RIYADH CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
AND INDEPENDENT AUDITOR'S REPORT

RIYADH CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

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Independent auditor's report to the shareholders of Riyadh Cement Company

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Riyadh Cement Company (the "Company") as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2024;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Our audit approach

Overview

Key audit matters	• Inventory quantities of raw materials and work in process inventories

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Independent auditor's report to the shareholders of Riyadh Cement Company (continued)

Our audit approach (continued)

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Inventory quantities of raw materials and work in process As disclosed in Note 7 to the accompanying financial statements, the Company holds raw materials inventories amounting to Saudi Riyals 37.9 million (mainly iron ore, kaolin, shale, sand, pyrophyllite and gypsum) and work in process inventories amounting to Saudi Riyals 150.1 million (mainly clinker and limestone) which are stored in stockpiles as at December 31, 2024. Since the weighing of these inventories is not practicable, management assesses the quantities on hand at the year-end by obtaining measurements of the stockpiles and converting these measurements to unit of volumes by using surveying and other techniques and density. In doing so, management appoints external surveyors to estimate the measurements of the stockpiles and applies the density conversion method which is a commonly used method for similar inventory in the cement industry to arrive at the inventory quantity balances. Due to the significance of the inventory balances and related estimations involved in the determination of the quantities, this is considered a key audit matter. Refer to Note 2.10 to the accompanying financial statements for the accounting policy, Note 3.1 for the significant accounting estimates and Note 7 for the details of inventories.	We performed the following procedures in relation to the inventory quantities of raw materials and work in process inventories: • Obtained an overall understanding of the inventory count process and basis of measurement including surveying equipment and conversion methods used towards eventual determination of the inventory quantities; • Attended the physical inventory count performed by the Company and the external surveyors; • Evaluated the competence, capabilities and objectivity of the external surveyors; • Obtained and read the external surveyors' stockpile measurement reports; • Traced, on a sample basis, the inventory count result to and from the external surveyors' reports against the Company's final inventory compilation listings; • Assessed the reasonableness of the density conversion factors applied by management in the density conversion calculation; and • Tested the mathematical accuracy of the density conversion calculation used by management to arrive at the quantities on hand at the year-end. Assessed the adequacy of the disclosures relating to the inventories in the accompanying financial statements.

Independent auditor's report to the shareholders of Riyadh Cement Company (continued)

Other information

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

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of management and those charged with governance for the financial statements

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

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

Those charged with governance, i.e. the Board of Directors, is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Independent auditor's report to the shareholders of Riyadh Cement Company (continued)

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

PricewaterhouseCoopers

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PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
Lic No. 323/11/25/1
C.R. 4030289002

Mufaddal A. Ali
License Number 447

March 19, 2025

RIYADH CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2024	2023
Assets			
Non-current assets			
Property, plant and equipment	5	**1,211,000,605**	1,225,506,186
Right-of-use assets	6	**982,344**	1,394,954
Total non-current assets		**1,211,982,949**	1,226,901,140
Current assets			
Inventories	7	**294,236,319**	289,884,303
Trade and other receivables	8	**216,680,873**	211,726,730
Advances, prepayments and other current assets	9	**12,464,206**	8,070,598
Short term deposit	10	**86,403,264**	20,617,848
Cash and cash equivalents	11	**148,702,353**	81,307,592
Total current assets		**758,487,015**	611,607,071
Total assets		**1,970,469,964**	1,838,508,211
Equity and liabilities			
Equity			
Share capital	12	**1,200,000,000**	1,200,000,000
Reserve	13	**360,000,000**	360,000,000
Retained earnings		**221,249,005**	119,767,821
Total equity		**1,781,249,005**	1,679,767,821
Liabilities			
Non-current liabilities			
Employee benefit obligations	14	**23,884,010**	23,956,977
Assets retirement obligations	15	**8,306,603**	7,829,464
Lease liabilities	6	**1,056,211**	966,113
Total non-current liabilities		**33,246,824**	32,752,554
Current liabilities			
Trade payables		**41,769,631**	26,612,146
Accruals and other current liabilities	16	**82,394,680**	54,544,412
Dividend payable	29	**14,758,822**	15,539,037
Current portion of lease liabilities	6	**3,062,672**	2,822,672
Zakat liability	17	**13,988,330**	26,469,569
Total current liabilities		**155,974,135**	125,987,836
Total liabilities		**189,220,959**	158,740,390
Total equity and liabilities		**1,970,469,964**	1,838,508,211

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

Chairman	Chief executive officer	Chief financial officer

RIYADH CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2024	2023
Revenue	18	**789,396,360**	643,383,248
Cost of revenue	19	**(460,629,498)**	(406,484,085)
Gross profit		**328,766,862**	236,899,163
General and administrative expenses	20	**(32,197,042)**	(33,050,081)
Selling and marketing expenses	21	**(3,633,426)**	(4,235,019)
Other income	22	**3,850,075**	1,449,746
Operating profit		**296,786,469**	201,063,809
Finance income		**6,301,164**	2,732,946
Finance costs	23	**(3,847,680)**	(2,284,243)
Profit before zakat		**299,239,953**	201,512,512
Zakat refund / (expense)	17.3	**11,199,067**	(12,740,013)
Profit for the year		**310,439,020**	188,772,499
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurements of employee benefit obligations	14	**1,042,164**	1,809,582
Total other comprehensive income for the year		**1,042,164**	1,809,582
Total comprehensive income for the year		**311,481,184**	190,582,081
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic and diluted earnings per share	28	**2.59**	1.57

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

Chairman	**Chief executive officer**	**Chief financial officer**

RIYADH CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Reserve	Retained earnings	Total equity
Balance at January 1, 2023	1,200,000,000	360,000,000	115,185,740	**1,675,185,740**
Profit for the year	-	-	188,772,499	**188,772,499**
Other comprehensive income for the year	-	-	1,809,582	**1,809,582**
Total comprehensive income for the year	-	-	190,582,081	**190,582,081**
Dividends (Note 29)	-	-	(186,000,000)	**(186,000,000)**
December 31, 2023	**1,200,000,000**	**360,000,000**	**119,767,821**	**1,679,767,821**
Profit for the year	-	-	**310,439,020**	**310,439,020**
Other comprehensive income for the year	-	-	**1,042,164**	**1,042,164**
Total comprehensive income for the year	-	-	**311,481,184**	**311,481,184**
Dividends (Note 29)	-	-	**(210,000,000)**	**(210,000,000)**
December 31, 2024	**1,200,000,000**	**360,000,000**	**221,249,005**	**1,781,249,005**

