SOUTHERN PROVINCE CEMENT COMPANY
(A Saudi Joint Stock Company)

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

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

Headquarters in Riyadh

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

المركز الرئيسي في الرياض

Independent Auditor's report

To the Shareholders of Southern Province Cement Company
A Saudi Joint Stock Company

Opinion

We have audited the financial statements of **Southern Province Cement Company (a Saudi joint stock Company) ("the Company")**, which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

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

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Independent Auditor's report (continued)

To the Shareholders of Southern Province Cement Company
A Saudi Joint Stock Company

Key audit matter (1)	
Referring to note (5) for the accounting policy of the revenue realization and Note (20) for the disclosure of revenues from contracts with customers.	
How the matter was addressed in our audit	**Revenue recognition**
The auditing procedures we performed in relation to recognition of revenues from sales included, among other procedures, the following: - Assessed the appropriateness of the accounting policies related to recognition of revenues from contracts with customers, including those related to discounts and incentives, as well as assessing compliance with the requirements of applicable accounting standards. - Evaluated the design and implementation of the internal control procedures related to revenue recognition, including anti-fraud control procedures. - Performed trend analysis procedures of the revenue by comparing the revenue amounts, quantities sold, and prices per month during the current year with the previous year and determine whether there are any significant trends or fluctuations that need to be further examined in the light of our understanding of current market conditions. - Conducted a sample-based examination of the revenue transactions with supporting documents, to verify that revenues exist, are documented, and have been recorded in the correct periods. - Performed cut-off procedures on the timing of recognizing revenue from sales after the products are delivered to customers and recorded within the right accounting period.	During the year ended 31 December 2022, revenue from contracts with customers amounting to SR 1,2 billion was recognized. Revenue from sales is recognized when a customer obtains controls of the goods and this is done upon acceptance and delivery of the goods to the customer and issuance of a sales invoice in accordance with the requirements of IFRS 15, Revenue from contracts from clients. Revenue is one of the core indicators for measuring performance, and consequently, there are inherent risks that revenues may be overstated more than its actual value in order to increase profitability. Therefore, the revenue recognition process has been considered as a key audit matter.

Key audit matter (2)

With reference to Note (4) regarding the use of judgments and estimates in respect of the impairment of inventories, as well as Note (8) regarding disclosure of inventories.

How the matter was addressed in our audit	Impairment of Spare parts inventory
Our audit procedures, which are related to the verification the appropriateness of the provision for impairment of spare parts inventories, included, among other procedures, the following: - Assessed the appropriateness of special accounting policies related to proving the allowance for spare parts inventory decline, as well as evaluating the extent of compliance with the requirements of applicable accounting standards. - Evaluated the design, implementation and effectiveness of internal control procedures related to the evaluation of spare parts inventory. - Obtained an authorized report from the financial management and technical management of the Company that includes the statement of stagnant inventory and the extent of spare parts' validity for use and the adequacy of the provision made for the stagnant inventory in the Company's books. - Checked the mathematical accuracy of the analyzes and ages of spare parts inventory items and their conformity with the Company's financial records. - Evaluated the appropriateness of the main assumptions used by management in estimating the provision for impairment of spare parts inventory. - Obtained technical certificates of the validity of the spare parts inventory. - Oversee the physical inventory counting at the end of the year to monitor and understand the Company's procedures in determining the inventory of damaged spare parts and monitor the physical spare parts inventory counting.	As at 31 December 2022, the book value of the spare parts inventory amounted to SR 268 million, with a provision of impairment in the amount of SR 54 million. The estimation and calculation of the decrease in spare parts inventory involves the use of assumptions and estimates by management about the expected use of spare parts items, and accordingly, due to the risks of management bias inherent in the mentioned estimates and assumptions, this matter was considered as a major audit matter.

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Independent Auditor's report (continued)

To the Shareholders of Southern Province Cement Company
A Saudi Joint Stock Company

Other information

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

Our opinion on the 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 when it becomes available 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, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulation for Companies, 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 separate 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, the Board of Directors, are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 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 judgement 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent Auditor's report (continued)

To the Shareholders of Southern Province Cement Company
A Saudi Joint Stock Company

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then 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 of **Southern Province Cement Company**.

