficiency of production lines and cement facilities amounting to SR 410 million as at 31 December 2022 (31 December 2021: SR 409.7 million).

As at 31 December 2021, the Company's management reviewed the recoverable amount of some projects under progress and reduced their book value by SR 16 million.

g) Group's property, plant and equipment are not pledged against standing loans as at 31 December 2022 and 31 December 2021.

8. INTANGIBLE ASSETS

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

b) Movement on book value of intangible assets is as follows:

	2022	2021
	SR ('000)	SR ('000)
Cost		
Balance at 1 January	**30,624**	30,590
Additions during the year	**138**	34
Balance at 31 December	**30,762**	30,624
Accumulated amortization		
Balance at 1 January	**11,210**	10,013
Amortization	**1,213**	1,197
Balance at 31 December	**12,423**	11,210
Impairment losses	**(5,100)**	(5,100)
Carrying value	**13,239**	14,314

c) Amortization

Amortisation is included under 'cost of sales'.

9. INVESTMENT PROPERTIES

Investment prosperities are represented in lands which are either re-leased to other parties under operating lease contracts or intended for resale.

On 28 June 2022, investment properties with a book value of SR 700 thousand were sold for an amount of SR 1.65 million. These investment properties consist of land in Al-Zahir district in the city of Makkah Al-Mukarramah No. 202, and profits of SR 850 thousand were recorded in the consolidated statement of profit or loss.

The fair value of real estate investments amounted to SR 359 million as on 31 December 2022 (31 December 2021: SR 371 million). It was determined based on the evaluation provided by Thaman Arabia 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 properties.

	31 December 2022	31 December 2021
	SR ('000)	SR ('000)
Carrying Amount	**5,000**	5,700
Fair value	**358,728**	371,198

10. INVESTMENT IN EQUITY ACCOUNTED INVESTEES

10.1 Investment in equity accounted investees at 31 December comprise the following:

Company Name	Country of incorporation	Principal business	Shareholding % 2022	Shareholding % 2021	2022 SR ('000)	2021 SR ('000)
Ready Mix Concrete and Construction Supplies Company	Kingdom of Jordan	Concrete production	**36.67%**	36.67%	**20,516**	17,054
Cement Products Limited Company	Kingdom of Saudi Arabia	Bags production Cement	**33.33%**	33.33%	**46,646**	37,500
					67,162	54,554

10.2 Movement on investment in equity accounted investees is as follows:

	2022 SR ('000)	2021 SR ('000)
Balance at the beginning of the year	**54,554**	48,343
Group's share in equity-accounted investees' results for the year	**12,678**	6,150
The Group's share in other comprehensive income of equity-accounted investees	**(70)**	61
Balance at end of the year	**67,162**	54,554

10.3 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 on 31 December 2019.

10.4 Financial information of equity accounted investee is as follows:

	Ready Mix Concrete and Construction Supplies Company		Cement Product Industry Company	
	2022 SR ('000)	2021 SR ('000)	**2022 SR ('000)**	2021 SR ('000)
Total assets	**309,338**	283,751	**261,247**	230,385
Total obligations	**167,295**	151,155	**121,766**	117,885
Total Revenues	**208,947**	163,440	**200,527**	112,029
Total gain for the year	**9,639**	3,227	**26,967**	14,197
Company's share of results of equity-accounted investees	**3,533**	1,418	**9,145**	4,732

11. INVESTMENTS IN EQUITY AT FVOCI

Investments in equity instruments at fair value through other comprehensive income represent investments in Southern Province Cement Company:

Listed investments

Name	Direct holding (%) 2022	Direct holding (%) 2021	2022 SR ('000)	2021 SR ('000)
Southern Province Cement Company	**1.52**	1.52	**108,885**	149,664
Total			**108,885**	149,664

The Group recognized unrealized losses from investments in equity instruments at fair value through other comprehensive income during the year as follow:

	2022 SR ('000)	2021 SR ('000)
Balance at beginning of the year	**149,664**	179,981
Unrealised losses	**(40,779)**	(30,317)
End of year balance	**108,885**	149,664

The Group received cash dividends from investments in equity instruments at fair value through profit or loss amounting to SR 4.3 million (2021: SR 8 million).

12. FINANCIAL INVESTMENT AT AMORTIZED COST

As at 31 December 2022, the value of financial investments at amortized cost in (Murabaha) deposits with local banks amounted to nil (31 December 2021: SR 210 million, bearing a profit rate of approximately 1.19% per annum with a maturity of more than 3 months).