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

Chairman	**Chief executive officer**	**Chief financial officer**

RIYADH CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2024	2023
Cash generated from operations			
Profit before zakat		**299,239,953**	201,512,512
Adjustments for			
Depreciation of property, plant and equipment	5	**105,719,608**	106,157,039
Depreciation of right-of use assets	6	**412,610**	412,609
Write-off of inventory		**12,747,048**	-
Unwinding of discount of assets retirement obligations	15	**477,139**	443,177
Provision for Employee benefit obligations	14	**2,564,478**	3,303,227
Interest on Employee benefit obligations	14	**1,142,946**	1,079,273
Financial charges on lease liabilities	6	**450,098**	221,334
Finance income		**(3,996,676)**	(2,732,946)
Impairment loss / (reversal) on financial assets	8	**105,706**	(984,338)
Gain on disposal of property, plant and equipment	22	**(317,798)**	-
Change in operating assets and liabilities			
Inventories		**(17,099,064)**	6,630,205
Trade and other receivables		**(5,059,849)**	(6,482,476)
Advances, prepayments and other current assets		**(4,393,608)**	3,171,115
Trade payables		**15,157,485**	(3,406,130)
Accruals and other current liabilities		**38,303,831**	(57,192,442)
Cash generated from operations		**445,453,907**	252,132,159
Finance income received		**3,211,260**	2,115,098
Employee benefit obligations paid	14	**(2,738,227)**	(2,674,953)
Zakat paid	17	**(11,735,735)**	(9,553,187)
Net cash generated from operating activities		**434,191,205**	242,019,117
Cash flows from investing activities			
Additions to short term deposits		**(165,000,000)**	(20,000,000)
Proceed from maturity of short term deposits		**100,000,000**	-
Additions to property, plant and equipment	5	**(91,847,142)**	(44,429,337)
Proceeds from disposal of property, plant and equipment		**950,913**	-
Net cash used in investing activities		**(155,896,229)**	(64,429,337)
Cash flows from financing activities			
Dividends paid to the Company's shareholders	29	**(210,780,215)**	(186,216,216)
Lease payments	6	**(120,000)**	-
Net cash used in financing activities		**(210,900,215)**	(186,216,216)
Net change in cash and cash equivalents		**67,394,761**	(8,626,436)
Cash and cash equivalents at beginning of the year		**81,307,592**	89,934,028
Cash and cash equivalents at end of the year	11	**148,702,353**	81,307,592
Non-cash supplementary information			
Settlement of zakat liability against credit received from Zakat, Tax and Customs Authority (ZATCA)	17	**14,592,829**	-
Settlement of value added tax liability against credit received from ZATCA	17	**10,453,563**	-

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

Chairman	Chief executive officer	Chief financial officer

1 General information

Riyadh Cement Company (the "Company") is a Saudi joint stock company registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration No. 1010146169 dated 25 Safar 1418H (corresponding to July 1, 1997).

The Company is principally engaged in the production and selling of cement pursuant to Industrial License No. 494 dated 25 Jumada II 1414H (corresponding to December 8, 1993) as amended in the Ministerial Resolution No. 797 dated 29 Rajab 1419H (corresponding to November 18, 1998).

The Company transferred from parallel market ("Nomu") and became listed on the main market ("Tasi") on December 5, 202٣.

The accompanying financial statements includes the results, assets and liabilities of the Company and its branch registered in Riyadh under CR number 1010210405. The registered address of the Company is P.O. Box 17775, Riyadh 11494, Kingdom of Saudi Arabia.

The authorized, issued and paid-up capital of the Company is Saudi Riyals 1,200,000,000 divided into 120 million shares of Saudi Riyals 10 each.

2 Summary of material accounting policies

The material accounting policies applied for the preparation of financial statements of the Company are set out below. The policies have been consistently applied to all years presented unless otherwise stated.

2.1 Basis of preparation

(a) Statement of compliance

These financial statements of the Company have been prepared in compliance with International Financial Reporting Standards, 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").

Income and cash flow statements

The Company has elected to present a single statement of profit or loss and other comprehensive income and presents its expenses by function.

The Company reports cash flows from operating activities using the indirect method. Interest paid is presented within operating cash flows.

(b) Historical cost convention

These financial statements are prepared under the historical cost convention except for defined benefit obligations measured at present value of future obligations using the Projected Unit Credit Method and lease liabilities at present value of future lease payments.

These financial statements are presented in Saudi Riyal, which is also the Company's functional currency. These financial statements have been rounded-off to the nearest Saudi Riyal, unless otherwise stated.

c) New and amended standards

The Company has applied the following amendments to International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, which are effective for periods beginning on and after January 1, 2024:

(All amounts in Saudi Riyals unless otherwise stated)

2 Summary of material accounting policies (continued)

2.1 Basis of preparation (continued)

Title	Key requirements
Amendments to IAS 1 - Classification of Liabilities as Current or Non-current	The narrow-scope amendments to IAS 1 'Presentation of Financial Statements, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g., the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.
Amendment to IFRS 16 - Leases on Sale and Leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(d) Standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2024 reporting period and have not been early adopted by the Company. The relevant standards, interpretations and amendments issued, but are not yet effective are disclosed below:

Title	Key requirements	Effective date
Amendment to IAS 21 - Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	January 1, 2025
Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	These amendments: • clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; • clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; • add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and • make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).	January 1, 2026
Annual improvements to IFRS – Volume 11	Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. The 2024 amendments are to the following standards: IFRS 1 First-time Adoption of International Financial Reporting Standards; IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7; IFRS 9 Financial Instruments; IFRS 10 Consolidated Financial Statements; and IAS 7 Statement of Cash Flows	January 1, 2026

2 Summary of material accounting policies (continued)

2.1 Basis of preparation (continued)

(d) Standards and interpretations issued but not yet effective (continued)

Title	Key requirements	Effective date
IFRS 18 - Presentation and Disclosure in Financial Statements	The new standard on presentation and disclosure in financial statements, require more focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to: - the structure of the statement of profit or loss; - required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and - enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.	January 1, 2027

Management is in the process of assessing the impact, if any, these pronouncements may have in future reporting periods.

2.2 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current / non-current classification.

An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized 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.

The Company classifies all other assets as non-current.

A liability is current when:
- It is expected to be settled 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
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

2.3 Revenue recognition

The Company generates revenue from the sale of cement. Where the revenue is recognised at the point in time.

The following are some of the key indicators used by the Company in determining when control has passed to the customer:

i. the Company has a right to payment for the product or service;
ii. the customer has legal title to the product;
iii. the Company has transferred physical possession of the product to the customer;
iv. the customer has the significant risks and rewards of ownership of the product; and
v. the customer has accepted the product.

2 Summary of material accounting policies (continued)

2.3 Revenue (continued)

Revenue from sale of cement

Revenue is measured at the fair value of the consideration received or receivable in the ordinary course of the Company's activities. The Company recognizes revenue when control of cement has transferred, being when cement is delivered to the customer, the customer has full discretion over the use or sale of cement, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when cement is received by the customer at the Company's premises as per the terms of the contract, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the acceptance provisions have lapsed.

Revenue is recognized net of discounts and returns. Revenue from the sales with discounts, if any, is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability, if any (included in trade and other payables) is recognized for expected volume discounts, if any, payable to customers in relation to sales made until the end of the reporting period.

No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice. A receivable is recognized when the cement is delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Contract liability

A contract liability is recognised if a payment is received from a customer before the Company transfers the related goods. Contract liabilities are recognised as revenue when the Company transfers control of the related goods to the customer.

2.4 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in "Saudi Riyals", which is the Company's presentation as well as functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognized in the statement of profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognized in other comprehensive income.

2 Summary of material accounting policies (continued)

2.5 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract 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. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) At initial recognition

The Company acting as lessee recognizes a right-of-use asset and a lease liability for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The right-of-use asset is measured at its cost which includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred by the Company; and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The lease liability is measured at the present value of the lease payments that are not paid at the date of the statement of financial position.

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- variable lease payments that depend on an index or rate, initially measured at the applicable index or rate at the lease commencement date;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, or the penalty payable on the exercise of a termination option unless the Company is reasonably certain not to exercise the option; and
- any amounts expected to be payable under residual value guarantees.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the labilities.

2 Summary of material accounting policies (continued)

2.5 Leases (continued)

The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the Company is using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

(ii) Depreciation of right-of-use assets

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Depreciation is charged to statement of profit or loss using the straight-line method to allocate their costs over their lease term.

(iii) Subsequent measurement

Right-of-use assets

The Company adopts the cost model to measure right of use assets. After recognition as an asset, right-of-use assets are carried at its initial recognition amounts less any accumulated depreciation and impairment losses, if any.