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

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

KPMG Professional Services

Ebrahim Oboud Baeshen
License No. 382

Jeddah, March 30, 2023
Corresponding to Ramadan 8, 1444H

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Lic No. 46
C.R. 4030290792
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KPMG Professional Services

SOUTHERN PROVINCE CEMENT COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022
(Saudi Riyal)

	Note	**31 December 2022**	31 December 2021 (Restated - note 27)
Assets			
Property plant and equipment	6	**2,756,241,761**	2,820,875,678
Investment properties	7	**5,437,625**	5,437,625
Non-current assets		**2,761,679,386**	2,826,313,303
Inventories	8	**669,301,241**	573,381,462
Trade receivables	9	**78,122,596**	50,715,235
Prepayments and other receivables	10	**42,497,140**	50,712,007
Cash and cash equivalent	11	**320,213,283**	503,597,996
Current assets		**1,110,134,260**	1,178,406,700
Total assets		**3,871,813,646**	4,004,720,003
Equity and liabilities			
Equity			
Share capital	12	**1,400,000,000**	1,400,000,000
Statuary reserve	13	**700,000,000**	700,000,000
Retained earnings		**1,105,593,835**	1,086,467,557
Total equity		**3,205,593,835**	3,186,467,557
Liabilities			
Loans and facilities	14	**173,397,000**	253,397,000
Employees' defined benefit obligation	15	**119,519,688**	117,864,488
Non-current liabilities		**292,916,688**	371,261,488
Loans and facilities	14	**80,000,000**	75,000,000
Accrued expenses and other payables	16	**65,800,847**	113,554,800
Trade payables		**48,323,134**	53,410,969
Dividend payables	17	**160,845,204**	161,586,672
Zakat provision	18	**18,333,938**	43,438,517
Current liabilities		**373,303,123**	446,990,958
Total liabilities		**666,219,811**	818,252,446
Total equity and liabilities		**3,871,813,646**	4,004,720,003

The accompanying notes 1 to 31 of these financial statements.

These financial statements were approved for issuance by the Board of Directors on 27 March 2023, and signed on their behalf by:

Executive Vice President of Finance	Chief Executive Officer	Chairman of Board of Directors

SOUTHERN PROVINCE CEMENT COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31December 2022
(Saudi Riyal)

	Note	For the year ended 31 December 2022	2021 (Restated - note 27)
Revenues	20	**1,222,409,001**	1,339,350,164
Cost of sales	20	**(865,060,087)**	(833,945,639)
Gross profit		**357,348,914**	505,404,525
Selling and distribution expenses	21	**(13,558,717)**	(7,287,863)
General and administration expenses	22	**(49,539,915)**	(54,897,860)
Operating income		**294,250,282**	443,218,802
Finance costs		**(10,349,650)**	(8,630,940)
Other revenue	23	**8,631,980**	11,672,240
Profit before Zakat		**292,532,612**	446,260,102
Zakat provision no longer required	18.a	**24,918,466**	--
Zakat	18.b	**(16,742,896)**	(17,109,412)
Profit for the year		**300,708,182**	429,150,690
Other comprehensive income			
Items that will not be reclassified under profit or loss:			
Remeasurement of employee defined benefit obligation	15	**(1,581,904)**	2,604,096
Total other comprehensive income		**299,126,278**	431,754,786
	19		
Earnings per share to net income for the year (SR):			
Basic		**2.15**	3.07
Diluted		**2.15**	3.07

The accompanying notes 1 to 31 of these financial statements.

These financial statements were approved for issuance by the Board of Directors on 27 March 2023, and signed by:

Executive Vice President of Finance	Chief Executive Officer	Chairman of Board of Directors

SOUTHERN PROVINCE CEMENT COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
For the year ended 31 December 2022
(Saudi Riyal)

	Note	Share capital	Statutory reserve	Retained earnings	Total
Balance at 1 January 2021		1,400,000,000	700,000,000	1,179,712,771	3,279,712,771
Profit for the year (restated - note 27)		--	--	429,150,690	429,150,690
Other comprehensive income		--	--	2,604,096	2,604,096
Total comprehensive income for the year (restated- note 27)		--	--	431,754,786	431,754,786
Transactions with shareholders of the Company					
Dividends	17	--	--	(525,000,000)	(525,000,000)
Balance at 31 December 2021 (restated - note 27)		1,400,000,000	700,000,000	1,086,467,557	3,186,467,557
Balance at 1 January 2022 (as previously reported)		**1,400,000,000**	**700,000,000**	**1,107,491,974**	**3,207,491,974**
Correction of previous years' errors (note 27)		--	--	(21,024,417)	(21,024,417)
Balance at 31 December 2021 (restated - note 27)		**1,400,000,000**	**700,000,000**	**1,086,467,557**	**3,186,467,557**
Profit for the year		--	--	**300,708,182**	**300,708,182**
Other comprehensive income		--	--	**(1,581,904)**	**(1,581,904)**
Total comprehensive income for the year		--	--	**299,126,278**	**299,126,278**
Transactions with shareholders of the Company					
Dividends	17	--	--	**(280,000,000)**	**(280,000,000)**
Balance at 31 December 2022		**1,400,000,000**	**700,000,000**	**1,105,593,835**	**3,205,593,835**

The accompanying notes 1 to 31 of these financial statements.