13. INVENTORIES

Inventories at 31 December comprise the following:

	2022 SR ('000)	2021 SR ('000)
Spare parts - net	**111,828**	103,743
Under progress products and finished inventory - net	**294,523**	252,954
Raw materials and fuels	**45,094**	45,592
Goods in-transit	**3,373**	6,068
	454,818	408,357

Inventory is presented at the lower of the cost or net recoverable amount. During the year the spare parts inventory has been impaired by SR 2.8 million (2021: SR 1.7 million) in the consolidated statement of profit or loss. In addition to reversal of the value of the clinker inventory by SR 123 thousand (2021: SR 1 million).

14. TRADE RECEIVABLES

a) Trade receivables comprise of the following:

	Note	**2022** **SR ('000)**	2021 SR ('000)
Trade receivables		**184,458**	180,383
Account receivables due from related parties	35.b	**40,498**	26,744
		224,956	207,127
Provision for impairment of trade receivables		**(4,369)**	(2,840)
		220,587	204,287

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

	2022 **SR ('000)**	2021 SR ('000)
Balance at the beginning of the year	**2,840**	3,587
Charged during the year	**1,529**	--
Provision for impairment of trade receivables	**--**	(747)
	4,369	2,840

Additional information related to the Group's exposure to credit and market risk is disclosed in note (36).

15. PREPAYMENTS AND OTHER RECEIVABLES

a) Prepaid amounts and other receivables comprise of the following:

	2022 **SR ('000)**	2021 SR ('000)
Payments to suppliers	**4,697**	4,393
Prepaid expenses	**2,735**	2,985
Bank guarantees and letters of credit	**515**	418
Employee advances	**3,154**	2,250
Other receivable balances, net	**8,725**	7,573
	19,826	17,619

b) Other receivable balances include an amount of SR 285,000 (2021: Nil) due from a related party (note 35.b) against purchases.

16. CASH AT BANK

a) Cash at banks comprise the following:

	Note	**2022** **SR ('000)**	2021 SR ('000)
Cash at banks		**63,874**	143,436
Short-term deposits	16.b	**200,000**	--
Cash at banks		**263,874**	143,436

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

17. SHARE CAPITAL

As at 31 December 2022, and 31 December 2021, the Company's authorized, subscribed and fully paid share capital amounted to SR one billion Saudi Riyals divided into 100 million shares of SR 10 each.

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.

18. STATUTORY RESERVE

In accordance with Companies Regulations in Saudi Arabia and the Company's By-Laws, the Company is required to transfer 10% of its net annual income 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.

19. GENERAL RESERVE

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

20. NON-CONTROLLING INTERESTS

Non-controlling interests comprise the following:

	2022 **SR ('000)**	2021 SR ('000)
Balance as at January 1	**83,632**	75,174
Profit for the year	**3,470**	8,458
Balance at 31 December	**87,102**	83,632

21. PROVISION FOR REHABILITATION OF AREAS SUBJECT TO FRANCHISE LICENSE

The management of the Company carried out an internal study 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 and the average cost per cubic meter based on previous experiences. A discount of 13.5% for the amounts estimated until the date of expiration of the licenses for quarries, which are estimated at twenty years. The calculation of the rehabilitation provision is affected and considered to be highly sensitive if any of the previous key assumptions change.

21. PROVISION FOR REHABILITATION OF AREAS SUBJECT TO FRANCHISE LICENSE (continued)

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. The movement on the provision for rehabilitation of franchised areas is as follows:

	2022 **SR ('000)**	2021 SR ('000)
Balance as at January 1	**--**	--
Finance costs for rehabilitation of areas subject to franchise license	**7,831**	--
Balance at 31 December	**7,831**	--

22. LONG TERM LOANS AND FACILITIES

a) Arabian Cement Company

During the year ending on 31 December 2022, the Company obtained a short-term loan from a local bank, in the amount of SR 150 million (2021: SR 70 million) and it was paid in full during the year.

Qatrana Cement Company (subsidiary) – Jordan
On 20 July 2017, the subsidiary company "Qatrana Cement Company" obtained from the Arab Bank a diminishing loan amounted to JD 100 million (SR 528.9 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 JD 6.25 million (SR 33.1 million), and interests shall be paid on monthly basis.

The installment due for the month of July 2020 has been rescheduled amounting to JD 6.25 million (SR 33.1 million), in addition to the interest of the loan for the period from 1 April till 31 December 2020, amounting to of JD 3.3 million (SR 17.3 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 Company obtained a revolving loan from the Arab Bank with a ceiling of JD 6.5 million (SR 34.4 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 JD 10 million (SR 53 million) instead of JD 6.5 million (SR 34.4 million), and JD 1 million (SR 5.3 million) were used from the granted ceiling during the year ending on 31 December 2022 (31 December 2021: Nil).