Lease liabilities

The lease liability is measured as follows:

- Increasing the carrying amount to reflect interest on the lease liability;
- Reducing the carrying amount to reflect the lease payments made; and
- Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Where the Company is exposed to potential future increases in variable lease payments based on an index or rate, these are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(iv) *Short-term leases and leases of low-value assets*

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2 Summary of material accounting policies (continued)

2.6 Zakat and tax

The Company is subject to the Regulations of the Zakat, Tax, and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. Zakat is provided on an accrual basis. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

The Company is subject to the value-added tax (VAT) system. The tax is calculated immediately when the invoice is issued, the goods are delivered, or the price or part thereof is received. The VAT return is submitted on a monthly basis. Management deducts withholding taxes on non-resident parties, if any, in accordance with the regulations of ZATCA, which are not recognized as expenses because the amounts of liabilities on the counterparty are deducted on behalf of the counterparty.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to statement of profit or loss during the reporting period in which they are incurred.

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation is calculated on property, plant and equipment so as to allocate its cost, less estimated residual value, on a straight-line basis over the estimated useful lives of the assets.

Depreciation is charged to the statement of profit or loss over the following estimated economic useful lives:

	Years
• Buildings, constructions and internal roads	20 – 40
• Machinery and equipment	10 – 30
• Vehicles and transportation equipment	4 – 6
• Furniture and fixture	7 – 10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in statement of comprehensive income. Major spare parts qualify for recognition as property, plant and equipment when the Company expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

Assets in the course of construction or development are capitalized in the assets under construction account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of assets under construction comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of assets under construction. Assets under construction are not depreciated.

Borrowing costs related to qualifying assets are capitalized as part of the cost of the qualifying assets until the commencement of commercial production.

2 Summary of material accounting policies (continued)

2.8 Financial instruments

(i) *Classification of financial instruments*

The Company classifies its financial assets at amortized cost.

The Company classifies its financial liabilities as those measured at amortized cost.

(ii) *Recognition and derecognition*

A financial asset or financial liability is recognized when the Company becomes a party to the contractual provisions of the instrument, which is generally on trade date.

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

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

(iii) *Measurement*

Initial recognition

At initial recognition, the Company measures a financial asset at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset.

Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent measurement

Subsequent measurement of financial assets is as follows:

Debt instruments

The debt instruments are subsequently measured at amortised costs.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss. This category generally applies to trade and other receivables, due from related parties and bank balances.

Financial liabilities

Subsequent to initial recognition financial liabilities are measured at amortized cost using the effective interest method. Non-derivative financial liabilities of the Company comprise trade payables, accruals and other liabilities.

2 Summary of material accounting policies (continued)

2.8 Financial instruments (continued)

(iv) *Impairment*

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost e.g. deposits, trade and other receivables, due from related parties and bank balances. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Refer Note 25, which details how the Company determines whether there has been a change in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 25 for further details.

Impairment loss allowance (or reversal) recognized during the period is recognized as income/expense in the statement of profit or loss.

Credit-impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

Reclassifications

Financial assets are reclassified when the Company changes its business model for managing financial assets. For example, when there is a change in management's intention to hold the asset for a short-term or long-term. Financial liabilities are not reclassified.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset so that the net amount is reported in the statement of financial position where the Company currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.9 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2 Summary of material accounting policies (continued)

2.9 Fair value measurement (continued)

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.10 Inventories

Raw materials and spares, work in process and finished goods are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Spare parts inventory is reduced by the value of obsolete and slow-moving items according to management estimates and inventories aging.

Work in process and finished goods

Clinker represents work in process inventories and Cement represents the finished goods inventories that are carried at the lower of cost or net realizable value. Cost is determined on the weighted-average cost basis. The cost of clinker and cement inventories includes the cost of raw materials, direct labor and manufacturing overheads and all other costs necessary to bring the cement inventories to their existing condition and location.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Raw materials

Raw materials are valued at the lower of cost or net realizable value. Cost is determined on the weighted average cost basis.

2 Summary of material accounting policies (continued)

2.11 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit (CGU's) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or 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 its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using appropriate discount rate that reflects current market assessments of the time value of money. 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.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company 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 exceed 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 profit or loss and other comprehensive income.

2.12 Trade receivables

Trade receivables are amounts due from customers for products sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate method, less provision for impairment.

2.13 Advances and prepayments

Advances and prepayments are carried at cost less provision for impairment. An advance or prepayment is classified as non-current when the goods or services relating to the advance or prepayment are expected to be obtained after one year, or when the advance relates to an asset which will itself be classified as non-current upon initial recognition. Advances to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to profit or loss when the services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to an advance or prepayment will not be received, the carrying value of the advance or prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

2.14 Cash and cash equivalents

For the purpose of statement of financial position and presentation in the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

2 Summary of material accounting policies (continued)

2.15 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

2.16 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

2.17 Provisions

Provisions are recognized when; the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. If the effect of the time value of money are material, provisions are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Assets retirement obligations

Provision for assets retirement obligations is recognized when the Company has a liability for restoration work or land rehabilitation. The extent of decommissioning required, and the associated costs are dependent on the requirements of current laws, regulations and the lease terms.

Costs included in the provision includes all decommissioning obligations expected to occur over the life of the asset. The provision for decommissioning is discounted to its present value and capitalized as part of the asset under property, plant and equipment and then depreciated as an expense over the expected life of that asset.

Adjustments to the estimated amount and timing of future decommissioning cash flows are a normal occurrence in light of the significant judgments and estimates involved. Such adjustments are recorded as an increase in liability and a corresponding increase in the related asset. Factors influencing those adjustments include:

- developments in technology;
- regulatory requirements and environmental management strategies;
- changes in the estimated extent and costs of anticipated activities, including the effects of inflation; and
- changes in economic sustainability.

2 Summary of material accounting policies (continued)

2.18 Employee benefit obligations

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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

Post-employment obligation

The Company operates a single post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plans are not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to retained earnings in the statement of changes in equity in the period in which they occur. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Net interest expense and other expenses related to defined benefit plans are recognized in the statement of profit or loss.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognized immediately in statement of profit or loss as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

The rate used to discount post-employment benefit obligations is determined by reference to market yields at the statement of financial position date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yield (at the end of the reporting period) on government bonds shall be used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the post-retirement benefit obligations.

The Company uses the yield available on the Kingdom of Saudi Arabia bonds as a reasonable assumption for the discount rate.

2.19 Cost of sales

Cost of sales includes materials and consumables and other direct costs. Allocations between cost of sales and other operating costs, when required, are made on a consistent basis.

2.20 General and administrative expenses

General and administrative expenses include direct and indirect costs not specifically part of cost of sales. Allocations between general and administrative expenses and cost of revenue, when required, are made on a consistent basis.

2 Summary of material accounting policies (continued)

2.21 Selling and marketing expenses

Selling and marketing expenses principally consist of costs incurred in the distribution and selling of the Company's products and services. All other expenses are classified as general and administrative expenses.

2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2.23 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing net profit or loss for the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the net profit or loss for the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

2.24 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.25 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Board of Directors and Chief executive officer (collectively considered to be the Chief Operating Decision Maker) which makes decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. For further details about segment information refer to note 4.

3 Significant accounting estimates and judgments

The preparation of financial statements in conformity with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, require the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period are discussed below:

3.1 Inventory quantities

Inventories comprise of raw materials (mainly iron ore, kaolin, shale, sand, pyrophyllite and gypsum) and work in process (mainly clinker and limestone) which are stored in stockpiles. Since the weighing of these inventories is not practicable, management assesses the quantities on hand at the year-end by obtaining measurements of the stockpiles and converting these measurements to unit of volumes by using surveying and other techniques and density. In doing so, management appoints external surveyors to estimate the quantities by using certain scientific systematic measurements calculations, after which management applies the density conversion method which is applied for similar stock in the cement industry. At year-end, if the estimated quantity increased / decreased by 5% with all other variables held constant, profit for the year would have been Saudi Riyals 7.99 million higher or lower.

3.2 Depreciation of property, plant and equipment

The management determines the estimated useful lives of property, plant and equipment for computing depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates. At year-end, if the useful life increased / decreased by 5% against the current useful life with all other variables held constant, profit for the year would have been Saudi Riyals 5.3 million higher or lower.

3.3 Employee benefit obligations

Employee benefits represent obligations that will be settled in the future and require assumptions to project obligations. International Financial Reporting Standards, that are endorsed in Kingdom of Saudi Arabia, requires management to make further assumptions regarding variables such as discount rates, rate of compensation increases and return on assets, mortality rates, employment turnover and future healthcare costs. Changes in key assumptions can have a significant impact on the projected benefit obligation and/or periodic employees' benefits costs incurred. For further details please refer to Note 14.

3.4 Provision for slow moving spare parts

The Company holds spare parts inventory for the machinery of its plant held longer than one reporting period, which may be ultimately disposed or sold below cost as a result of obsolescence or retirement of the related machinery. Management estimate the appropriate level of provisioning for spare parts at the end of each reporting period. Factors influencing this estimate includes management's expectations for future utilization, disposal or sale plans for the spare parts. At year-end, if management expectations increased / decreased by 5% with all other variables held constant, profit for the year would have been Saudi Riyals 1 million lower or Saudi Riyals 0.4 million higher.

3 Significant accounting estimates and judgments (continued)

3.5 Impairment for expected credit losses (ECL) in trade receivables

Measurement of ECLs is a significant estimate that involves determination methodology, models, and data inputs. Details of ECL measurement methodology are disclosed in Note 25.

The Company uses a provision matrix to calculate ECL for trade receivables. The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed and incorporated if considered relevant and significant.

The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future.

4 Segment information

All of the Company's operations are related to one operating segment which is cement manufacturing and are substantially sold to local customers. The information related to revenue from major customers and geographic area are disclosed in Note 18.

(All amounts in Saudi Riyals unless otherwise stated)

5 Property, plant and equipment

	Land	Buildings, constructions and internal roads	Machinery and equipment	Vehicle and transportation equipment	Furniture and fixture	Assets under construction	Total
Cost:							
As of January 1, 2023	18,389,032	862,250,655	1,858,552,538	10,490,117	29,663,923	19,480,251	2,798,826,516
Additions	-	235,784	30,023,910	238,770	2,045,192	11,885,681	44,429,337
Transfers	-	8,212,464	4,608,206	-	-	(12,820,670)	-
Balance at December 31, 2023	18,389,032	870,698,903	1,893,184,654	10,728,887	31,709,115	18,545,262	2,843,255,853
Accumulated depreciation:							
Balance at January 1, 2023	-	463,065,763	1,014,704,163	9,889,198	23,933,504	-	1,511,592,628
Depreciation charge	-	27,727,004	77,136,975	227,070	1,065,990	-	106,157,039
Balance at December 31, 2023	-	490,792,767	1,091,841,138	10,116,268	24,999,494	-	1,617,749,667
Net book value:							
At December 31, 2023	18,389,032	379,906,136	801,343,516	612,619	6,709,621	18,545,262	1,225,506,186
Cost:							
As of January 1, 2024	**18,389,032**	**870,698,903**	**1,893,184,654**	**10,728,887**	**31,709,115**	**18,545,262**	**2,843,255,853**
Additions	**-**	**9,622,720**	**21,986,231**	**1,073,664**	**673,082**	**58,491,445**	**91,847,142**
Disposal	**-**	**-**	**(7,441,000)**	**(4,089,792)**	**-**	**-**	**(11,530,792)**
Balance at December 31, 2024	**18,389,032**	**880,321,623**	**1,907,729,885**	**7,712,759**	**32,382,197**	**77,036,707**	**2,923,572,203**
Accumulated depreciation:							
Balance at January 1, 2024	**-**	**490,792,767**	**1,091,841,138**	**10,116,268**	**24,999,494**	**-**	**1,617,749,667**
Depreciation charge	**-**	**28,190,091**	**75,107,715**	**331,430**	**2,090,372**	**-**	**105,719,608**
Disposal	**-**	**-**	**(6,807,885)**	**(4,089,792)**	**-**	**-**	**(10,897,677)**
Balance at December 31, 2024	**-**	**518,982,858**	**1,160,140,968**	**6,357,906**	**27,089,866**	**-**	**1,712,571,598**
Net book value:							
At December 31, 2024	**18,389,032**	**361,338,765**	**747,588,917**	**1,354,853**	**5,292,331**	**77,036,707**	**1,211,000,605**

(All amounts in Saudi Riyals unless otherwise stated)

5 Property, plant and equipment (continued)

5.1 Depreciation charge for the year ended December 31, 2024 and 2023 has been allocated as follows:

	Note	2024	2023
Cost of sales	19	**103,334,282**	104,084,611
General and administrative expenses	20	**2,313,154**	1,907,750
Selling and marketing expenses	21	**72,172**	164,678
		105,719,608	106,157,039

5.2 The assets under construction are mainly for the construction of bucket elevator and waste heat recovery plant, which are expected to be completed within 2025-2026.

6 Leases

The Company leases two plots of land one from Municipality of Riyadh, and the other from Ministry of Energy and Mineral Resources and have lease term of 20 and 30 years, respectively.

At December 31, 2024 and 2023, the Company did not have any lease contracts classified as right-of-use asset that are variable in nature which are linked to price index. The Company assesses at lease commencement whether it is reasonably certain to exercise the option. The Company does not provide residual value guarantees in relation to any of its leases.

Right-of-use assets

The estimated useful lives of the right-of-use assets for the calculation of depreciation range from 6 – 19 years.

	Land
Cost:	
At December 31, 2024 and December 31, 2023	**3,458,006**
Depreciation:	
At January 1, 2023	1,650,443
Charge for the year	412,609
At December 31, 2023	2,063,052
Charge for the year	**412,610**
At December 31, 2024	**2,475,662**
Net book value:	
At December 31, 2023	1,394,954
At December 31, 2024	**982,344**

Depreciation charge for the year ended December 31, 2024 and December 31, 2023 has been allocated to the cost of revenue.

Lease liabilities

At December 31, the lease liabilities are presented in the statement of financial position as follows:

	2024	2023
Non-current portion	**1,056,211**	966,113
Current portion	**3,062,672**	2,822,672
	4,118,883	3,788,785

(All amounts in Saudi Riyals unless otherwise stated)

6 Leases (continued)

Lease liabilities (continued)

Movement of lease liabilities:

	2024	2023
At January 1	**3,788,785**	3,567,451
Financial charges	**450,098**	221,334
Payment	**(120,000)**	-
At December 31	**4,118,883**	3,788,785

The aging of minimum lease payments together with the present value of minimum lease payments as of December 31, 2024 and 2023 are as follows:

	2024		2023	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within twelve months	**3,120,000**	**3,062,672**	3,120,000	2,800,122
One to five years	**600,000**	**364,947**	600,000	347,160
Over five years	**840,000**	**691,264**	960,000	641,503
Total minimum lease payments	**4,560,000**	**4,118,883**	4,680,000	3,788,785
Less: financial charges	**(441,117)**	**-**	(891,215)	-
Present value of minimum lease payments	**4,118,883**	**4,118,883**	3,788,785	3,788,785

7 Inventories

	2024	2023
Work in process	**150,066,865**	140,734,668
Spare parts and supplies, not held for sale	**114,953,721**	118,170,890
Raw materials	**37,868,452**	41,366,986
Finished goods	**11,651,226**	10,142,583
	314,540,264	310,415,127
Less: provision for slow-moving inventories	**(20,303,945)**	(20,530,824)
	294,236,319	289,884,303

7.1 Movement in provision for slow-moving inventories:

	2024	2023
As at January 1	**20,530,824**	21,685,455
Reversal of provision	**(226,879)**	-
Write off of inventory	**-**	(1,154,631)
As at December 31	**20,303,945**	20,530,824

(All amounts in Saudi Riyals unless otherwise stated)

8 Trade and other receivables

	Note	2024	2023
Trade receivables – third parties		**154,670,397**	153,969,096
Trade receivables – related parties	24	**61,504,466**	59,674,610
Expected credit loss allowance*		**(2,153,999)**	(2,048,293)
		214,020,864	211,595,413
Receivable from Industrial Sector Competitiveness Program (the "Program")	19.1	**2,530,290**	-
Employee receivables		**129,719**	131,317
		216,680,873	211,726,730

* Expected credit loss allowance pertaining to related parties receivables amounted to Saudi Riyals 281,887 (December 31, 2023: Saudi Riyals 14,976).