22. LONG-TERM LOANS AND FACILITIES (continued)

The Company obtained a loan from the Arab Bank, supported by the Central Bank, at a value of JD 3 million (SR 15.9 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 JD 3 million (SR 15.9 million) during the year ended on 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 JD 2.1 million (SR 11.1 million), at an interest rate of 3.00% for a period of 30 months, and the first installment is due on 1 January 2022. The total repayment of the loan amounted to JD 70 thousand (SR 370.2 thousand) during the year ended on 31 December 2022.

During the year 2021 until the date of 14 November 2021, the interest rate reached 6.38%, and on 15 November 2021 an annex was signed to reduce the interest rate with the Arab Bank, to become 5.38%, and during the year 2022, the interest rate increased to 6.88%.

b) Long-term borrowings and facilities are presented in the consolidated balance sheet as following:

	2022 **SR ('000)**	2021 SR ('000)
Current portion of long-term loans and facilities	**42,789**	7,934
Non-current portion of long-term loans and facilities	**188,854**	248,674
	231,643	256,608

c) The financing movement during the year is as follows:

	2022 **SR ('000)**	2021 SR ('000)
Balance at the beginning of the year	**256,608**	333,300
Received during the year	**198,131**	70,000
Payments during the year	**(223,096)**	(146,692)
	231,643	256,608

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

Year	**2022**	2021
2023	**--**	66,114
2024	**70,557**	66,114
2025	**67,966**	66,114
2026	**50,331**	50,332
Total	**188,854**	248,674

23. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS

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

- As at 31 December 2022, the discount rate was 4.35% for the Company annually (31 December 2021: Discount rate of 2.7% for the Company annually).
- As at 31 December 2022, the salary increase rate was 2% for the Company annually (31 December 2021: 2% for the Company annually).

b) The movement in the employee benefit obligations is as follows:

	2022 **SR ('000)**	2021 SR ('000)
Present value of the obligation as at the beginning of the year	**54,311**	49,743
Components of cost charged to the year in the consolidated statement of profit or loss:		
Current service cost	**3,560**	3,900
Interest cost	**1,448**	1,135
Total expenses charged to the consolidated statement of profit or loss	**5,008**	5,035
Items within statement of other comprehensive income:		
Re-assessment losses of employee benefit obligations	**(5,409)**	4,344
Actual benefits paid during the year	**(962)**	(4,811)
Current value of the obligation at the end of the year	**52,948**	54,311

c) Defined benefit liability sensitivity

		2022 **SR ('000)**	2021 SR ('000)
	Base		
Rate of change in salaries	Increase by 1%	**56,480**	58,052
	Decrease by 1%	**49,135**	50,503
	Base		
Discount rate	Increase by 1%	**49,135**	50,503
	Decrease by 1%	**56,480**	58,052
Assumption of a statistical study of employees			
Membership data			
Average age of employees (years)		**42.9**	42.3
Average years of past experience		**12.89**	12.34

24. TRADE PAYABLES AND ACCRUALS

a) Trade and other payables and accrued amounts comprise the following:

	Note	2022 SR ('000)	2021 SR ('000)
Trade payables	24.b	**83,741**	71,378
Accrued expenses against limestone extraction fees		**13,158**	39,090
Other accrued expenses		**34,636**	43,565
Customers of credit balances		**17,841**	15,776
Income tax secretariats	25.b	**3,895**	61
Other liability		**20,643**	25,798
		173,914	195,668

b) The unimpaired trade receivables include amount of SR nil (2021: SR 385 thousand) due to a related party (note 35.b) against purchases.

25. ACCRUED ZAKAT AND INCOME TAX

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

	2022 SR ('000)	2021 SR ('000)
Balance at the beginning of the year	**19,793**	21,510
Added during the year	**16,466**	17,371
Paid during the year	**(17,718)**	(19,088)
Balance at end of the year	**18,541**	19,793

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

	2022 SR ('000)	2021 SR ('000)
Taxable profit before tax exemption	**32,421**	75,619
Provsions	**4,179**	
Less: Tax exemption (75%)	**--**	(10,173)
Taxable income	**36,600**	65,446
Legal tax percentage	**18%**	17%
Income tax charge	**6,587**	11,126
National contribution tax	**365**	756
Income tax expense for prior years	**139**	286
Deferred tax asset	**(850)**	(335)
Expenses of income tax for the year	**6,241**	11,833

Accrued current taxes are accounted by an income tax ratio of 18% in addition to a national contribution of 1% according to the prevailing income tax law in the Hashemite Kingdom of Jordan applied on January 1, 2019. The effective tax rate amounted during the year ending on 31 December 2022: 21.87% (31 December 2021: 16%).

25. ACCRUED ZAKAT AND INCOME TAX (continued)

Income tax provision
Movement on income tax provision during the year is as follows:

	2022 **SR ('000)**	2021 SR ('000)
Balance as at the beginning of the year	**61**	(6,542)
Taxes of previous years and expense of income tax for the year	**7,091**	12,168
Transferred from deferred tax assets	**(1,578)**	(5,315)
Payment of income tax claims for the years 2021 and 2022	**(1,679)**	(250)
Balance as at the end of the year	**3,895**	61

c) **Zakat and tax status**

Arabian Cement Company
The Company finalized its zakat status up to the year 2005 and submitted its zakat returns for the years ended 31 December 2006 through 2010 and ZATCA has issued zakat assessment for the mentioned years which resulted accrued zakat differences that amount to SR 14.6 million. The Company paid the due withholding tax amounting to SR 153 thousand. The Company objected the zakat assessment for the aforementioned years, and the objection was referred to the Second Primary Objection Committee for the review and decision thereon.

The Preliminary Objection Committee issued its resolution No. (36) in 1436H regarding the Company's objection on the said years. ZATCA has issued an adjusted zakat assessment based on the Preliminary Objection Committee's resolution, which showed a reduction in zakat differences amounts to SR 9.8 million. The Company paid the due zakat differences according to the aforementioned committee decision amounting to SR 4.8 million. The ZATCA also appealed the aforementioned committee decision regarding the item of real estate investments with the Tax Appeal Committee, amounting to SR 844 thousand. The First Appeals Chamber for Income Tax Interventions and Disputes issued its decision No. IR-2022-299, which includes the rejection of the ZATCA's appeal and the support of the Second Preliminary Objection Committee. Accordingly, the Company's management, supported by its zakat advisor, considers the Company's zakat status for the years 2006 until 2010 final, as real estate investments are long-term investments that must be deducted from the zakat base, based on the executive regulations of the zakat system, in addition to supporting this procedure according to the decision of The First Appeals Chamber for Income Tax Interventions and Disputes, which included the rejection of ZATCA's appeal and the support of the Second Preliminary Objection Committee on the aforementioned item.

The Company filed its Zakat returns for the years ended 31 December 2011 till 2013. The Zakat, Tax and Customs Authority did not issue the Zakat assessment for the said years till to date.

25. ACCRUED ZAKAT AND INCOME TAX (continued)

c) Zakat and tax status (continued)

Arabian Cement Company (continued)
ZATCA has issued the Zakat assessment for the years ending on 31 December 2014 until 2018, which showed accrued zakat differences of SR 16.4 million. The Company paid the due zakat differences on the non-objectionable items, amounting to SR 2.6 million during the year ended 31 December 2020. The Company has also objected the zakat assessment, and ZATCA issued the amended zakat assessment based on the decision of the Preliminary Appeal Committee, which showed a decrease in zakat difference by an amount of SR 3.5 million. The Company has escalated the aforementioned objection to the Tax Committees for Resolution of Tax Violations and Disputes. The Committee issued a decision to reduce the zakat differences by SR 9.2 million, so that the amount according to the Committee's decision became SR 1.04 million. The Company has escalated the aforementioned objection to the Appeal Committee to decide on violations and zakat, tax and customs disputes for consideration and issuance of a decision regarding it, which is still under study by the committee to date. The Company's management and the zakat advisor believe that its position is strong and that the Company has sufficient provision to cover potential zakat obligations as a result of this assessment, as ZATCA rejected to deduct foreign investments even though the foreign investments are investments in long-term associate companies that must be deducted from the zakat base, according to the executive zakat regulations.

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

The Zakat, Tax and Customs Authority has issued the Zakat and withholding tax assessment for the two years ended 31 December 2019 and 2020, which showed the total differences in Zakat and withholding tax due and a delay fine of SR 1.8 million. The Company has filed an objection on the zakat assessments for the mentioned two years and paid the zakat due on the non-objectionable items in the amount of SR 83 thousand, in addition to paying the maximum amount of zakat differences due under the zakat assessment at 25% according to the Regulations, which amounts to SR 414 thousand.

ZATCA has issued the zakat assessment and the amended withholding tax for the two years ended 31 December 2019 and 2020, which showed a decrease in the differences in zakat, withholding tax and the fine for delay in the amount of SR 744 thousand, so that the amount according to the amended assessment became SR 1.07 million. The Company has escalated the aforementioned objection to the Tax Committees for Resolution of Tax Violations and Disputes for consideration. Tax Committees for Resolution of Tax Violations and Disputes issued the two decisions 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. The ZATCA has appealed the aforementioned resolutions against the Appellate Committee for Tax Violations and Disputes Resolution (ACTVDR) for consideration and issuance of a decision regarding them, which is still under study by the committee to date. The Company's management the zakat advisor believe that its position is strong and that the Company has sufficient provision to cover potential zakat obligations as a result of this assessment, as ZATCA has refused to deduct the deferred income tax from the Zakat base, based on what was stated in the guide issued by ZATCA, and the Tax Committees for Resolution of Tax Violations and Dispute supported the deduction procedure according to its recently issued decision.