Movement of expected credit loss allowance on trade receivables is as follows:

	2024	2023
As at January 1	**2,048,293**	3,032,631
Charge/ (Reversal) during the year	**105,706**	(984,338)
As at December 31	**2,153,999**	2,048,293

(i) Classification as trade receivables

Trade receivables are non-derivative financial assets carried at amortized cost and are generally on terms of 30 to 90 days. The carrying value may be affected by changes in the credit risk of the counterparties. The vast majority of the Company's trade receivables are concentrated in the Kingdom of Saudi Arabia. As at December 31, 2024, three largest customers accounted for 91% (December 31, 2023: three largest customers accounted for 92 %) of the outstanding trade receivables.

(ii) Fair values of trade receivables

Due to short-term nature of the trade receivables, their carrying amounts are considered to approximate their fair values.

(iii) Impairment and risk exposure

Information about the impairment of trade receivables and the Company's exposure to credit risk and foreign currency risk can be found in Note 25.

(iv) Collateral

The Company has collateral in the form of bank guarantees against trade receivables which are considered integral part of trade receivables and considered in the calculation of ECL. During the year ended December 31, 2024 and December 31, 2023, there has not been any change in the quality of collateral.

9 Advances, prepayments and other current assets

	2024	**2023**
Advances to suppliers	**10,526,590**	6,361,497
Prepaid expenses	**1,111,236**	1,109,897
Custom refunds	**-**	599,204
Others	**826,380**	-
	12,464,206	8,070,598

10 Short term deposit

Short-term deposits, as at December 31, 2024, represent deposits amounting to Saudi Riyals 86.40 million denominated in US Dollars 23.04 million (2023: Saudi Riyals 20.6 million denominated in US Dollars 5.49 million) and were placed with an investment bank, with a maturity period of more than three months from date of placement, and yielded finance income at fixed commercial rates.

11 Cash and cash equivalents

	Note	**2024**	**2023**
Cash at banks		**53,132,011**	21,267,556
Cash on hand		**90,411**	40,036
Short-term deposits	11.1	**95,479,931**	60,000,000
		148,702,353	81,307,592

11.1 Short-term deposits, as at December 31, 2024, represent deposits amounting to Saudi Riyals 95.5 million(2023: Saudi Riyals 60 million denominated in US Dollars 16 million) and were placed with an investment and commercial bank, with a maturity period of three months or less from date of placement, and yielded finance income at fixed commercial rate

The cash is held in current accounts with banks having sound credit rating and does not earn interest income. The fair value of cash and cash equivalents approximate the carrying value at reporting period. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

12 Share capital

The share capital of the Company as of December 31, 2024 and 2023 comprises of 120,000,000 shares stated at Saudi Riyals 10 per share.

13 Reserve

The reserve balance included in the financial statements as of December 31, 2024 and December 31, 2023 represents statutory reserve balance which was required under the Company's previous by-laws and the old Regulations for Companies. However, following amendments to the Company's by-laws during the year ended December 31, 2024, the requirement to set aside a statutory reserve is no longer applicable. As at December 31, 2024, the Company has maintained the balance of such statutory reserve established under the previous Company's By-laws and the old Regulations for Companies.

14 Employee benefit obligations

14.1 General description of the plan

The Company operates a defined benefit plan in line with the Labor Law requirement in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labor Laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment.

(All amounts in Saudi Riyals unless otherwise stated)

14 Employee benefit obligations (continued)

14.1 General description of the plan (continued)

The movement in employees' defined benefit liabilities for the years ended December 31, is as follows:

	2024	2023
January 1	**23,956,977**	24,059,012
Payments during the year	**(2,738,227)**	(2,674,953)
Current service cost	**2,564,478**	3,303,227
Interest cost	**1,142,946**	1,079,273
Actuarial gain (Other comprehensive income)	**(1,042,164)**	(1,809,582)
December 31	**23,884,010**	23,956,977

14.2 Key actuarial assumptions

	2024	2023
Discount rate	**4.93%**	5.06%
Salary growth rate	**4.75%**	4.75%
Average duration period (Years)	**7**	8

All movements in the employees' defined benefit liabilities are recognized in statement of profit or loss except for the actuarial loss, which is recognized as other comprehensive income.

14.3 Sensitivity analysis for actuarial assumptions

		Impact on employee benefit obligations Increase / (decrease)			
		December 31, 2024		December 31, 2023	
	Change in assumption by	Increase in rate	Decrease in rate	Increase in rate	Decrease in rate
Discount rate	1%	**(1,715,041)**	**1,848,290**	(1,832,839)	1,985,251
Expected rate of future salary increase	1%	**1,847,721**	**(1,715,314)**	1,984,678	(1,833,111)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

14.4 Expected maturity analysis

The weighted average duration of the defined benefit obligation is 7 years (2023: 8 years). The expected maturity analysis of undiscounted post-employment benefits is as follows:

	Within the 1 year	Between 2 - 5 years	Over 5 years	Total
December 31, 2024	**2,014,637**	**15,706,734**	**26,062,997**	**43,784,368**
December 31, 2023	2,152,183	15,518,914	26,135,964	43,807,061

(All amounts in Saudi Riyals unless otherwise stated)

15 Assets retirement obligations

	Note	2024	2023
January 1		**7,829,464**	7,386,287
Accretion of interest	23	**477,139**	443,177
December 31		**8,306,603**	7,829,464

16 Accruals and other current liabilities

	Note	2024	2023
Accrued expenses		**35,502,587**	13,315,302
Accrued quarry extraction fees		**7,653,965**	8,423,163
Contractors retentions		**15,585,654**	10,809,792
Accrued bonuses		**7,536,250**	6,731,149
Advances from customers	16.1	**6,778,222**	5,627,597
VAT payable		**5,840,481**	5,074,085
Accrued Board of Directors' remuneration	24	**2,420,000**	2,470,000
Others		**1,077,521**	2,093,324
		82,394,680	54,544,412

The carrying amounts of accruals and other current liabilities are considered to be the same as their fair values, due to their short-term nature.

16.1 Movement in advances from customer is as follows:

	2024	2023
At the beginning of the year	**5,627,597**	4,210,920
Revenue for the year*	**(243,744,129)**	(180,444,889)
Billing raised / advance received during the year	**244,894,754**	181,861,566
	6,778,222	5,627,597

* The above revenue represents revenue from contracts paid in advance by customers.