The Company has submitted the Zakat returns for the year ended 31 December 2021 and obtained the unrestricted Zakat certificate for the year 2021. The ZATCA did not issue the final Zakat assessment for the said year till to date.

25. ACCRUED ZAKAT AND INCOME TAX (continued)

c) Zakat and tax status (continued)

Qatrana Cement Company (subsidiary) – Jordan
Income tax returns have been reviewed by the 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 2021.

With regard 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 2022.

The Income and Sales Tax Department reviewed the Company's income tax for the year 2014 and issued its preliminary decisions approving the carried-over of losses in the amount of JD 1.06 million (SR 5.6 million) in exchange for the Company's request to transfer losses in the amount of JD 8.75 million (SR 46.2 million) resulting from a difference in the interpretation of the decision on exemptions from the Investment Council, where the carried-over losses from previous years were deducted before deducting the investment encouragement exemption. Accordingly, the objection was submitted to the Objection Committee of the Income and Sales Tax Department. On 21 June 2020, the decision in relation to the objection was issued not to calculate investment promotion exemption on profits for the year 2014. However, the Company submitted its objection against the Department’s decisions, and the files were transferred to the Tax Court of First Instance to settle the dispute

On 31 January 2023, the Court of First Instance issued its decision containing the cancellation of the contested decision previously issued by the Objection Committee, and decided to consider the retained losses for the year 2014, which amounted to JD 8.45 million (SR 44.7 million), as stated in the lawsuit statement. It also decided to charge the Income and Sales Tax Department the fees and expenses, and an amount of one thousand Jordanian dinars (SR 5.3 thousand) as attorney fees. The above decision is subject to appeal within a period of (30) days. The Company did not calculate an additional provision for income tax because, according to the opinion of the legal advisor, the subsidiary has strong reasons to win this case, because in other years the Income Tax Department deducted the investment promotion exemption before deducting any losses carried forward for previous years.

d) Deferred tax assets and liabilities

Movement on deferred tax assets was as follow:

	2022 SR ('000)	2021 SR ('000)
Balance, beginning of the year	**21,950**	27,069
Additions and amendments during the year	**850**	196
Transferred to the income tax provision	**(1,579)**	(5,315)
Balance at end of year	**21,221**	21,950

25. ACCRUED ZAKAT AND INCOME TAX (continued)

d) Deferred tax assets and liabilities (continued)

Movement on deferred tax liabilities was as follow:

	2022 **SR ('000)**	2021 SR ('000)
Balance, beginning of the year	**56,116**	56,116
Balance at end of year	**56,116**	56,116

The deferred tax assets and liabilities for the year ended 31 December 2022 were calculated in accordance with Income Tax Law No. (34) of the year 2014 and its amendments, which came into effect on January 1st, 2019. According to this law, the legal tax rate on the Company is 20%, in addition to the national contribution rate of 1% (2021: 20% in addition to the national contribution of 1%).

26. REVENUE AND COST OF SALES

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

	For the year ended 31 December	
	2022 **SR ('000)**	2021 SR ('000)
Kingdom of Saudi Arabia	**665,430**	693,521
Kingdom of Jordan	**305,519**	339,684
Total revenue from contracts with customers	**970,949**	1,033,205

- 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. DIVIDENDS PAYABLE

On 27 February 2022, the Company's Board of Directors recommended distributing cash dividends to shareholders for the second half of the year 2021 that amounted to SR 150 million, which represents SR 1.5 per share, which was approved during the sixty six ordinary general assembly meeting on 17 April 2022.

On 9 August 2022, the Company's Board of Directors recommended distributing cash dividends to shareholders for the first half of the year 2022 that amounted to SR 110 million, which represents SR 1.1 per share.

27. DIVIDENDS PAYABLE (CONTINUED)

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

	2022 SR ('000)	2021 SR ('000)
Balance at beginning of the year	**12,346**	12,366
Declared during the year	**260,000**	250,000
Paid during the year	**(260,032)**	(250,020)
	12,314	12,346

28. SELLING AND DISTRIBUTION EXPENSES

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

		For the year ended 31 December	
	Note	2022 SR ('000)	2021 SR ('000)
Salaries, wages and equivalents		**6,712**	6,361
Depreciation	**7**	**86**	57
Transport of cement and clinker for clients		**20,340**	33,396
Others		**2,439**	354
		29,577	40,168

29. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the year ended December 31 comprise the following:

		For the year ended 31 December	
	Note	2022 SR ('000)	2021 SR ('000)
Salaries, wages and equivalents		**29,617**	25,826
Depreciation	**7**	**2,504**	2,858
Information technology expenses		**2,672**	2,188
Remuneration and allowances for BOD meetings and committees attendance		**6,710**	7,484
Professional and consultancy fees		**3,196**	3,214
Repair and maintenance		**818**	823
Customs expenses		**559**	--
Operating leases		**62**	56
Lawsuit expenses*		**--**	10,000
Others		**5,465**	4,975
		51,603	57,424

* Lawsuit expenses during the year 2021 consists of an amount of SR 10 million in fines related to a case filed by the Attorney General of the General Authority for Competition against the Company before the Committee for the Adjudication of Competition Law Violations. The Company filed a suit against the General Authority for Competition in the Administrative Court in Riyadh. A preliminary ruling was issued to cancel the decision of the Board of Directors of the General Authority for Competition, and the preliminary ruling was canceled again after the ruling of the Court of Appeal, and an objection statement was submitted to the Supreme Administrative Court.

30. 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 Hashemite Kingdom of Jordan, in addition to the Kingdom of Bahrain.

As at 31 December 2022	Inside KSA SR ('000)	Outside KSA SR ('000)	Reconciliations SR ('000)	Total SR ('000)
Total property, plant, equipment and property investments	**1,411,600**	**791,614**	**(96,768)**	**2,106,446**
Investment at FVOCI	**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 liabilities	**329,974**	**439,494**	**(211,481)**	**557,987**
As at 31 December 2021				
Total property, plant, equipment and property investments	1,477,876	823,156	(96,768)	2,204,264
Investment at FVOCI	149,664	--	--	149,664
Total other non-current assets	715,751	45,979	(666,247)	95,483
Total current assets	753,321	231,465	(1,087)	983,699
Total liabilities	346,916	465,736	(212,868)	599,784

Financial information for revenues, profits and some other items regarding geographical segments after elimination of the impact of the transactions between the Group's companies for the year ended 31 December 2022 and 2021 are as follows:

For year ended 31 December 2022	Inside KSA SR ('000)	Outside KSA SR ('000)	Reconciliations SR ('000)	Total SR ('000)
Revenue 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 amortisations	**102,475**	**42,216**	**--**	**144,691**
For year ended 31 December 2021				
Revenue from contracts with customers	693,521	339,684	--	1,033,205
Profit for the year	161,520	63,729	(55,271)	169,978
Finance Costs	109	18,710	--	18,819
Depreciations and amortisations	99,961	42,077	--	142,038

31. OTHER REVENUES, NET

Other income for the year ended 31 December comprises of the following:

	2022 **SR ('000)**	2021 SR ('000)
Rental income	**8,378**	8,045
Return on Islamic deposits	**3,984**	369
Insurance company compensation	**--**	543
Foreign currency exchange differences	**(1,369)**	(1,784)
Gains on disposal of property, plant and equipment and investment properities	**1,111**	38
Other revenues / (expenses)	**351**	1,422
	12,455	8,633

32. 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)

	2022 **SR ('000)**	2021 SR ('000)
Profit attributable to shareholders of the Company	**181,006**	161,520
Earnings per share attributable to the shareholders of the Company	1.81	1.62

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

	2022 **SR ('000)**	2021 SR ('000)
Issued ordinary shares at 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.

33. LEASES

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

	2022	2021
Cost		
Balance at 1 January	**5,809**	5,900
Settlements	**--**	(91)
Balance at end of the year	**5,809**	5,809
Accumulated depreciation		
Balance at 1 January	**1,144**	770
Charges during the year	**374**	374
Balance at 31 December	**1,518**	1,144
Net Book Value		
31 December	**4,291**	4,665

b) Lease liabilities were presented in the balance sheet as follows:

	31 December 2022 SR ('000)	December 31 2021 SR ('000)
Short-term obligation	**623**	623
Long term obligation	**4,057**	4,319
	4,680	4,942

34. CONTINGENCIES AND CAPITAL COMMITMENTS

As at 31 December 2022, the Group has contingencies represented in outstanding letters of guarantee and credits of SR 31.78 million (31 December 2021: SR 30.1 million).

- As at 31 December 2022, the Group has capital commitments related to production lines, facilities and factories of the Group amounted to SR 3.8 million (31 December 2021: SR 2.8 million) and there are guarantees amounting to SR 29.3 million (31 December 2021: SR 23.1 million) provided to local banks against financial facilities and borrowings for a subsidiary.