(All amounts in Saudi Riyals unless otherwise stated)

17 Zakat matters

17.1 Components of zakat base for the year ended December 31, 2023

	2023
Profit before zakat	201,512,512
Provisions	4,382,500
Amended profit subject to zakat	205,895,012
Share capital (beginning)	1,200,000,000
Reserve (Beginning)	360,000,000
Retained earnings, adjusted	130,724,777
Provisions (Beginning - paid)	57,692,732
Trade payables and other liabilities	38,246,764
Property, plant and equipment	(1,225,506,186)
Right-of-use assets	(1,394,954)
Dividends paid	(186,000,000)
Spare parts inventories	(118,170,890)
Zakat base	255,592,243
Zakat due without amended profit at 2.578%	6,588,359
Zakat due on amended profit at 2.5%	5,147,375
Zakat expense	11,735,734

17.2 Components of zakat base for the year ended December 31, 2024

	2024
Profit after zakat	**310,439,020**
Adjustment	**144,157**
Amended profit after zakat	**310,583,177**
Share capital	**1,200,000,000**
Reserve	**360,000,000**
Retained earnings	**221,249,005**
Dividend payable	**14,758,822**
Zakat payable	**13,988,330**
Adjustment to profit after zakat	**144,157**
Non-current liabilities	**33,246,824**
Additional current liabilities in relation to spare parts and supplies	**19,282,090**
Non-current deductible assets	**(1,211,982,949)**
Spare parts and supplies, not held for sale	**(114,953,721)**
Zakat base	**535,732,558**
Zakat base pro-rata (366/354)	**553,892,984**
Zakat due on zakat base at 2.5%	**13,847,325**

(All amounts in Saudi Riyals unless otherwise stated)

17 Zakat matters (continued)

17.3 Zakat (refund) / expense

	Note	December 31, 2024	December 31, 2023
Zakat provision made for the year		**13,847,325**	12,740,013
Adjustment of credit received from ZATCA	17.5	**(25,046,392)**	-
Zakat (refund) / expense		**(11,199,067)**	12,740,013

17.4 Zakat provision

	2024	2023
January 1	**26,469,569**	23,282,743
Provision for the year	**13,847,325**	12,740,013
Payment during the year	**(11,735,735)**	(9,553,187)
Adjustment of credit received from ZATCA	**(25,046,392)**	-
Settlement of VAT liability against credit received from ZATCA	**10,453,563**	-
December 31	**13,988,330**	26,469,569

17.5 Status of final assessments

The Company has filed its zakat return up to December 31, 2023 and have received zakat certificates for the same. The Company has finalized its assessment with ZATCA up to December 31, 2020.

The Company received the final decision issued by the General Secretariat for Zakat, Tax and Custom Committees (“GSZTC”) regarding withholding taxes for the years 2006 – 2010 for a total amount of Saudi Riyals 26,972,457 in favor of the Company. On July 22, 2024, the Company received statement of account from ZATCA reflecting the amounts credited to the Company’s account amounting to Saudi Riyals 25,046,392 against which the Company utilized Saudi Riyals 10,453,563 to settle VAT invoices and utilized Saudi Riyals 14,592,830 to settle final invoices pertaining to assessments for the years 2015-2020 as mentioned below. On February 13, 2025, the Company has received statement of account from ZATCA reflecting the credit of the remaining amount of Saudi Riyals 1,926,065 based on the Company’s request.

ZATCA issued assessments for the years 2015 – 2020 and claimed an additional zakat liability amounting to Saudi Riyals 48,649,706. The Company paid Saudi Riyals 7,045,469 and objected against the remaining amount of the assessments to the Tax Dispute and Violation Appellate Committee (the “Committee”) and GSZTC. In addition, ZATCA cancelled assessment invoice for the year 2009 amounting to Saudi Riyals 3,224,694.

The Committee and GSZTC rendered its decision and reduced zakat liability of the Company by Saudi Riyals 27,011,407 for the years 2015-2020. The Company received final invoices from ZATCA amounting to Saudi Riyals 14,592,830 for the years 2015-2020. The Company settled these invoices against the credit received of Saudi Riyals 25,046,392 in respect of withholding taxes for the years 2006-2010.

(All amounts in Saudi Riyals unless otherwise stated)

18 Revenue

	2024	2023
Revenue from sale of cement	**819,393,307**	661,893,884
Less: volume discounts and rebates	**(29,996,947)**	(18,510,636)
	789,396,360	643,383,248

a) Disaggregation by customer type

	Note	2024	2023
Non-related parties		**640,519,006**	500,454,478
Related parties	24	**148,877,354**	142,928,770
		789,396,360	643,383,248

b) Disaggregation by geography

	2024	2023
Kingdom of Saudi Arabia	**785,231,370**	634,642,559
State of Iraq	**1,613,810**	-
Sultanate of Oman	**1,062,287**	561,481
Hashemite Kingdom of Jordan	**528,124**	4,801,641
Kingdom of Bahrain	**480,596**	2,671,097
State of Yemen	**480,173**	-
State of Kuwait	**-**	610,470
State of Qatar	**-**	96,000
	789,396,360	643,383,248

c) Disaggregation by product type

The Company derives revenue from the sale of cement at a point in time in the following major product lines:

	2024	2023
Grey cement	**628,400,274**	482,931,414
White cement	**160,996,086**	160,451,834
	789,396,360	643,383,248

Revenue from two major customers amounted to Saudi Riyals 282.9 million and Saudi Riyals 112.9 million, respectively, (December 31, 2023: Saudi Riyals 224.99 million and Saudi Riyals 105.75 million, respectively). The rest of the revenue is derived from various customers whose individual revenue is less than 10% of total revenue.

(All amounts in Saudi Riyals unless otherwise stated)

19 Cost of revenue

	Note	2024	2023
Raw materials consumed	19.1	**159,867,946**	138,559,322
Depreciation of property, plant and equipment	5	**103,334,282**	104,084,611
Salaries and wages		**74,510,202**	68,271,659
Repairs and maintenance		**60,056,179**	41,680,558
Quarry extraction fees		**27,556,125**	28,596,143
Packing material consumed		**12,698,938**	16,261,876
Write-off of inventory	19.2	**12,747,048**	-
Insurance		**387,653**	688,988
Depreciation of right of use assets	6	**412,610**	412,609
Others		**9,058,515**	7,928,319
		460,629,498	406,484,085

19.1 Government grant:

The Company recorded an amount of Saudi Riyals 30.56 million from Industrial Sector Competitiveness Program (the "Program") out of which Saudi Riyals 28.04 million were received by the Company during the year. The purpose of the program is to reduce production cost of the Company which was affected by increase in fuel prices. Accordingly, the impact has been adjusted in cost of sales and inventory.

19.2 Write-off of inventory represents low quality white clinker written off during the year.

20 General and administrative expenses

	Note	2024	2023
Salaries and other benefits		**20,468,852**	23,133,096
Professional and subscription fees		**4,580,621**	3,360,357
Board of directors' and other committees remuneration	24	**2,752,268**	2,735,069
Depreciation of property, plant and equipment	5	**2,313,154**	1,907,750
Utilities		**1,207,301**	1,216,208
Office supplies		**6,431**	64,994
Others		**868,415**	632,607
		32,197,042	33,050,081

Auditors' remuneration for the statutory audit of the Company's financial statements for the year ended December 31, 2024 amounted to Saudi Riyals 550,000 (2023: Saudi riyals 380,000). Auditors' remuneration for the review of the Company's interim financial information during the year ended December 31, 2024 amounted to Saudi Riyals 342,858 (2023: Saudi riyals 70,000). Fee for other statutory related services provided by the auditors to the Company amounted to Saudi riyals Nil (2023: Saudi riyals 412,500).