- There are lawsuits filed against the subsidiary, with a value of JD 129 thousand, equivalent to SR 681 thousand, as at 31 December 2022 (as at 31 December 2021: JD 90 thousand, equal to SR 476 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.

35. RELATED PARTIES' DISCLOSURES

a) Related parties represent the Company's shareholders and their relatives up to the fourth generation, associated and affiliated companies and directors and key management personnel of the Group.

Related party transactions mainly represent purchases and sales of goods, financing, and dividends that which are undertaken at mutually agreed terms and approved by the management with the following entities:

Description	**Nature of relationship**
Ready Mix Concrete and Construction Supplies Company	Associate
Cement Products Limited Company	Associate
Rolaco Automotive and Heavy Equipment Limited	An entity with a relationship with a BOD member
Group's BOD members	Other related parties
Key management and senior executives	Other related parties

b) The following table summarizes related parties' balances as at 31 December 2022 and 31 December 2021:

Transactions with	**Nature of transactions**	**Volume of transactions**		**Closing balance**	
		2022	2021	**2022**	2021
		SR ('000)	SR ('000)	**SR ('000)**	SR ('000)
Due balances from related parties under trade receivables (note 14.a)					
Ready Mix Concrete and Construction Supplies Company "associate"	Sales	**58,218**	44,243	**40,498**	26,744
Due balances from related parties under other receivable balances (note 15.b)					
Ready Mix Concrete and Construction Supplies Company "associate"	Dividend	**--**	--	**175**	175
Cement Products Limited Company "associate"	Purchase	**18,271**	--	**285**	--
Balance due to related parties under trade payables (note 24.b)					
Rolaco Automotive and Heavy Equipment Limited	Purchase	**290**	--	**--**	--
Cement Products Limited Company "associate"	Purchase	**--**	12,995	**--**	385

35. RELATED PARTIES' DISCLOSURES (continued)

c) Allowances and remuneration of BOD members and senior executives:

	2022 **SR ('000)**	2021 SR ('000)
Salaries and remunerations of the senior executives of the Company	**6,167**	4,136
Salaries and allowances Company's key management and Senior Executives in the subsidiary	**762**	319
Remunerations of the Board of Directors and Senior Executives of the subsidiary	**360**	360
BOD members remuneration the sub committees	**1,110**	360
Allowances for attending Board of Directors meetings at the Company	**408**	504
Allowances for attending Board of Directors meetings at the Company the subsidiary	**132**	140
Board of Directors remuneration	**2,900**	2,900

Key managers' benefits include basic salaries, renumerations and other benefits under the Group's policy. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly.

36. FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks: Market risk (including currency risk, fair value and cash flow, interest rate risks and price risk), credit risk and liquidity risk.

The Group's overall risk management program focuses on the unpredictability of 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 and fair value and cash flow interest rate risks.

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 any changes and 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 management 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.

36. FINANCIAL INSTRUMENTS (continued)

Financial risk management framework (continued)

Financial instruments carried on the balance sheet include cash and cash equivalents, trade and other receivables, financial assets, borrowings, trade and other payables, other liabilities. 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 or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: Interest rate risk, currency risk and other price risk.

Interest rate risk cost
The loans obtained by the Group are carried at variable interest rates based at prevailing market interest rates.

	2022 **SR ('000)**	2021 SR ('000)
Variable rate instruments		
Loans	**231,643**	256,608

The table below reflects the possible change of 100 basis points in interest rates at the reporting date on profit or loss assuming all other variables are remain constant.

	Profit / (loss) 2022		Profit / (loss) 2021	
	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)	BPs decrease on interest rates **100 bp** SR ('000)
Loans	**(2,316)**	**2,316**	(2,566)	2,566

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.

36. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

The management also continuously monitors the credit exposure related to its customers and makes provision against those balances considered doubtful of recovery. Standing 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:

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

The Group's gross maximum exposure to credit risk is as follows:

	2022	2021
	SR ('000)	SR ('000)
Financial assets		
Trade and other receivables	**240,413**	221,906
Bank Balances	**263,874**	143,436
Financial investments at amortised cost	**--**	210,000
	504,287	575,342

	2022	2021
	SR ('000)	SR ('000)
Financial assets		
Secured *	**407,809**	485,066
Unsecured **	**96,478**	90,276
	504,287	575,342

* As at 31 December 2022, secured financial assets include bank balances and trade receivables amounting to SR 407,809 thousand secured by bank guarantees (31 December 2021: SR 485,066 thousand).

** As at 31 December 2022, unsecured financial assets include other receivables and prepayments to suppliers.

36. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

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

Duration	31 December 2022 Balance SR ('000)	31 December 2022 Impairment SR ('000)	31 December 2021 Balance SR ('000)	31 December 2021 Impairment SR ('000)
Neither past due nor impaired	**153,698**	**--**	151,360	--
From 0 to 60 days	**54,822**	**--**	17,133	--
From 61 to 90 days	**2,603**	**--**	8,853	--
More than 90 days	**13,833**	**4,369**	29,781	2,840
	224,956	**4,369**	207,127	2,840

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 borrowings or reliance on a particular market in which to realize liquid assets. The following is the contractual maturities for financial liabilities at the end of the period and represented by growth amounts:

	Undiscounted contractual cash flows					
31 December 2022	**1 year or less SR ('000)**	**1 year to 3 years SR ('000)**	**3 years or More SR ('000)**	**Interest accruals for future periods SR ('000)**	**Total contractual maturity SR ('000)**	**Total Carrying value SR ('000)**
Non-derivative financial liabilities						
Loans	**42,789**	**138,523**	**50,331**	**29,988**	**261,631**	**231,643**
Trade payables and accruals	**173,914**	**--**	**--**	**--**	**173,914**	**173,914**
Dividend payables	**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**

36. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

	Undiscounted contractual cash flows					
31 December 2021	1 year or less SR ('000)	1 year to 3 years SR ('000)	3 years or More SR ('000)	Interest accruals for future periods SR ('000)	Total contractual maturity SR ('000)	Total Carrying value SR ('000)
Non-derivative financial liabilities						
Loans	7,934	198,342	50,332	43,303	299,911	256,608
Trade payables and accruals	195,668	--	--	--	195,668	195,668
Dividend payable	12,346	--	--	--	12,346	12,346
Lease liabilities	623	4,319	--	--	4,942	4,942
	216,571	202,661	50,332	43,303	512,867	469,564

- It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly 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 Group adjusted net debt to equity ratio was as follows:

	31 December 2022 SR ('000)	31 December 2021 SR ('000)
Total liabilities	**557,987**	599,784
Less: Cash at banks	**(263,874)**	(143,436)
Net liabilities	**294,113**	456,348
Total equity	**2,722,362**	2,833,326
Net liabilities to equity ratio	**0.11**	0.16

Fair value of assets and liabilities

The below table shows the carrying amounts and fair values of the financial assets and liabilities including their levels in the fair value hierarchy. It doesn’t include information about fair value of financial assets and financial liabilities not measured at fair value if book value reasonably equals fair value.

36. FINANCIAL INSTRUMENTS (continued)

31 December 2022 **(SR '000)**	**Carrying value** Equity investments at Fair Value through Other Comprehensive Income (FVOCI)	**Carrying value** Amortized cost	**Carrying value** Other financial liabilities	**Carrying value** Total	**Fair value** Level 1	**Fair value** Level 2	**Fair value** Level 3	**Fair value** Total
Financial assets measured at fair value								
Equity investments at Fair Value through Other Comprehensive Income (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 receivables	**--**	**240,413**	**--**	**240,413**	**--**	**--**	**--**	**--**
Cast at bank	**--**	**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. FINANCIAL INSTRUMENTS (continued)

	Carrying value				Fair value			
31 December 2021 (SR '000)	Equity investments at Fair Value through Other Comprehensive Income (FVOCI)	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Equity investments at Fair Value through Other Comprehensive Income (FVOCI)	149,664	--	--	149,664	149,664	--	--	149,664
	149,664	--	--	149,664	149,664	--	--	149,664
Financial assets not measured at fair value								
Trade receivables, prepayments and other receivables	--	221,906	--	221,906	--	--	--	--
Financial investments at amortized cost	--	210,000	--	210,000	--			
Cast at bank		143,436	--	143,436	--			
	--	575,342	--	575,342	--	--	--	--
Financial liabilities not measured at fair value								
Loans and facilities	--	256,608		256,608				
Trade payables and accruals	--	227,807	--	227,807	--	--	--	--
Lease liabilities	--	4,942	--	4,942	--	--	--	--
	--	489,357	--	489,357	--	--	--	--

37. FINANCE COSTS

Financial charges for the year ended 31 December comprise the following:

	Note	2022 SR ('000)	2021 SR ('000)
Finance cost charged on the statement of profit or loss under borrowings and bank expenses		**15,666**	18,819
Finance cost charged on the statement of profit or loss under employee's benefits obligations	23.b	**1,448**	1,135

38. SUBSEQUENT EVENTS

The Board of Directors, in its meeting held on 3 Shaaban 1444H, corresponding to 23 February 2023, recommended cash dividends amounting to SR 110 million for the second half of the financial year 2022 at a rate of SR 1.10 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.

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

39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on 23 February 2023, corresponding to 3 Shaaban 1444H.