21 Selling and marketing expenses

	Note	2024	2023
Employee related costs		**3,320,788**	3,464,463
Depreciation of property, plant and equipment	5	**72,172**	164,678
Others		**240,466**	605,878
		3,633,426	4,235,019

(All amounts in Saudi Riyals unless otherwise stated)

22 Other income

	Note	2024	2023
Gain on sale of scrap		**1,862,000**	411,147
Foreign exchange gain on revaluation of balances		**1,652,538**	-
Gain on disposal of property, plant and equipment		**317,798**	-
Reversal of expected credit losses	8	**-**	984,338
Other		**17,739**	54,261
		3,850,075	1,449,746

23 Finance costs

	Note	2024	2023
Bank charges		**1,777,497**	414,047
Interest on employee benefit obligations	14	**1,142,946**	1,079,273
Unwinding of discount on assets retirement obligations	15	**477,139**	443,177
Interest on lease liabilities	6	**450,098**	221,334
Others		**-**	126,412
		3,847,680	2,284,243

24 Related party transactions and balances

Related parties comprise the shareholders, directors, associate company and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest (other related parties).

(a) Major shareholder

Following is the major shareholder of the Company:

Name	Country of incorporation	Effective ownership interest percentage	
		2024	2023
Rashid Development Company Limited (Rashidco)*	Saudi Arabia	**23.21**	23.21

* Rashid Development Company Limited (Rashidco) is 100% owned by Al Awael Investment Holding Company which is the ultimate parent of Rashid Development Company Limited (Rashidco).

(b) Following are the significant transactions with related parties:

Name	Nature of transactions	2024	2023
Alrashed Cement Company (common ownership)	Sales	**129,826,390**	121,609,063
Towa Development Company (common directorship)	Sales	**40,876,786**	42,056,306
Precast Building System Company (common directorship)	Sales	**505,781**	702,728

(All amounts in Saudi Riyals unless otherwise stated)

24 Related party transactions and balances (continued)

(c) Key management personnel compensation:

	2024	**2023**
Salaries and other employee benefits expense for the year	**9,429,299**	8,801,700
Salaries and other employee benefits outstanding balance	**2,637,089**	2,508,000
Post-employment benefits outstanding balance	**1,818,622**	1,448,418
	13,885,010	12,758,118

(d) Directors and other committees' remuneration and related expenses

	2024	**2023**
Board of Directors' remunerations	**2,100,000**	2,100,000
Board of Directors' attendance fees and expenses	**140,000**	175,000
Audit committees' attendance fees and expenses	**332,268**	265,069
Other committees remuneration	**180,000**	195,000
	2,752,268	2,735,069

(e) Directors and other committees' remuneration outstanding balance

	Nature of relationship	**Note**	**2024**	**2023**
Accrued Board of Directors' and other committees remuneration	Board of Directors	16	**2,420,000**	2,470,000
			2,420,000	2,470,000

(f) Due from related parties

	2024	**2023**
Alrashed Cement Company (common ownership)	**48,651,445**	44,232,156
Towa Development Company (common directorship)	**12,364,396**	14,737,610
Precast Building System Company (common directorship)	**488,625**	704,844
	61,504,466	59,674,610

(g) Terms and conditions

The transactions with related parties are entered at mutually agreed terms and conditions and a price agreed upon according to a contract / arrangement / agreement. Key management personnel remunerations are made according to their contractual terms.

25 Financial risk management

25.1 Financial risk factors

The Company's activities expose it to a variety of financial risks including the effects of changes in market risk (including currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by the management under policies approved by the board of directors.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies, and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, 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 Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Control department. Internal Control department undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in currency that is not the Company's functional currency. The Company's transactions are principally in Saudi Riyals and United States Dollars. The management believes that there is no currency risk arising from the transactions in currencies to which the Saudi Riyals is pegged.

The Company's exposure to currency risk arising from currencies to which the Saudi Riyals is not pegged is not material to these financial statements.

(ii) Fair value and cash flow interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments. Management monitors the changes in interest rates and believes that the fair value and cash flow interest rate risks to the Company are not significant. As at December 31, 2024 and 2023, there are no outstanding borrowings and the fair value of interest bearing financial assets approximate their fair values.

(All amounts in Saudi Riyals unless otherwise stated)

25 Financial risk management (continued)

25.1 Financial risk factors (continued)

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from special commission rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or it's issuer, or factors affecting all similar financial instruments traded in the market. Price risk is not applicable to the Company as it does not have any equity investment or any derivative that is affected by market fluctuations.

(b) Credit risk

Credit risk arises from cash and cash equivalents, credit exposures to customers, including outstanding receivables.

Credit risk is managed on a company basis. For banks, only independently rated parties above P-2 ratings are accepted (rated by Moody's credit rating agency or equivalent). For trade receivables, internal risk control department assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by line management. See Note 8 for concentration of credit risk.

A significant increase in credit risk is presumed if a debtor is more than 60 days past due in making a contractual payment. The Company defines trade receivables as in default, which is fully aligned with the definition of credit-impaired, when the counterparty fails to make contractual payments within 90 days of when they fall due. The Company categorizes a receivable for write off when a debtor fails to make contractual payments greater than 720 days past due and when there is no reasonable expectation of recovery. During the year, the Company has not written-off any over-due balances (2023: no write-off).

For majority of the trade receivables, the Company obtains security in the form of bank letter of guarantee, which can be called upon if the counterparty is in default under the terms of the agreement.

Where receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in statement of profit or loss.

Impairment of financial assets

The Company has the following financial assets that are subject to the expected credit loss model:

	2024	**2023**
Trade receivables – third parties	**152,798,285**	151,935,779
Trade receivables – related parties	**61,222,579**	59,659,634
Short term deposits	**86,403,264**	20,617,848
Cash and cash equivalents	**148,702,353**	81,307,592
Receivable from the Program	**2,530,290**	-
Employees and other receivables	**129,719**	131,317
	451,786,490	313,652,170

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

(All amounts in Saudi Riyals unless otherwise stated)

25 Financial risk management (continued)

25.1 Financial risk factors (continued)

(b) Credit risk (continued)

IFRS 9 uses forward-looking 'expected credit loss' (ECL) model. Cash at banks are placed with banks with sound credit ratings.

Employee and other receivables are financial assets and are considered to have low credit risk; therefore, 12 months expected loss model was used for impairment assessment. Based on management impairment assessment, there is no provision required in respect of these balances for all the periods presented.

For trade receivables, the Company applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The provision matrix takes into account historical credit loss experience and is adjusted for average historical recovery rates. The historical loss rates are also considered to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and inflation rate to be the most relevant macro-economic factors of forward-looking information and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are grouped based on collateral:

	Note	2024	2023
Balances secured by bank guarantees	(i)	**211,423,576**	208,065,274
Balances unsecured	(ii)	**4,751,287**	5,578,432
		216,174,863	213,643,706

The following table provides information about the exposure to credit risk and ECL for secured and unsecured trade receivables separately:

Secured trade receivables

	2024		
	Gross carrying amount	**Loss rate**	**Loss allowance**
Current (0 -90 days)	**156,865,349**	**0.02%**	**35,295**
91-180 days	**54,221,674**	**0.02%**	**12,276**
181-270 days	**336,553**	**0.02%**	**76**
	211,423,576		**47,647**

	2023		
	Gross carrying amount	**Loss rate**	**Loss allowance**
Current (0 -90 days)	115,394,310	0.02%	25,964
91-180 days	66,653,528	0.02%	14,997
181-270 days	26,017,436	0.02%	5,854
	208,065,274		46,815

(All amounts in Saudi Riyals unless otherwise stated)

25 Financial risk management (continued)

25.1 Financial risk factors (continued)

(b) Credit risk (continued)

Unsecured trade receivables

	2024		
	Gross carrying amount	Loss rate	Loss allowance
Current (0-90 days)	**2,285,916**	**1.78%**	**40,789**
91-180 days	**7,000**	**4.07%**	**285**
181-270 days	**522,082**	**24.71%**	**128,989**
271-365 days	**-**	**-**	**-**
Above 365 days	**1,936,289**	**100.00%**	**1,936,289**
	4,751,287		**2,106,352**

	2023		
	Gross carrying amount	Loss rate	Loss allowance
Current (0-90 days)	3,520,329	0.24%	8,531
91-180 days	65,580	0.65%	424
181-270 days	-	-	-
271-365 days	-	-	-
Above 365 days	1,992,523	100.00%	1,992,523
	5,578,432		2,001,478

Impairment loss / (reversal) on financial assets recognized in the statement of profit or loss is as follows:

	Note	2024	2023
Impairment loss / (reversal) on financial assets	8	**105,706**	(984,338)
		105,706	(984,338)

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period greater than 720 days past due. During the year, the Company has not written-off any over-due balances (2023: no write-off).

(c) 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 a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. For instance, concentrations of liquidity risk may arise from the repayment terms of financial liabilities, bank overdraft or reliance on a particular market in which to realize liquid assets.

(All amounts in Saudi Riyals unless otherwise stated)

25 Financial risk management (continued)

25.1 Financial risk factors (continued)

(c) Liquidity risk *(continued)*

	2024			
	One or less than one year	1 to 5 years	More than 5 years	Total
Trade payables	**41,769,631**	-	-	**41,769,631**
Other current financial liabilities	**69,775,977**	-	-	**69,775,977**
Dividends payable	**14,758,822**	-	-	**14,758,822**
Lease liabilities	**3,120,000**	**600,000**	**840,000**	**4,560,000**
	129,424,430	**600,000**	**840,000**	**130,864,430**

	2023			
	One or less than one year	1 to 5 years	More than 5 years	Total
Trade payables	26,612,146	-	-	26,612,146
Other current financial liabilities	43,842,730	-	-	43,842,730
Dividends payable	15,539,037	-	-	15,539,037
Lease liabilities	3,120,000	600,000	960,000	4,680,000
	89,113,913	600,000	960,000	90,673,913

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Company's future commitments. Refer to Note 30 (iii) for unused credit facilities. The Company's terms of sales require amounts to be paid on a terms basis.

25.2 Capital risk management

The primary objective of the Company's capital management is to ensure that it maintains a proper capital ratio in order to support its business and maximize shareholders' value. The capital structure includes all component of shareholders' equity totaling Saudi Riyals 1.8 billion at December 31, 2024 (December 31, 2023: Saudi Riyals 1.7 billion). The Board of directors manages the Company capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated based on the net debt divided by total equity.

	2024	2023
Lease liabilities	**4,118,883**	3,788,785
Less: cash and cash equivalents	**(148,702,353)**	(81,307,592)
Net funds	**(144,583,470)**	(77,518,807)
Total equity	**1,781,249,005**	1,679,767,821
Total capital	**1,200,000,000**	1,200,000,000
Gearing ratio	**(8%)**	(5%)

The net fund position indicates that the Company's capital structure is effectively comprised of equity only.

(All amounts in Saudi Riyals unless otherwise stated)

25 Financial risk management (continued)

25.3 Fair value estimation

As at December 31, 2024 and 2023, the fair values of the Company's financial instruments are estimated to approximate their carrying values since the financial instruments are short term in nature, bear no interest, except for short-term deposits which are at prevailing market rates.

26 Financial instruments

(a) Categories of financial instruments

The accounting policies for financial instruments have been applied to the line items below:

	At amortized cost	
December 31	**2024**	**2023**
Assets as per statement of financial position		
Trade and other receivables	**216,680,873**	211,726,730
Short term deposits	**86,403,264**	20,617,848
Cash and cash equivalents	**148,611,942**	81,307,592
Total	**451,696,079**	313,652,170

	At amortized cost	
December 31	**2024**	**2023**
Liabilities as per statement of financial position		
Trade payables	**41,769,631**	26,612,146
Accruals and other current liabilities	**69,775,977**	43,842,730
Lease liabilities	**4,118,883**	3,788,785
Total	**115,664,491**	74,243,661

27 Cash flow information

(a) Debt reconciliation

	Dividends payable	Lease liabilities	Total
January 1, 2023	15,755,253	3,567,451	19,322,704
Cash flows	(186,216,216)	-	(186,216,216)
Others	186,000,000	221,334	186,221,334
December 31, 2023	15,539,037	3,788,785	19,327,822
Cash flows	**(210,780,215)**	**(120,000)**	**(210,900,215)**
Others	**210,000,000**	**450,098**	**210,450,098**
December 31, 2024	**14,758,822**	**4,118,883**	**18,877,705**

(All amounts in Saudi Riyals unless otherwise stated)

28 Earnings per share

Earnings per share have been calculated by dividing the profit for the year of the Company by the weighted average number of shares outstanding during the year.

	2024	**2023**
Profit for the year	**310,439,020**	188,772,499
Weighted average number of shares	**120,000,000**	120,000,000
Basic earnings per share (Saudi Riyals per share)	**2.59**	1.57

The Company does not have any dilutive potential shares.

29 Dividends

On August 7, 2024, as authorized according to the Company's By-laws, the Board of Directors approved interim dividends distribution of Saudi Riyals 1 per share (Saudi Riyals 120 million in total) for the second half of 2024. Payments against this dividend distribution commenced during August 2024.

On April 23, 2024, the General Assembly approved dividends distribution of Saudi Riyals 0.75 per share (Saudi Riyals 90 million in total) on recommendation of Board of Directors dated December 11, 2023. Payments against this dividend distribution commenced during May 2024.

On August 23, 2023, as authorized according to the Company's By-laws, the Board of Directors approved interim dividends distribution of Saudi Riyals 0.8 per share (Saudi Riyals 96 million in total) for the second half of 2023. Payments against this dividend distribution commenced during September 2023.

On May 3, 2023, the General Assembly approved dividends distribution of Saudi Riyals 0.75 per share (Saudi Riyals 90 million in total) on recommendation of Board of Directors dated December 20, 2022. Payments against this dividend distribution commenced during May 2023.

Below is the movement of dividends payable during the years ended December 31:

	2024	**2023**
At the beginning of the year	**15,539,037**	15,755,253
Dividend declared during the year	**210,000,000**	186,000,000
Paid during the year	**(210,780,215)**	(186,216,216)
At the end of the year	**14,758,822**	15,539,037

30 Guarantees, letters of credit and commitments

i) Guarantees and letters of credit

The bank issued guarantees and letters of credit on behalf of the Company as at December 31, 2024 for an amount of Saudi Ryals 140.98 million (December 31, 2023: Saudi Riyals 28.9 million).

ii) Capital commitments

The Company has capital commitments related to contracts for constructing and acquiring property, plant and equipment as at December 31, 2024 amounting to Saudi Ryals 112.65 million (December 31, 2023: Saudi Riyals 19 million).

30 Guarantees, letters of credit and commitments (continued)

iii) Credit facilities

The Company has unutilised credit facilities amounting to Saudi Riyals 20 million (December 31, 2023: Saudi Riyals 50 million). These credit facilities are secured against promissory notes. The credit facilities are denominated in Saudi Riyals and bears variable finance charge based on prevailing market rates of interest which are based on Saudi Arabian Interbank Offered Rate (SAIBOR) plus spread.

31 Subsequent event

On January 1, 2025, the Company announced that it had received a notice from the Saudi Arabian Oil Company (Saudi Aramco) that the price of fuel used in the Company's activities would be adjusted as at January 1, 2025. Such adjustment will have financial impact on the production cost starting from the results of the first quarter of the year 2025. Further, on January 13, 2025, the Company announced that the expected financial impact of the increase in fuel price is approximately 9.6% increase in production cost.

On January 21, 2025, the Board of Directors recommended dividends of Saudi Riyals 1.25 per share (Saudi Riyals 150 million in total) subject to approval of the shareholders in the forthcoming general assembly.

32 Board of Directors authorization

The accompanying financial statements were authorized for issue by the Company's Board of Directors on March 19, 2025.