These financial statements were approved for issuance by the Board of Directors on 27 March 2023, and signed by:

Executive Vice President of Finance	Chief Executive Officer	Chairman of Board of Directors

SOUTHERN PROVINCE CEMENT COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2022
(Saudi Riyal)

	Note	For the year ended 31 December 2022	2021 (Restated - note 27)
Profit for the year before zakat		**292,532,612**	446,260,102
Adjustments:			
Depreciation on property, plant and equipment	6	**212,663,591**	205,257,628
Reversal / provision for write down in the value of inventory	8	**(4,029,475)**	8,200,000
Provisions	22.a	--	10,000,000
Losses / (gains) on disposal of property, plant and equipment	23	**16,860**	(2,730,120)
Finance costs		**10,349,650**	8,630,940
Employee defined benefit obligation charge for the year	15	**12,795,723**	12,175,660
		524,328,961	687,794,210
Changes in working capital:			
Trade receivable		**(27,407,361)**	(9,672,858)
Inventory		**(91,890,304)**	(34,371,152)
Prepayments and other receivables		**8,214,867**	(7,863,696)
Trade payables		**(5,087,835)**	10,352,462
Accrued expenses and other payables		**(47,753,953)**	9,447,775
Finance costs paid		**(10,349,650)**	(8,630,940)
Zakat paid	18	**(16,929,009)**	(17,484,598)
Repayment from provisions	22	--	(10,000,000)
Employees defined benefit obligations - paid	15	**(12,722,427)**	(8,480,506)
Net cash provided by operating activities		**320,403,289**	611,090,697
Investing activities			
Additions of property, plant and equipment	6	**(148,046,534)**	(61,151,381)
Proceeds from sale of property, plant and equipment		--	3,157,290
Net cash used in investing activities		**(148,046,534)**	(57,994,091)
Financing activities			
Paid from loans	14	**(75,000,000)**	(70,000,000)
Dividends distributed	17	**(280,741,468)**	(522,033,580)
Net cash used in financing activities		**(355,741,468)**	(592,033,580)
Change in cash and cash equilents during the year		**(183,384,713)**	(38,936,974)
Cash and cash equivalents at beginning of the year		**503,597,996**	542,534,970
Cash and cash equivalents at the end of the year		**320,213,283**	503,597,996
Significant non-cash transactions			
Transfer from projects in progress to property, plant and equipment	6	**57,439,247**	--

The accompanying notes 1 to 31 of these financial statements.

These financial statements were approved for issuance by the Board of Directors on 27 March 2023, and signed by:

Executive Vice President of Finance	Chief Executive Officer	Chairman of Board of Directors

1. CORPORATE INFORMATION

Southern Province Cement Company was established as a Saudi Joint Stock Company ("the Company") under the Royal Decree No. M/3 on 24/3/1397H based on the Council of Ministers Resolution No. 1074 on 10/8/1394H and is registered in Abha City under the Commercial Registration No. 5850001443 on 27/04/1399H pursuant to the Ministry of Industry and Electricity Resolution No. 67/R dated 17/3/1396H.

The Company's main activity is to manufacture and produce cement, its derivatives and accessories, and to trade in those products and to carry out all works related directly to the realization of these purposes. The Company may have an interest or participate in any way with entities and companies that carry out works similar to their work or which may cooperate to achieve their purpose. It may own, or purchase shares in these companies, and to merge it or to merge into or to purchase them. The Company may have an interest or participate in any form with other companies, provided that it does not exceed 20% of its free reserves and does not exceed 10% of the share capital of the Company in which it participates. The total number of such shares shall not exceed the value of these reserves and the Ordinary General Assembly shall be informed in their first meeting.

The registered address of the Company is as follows:

Southern Province Cement Company
Abha City
P.O. Box 548
Jeddah, Kingdom of Saudi Arabia

The Company operates through three factories, which are as follows:

a) Jazan, Ahad Al Masarihah city.
b) Aseer, Bisha.
c) Mecca Region, Al Qunfudhah - Thaloth Emara.

The following factories operate under separate industrial licenses that are numbered and dated as follows:

Factory	Industrial license No.	Industrial license date
Ahad Al Masarihah - Jazan area	4111021101070	29/04/1441H
Bisha - Aseer area	441110123631	08/04/1441H
Tehama - Makkah area	411102102693	18/06/1441H

The Company's shares are listed in the Capital Market Authority in the Kingdom of Saudi Arabia. The Parent Company is owned by 37,4% to major shareholders, while 62,6% is owned by other shareholders as at 31 December 2021 (31 December 2021: 51% by major shareholders and 49% by other shareholders). According to the Saudi Tadawul website.

2. BASIS OF PREPERATION

a) Statement of compliance

The accompanying financial statements have been prepared in accordance with the International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization of Chartered and Professional Accountants (SOCPA).
Accounting policies applied by the Company are set out in note (5).

b) Basis of measurement

The accompanying financial statements are prepared on the historical cost basis, except for the defined benefit obligation is measured at the present value of future obligations using the projected unit credit method using the accrual basis of accounting and the going concern concept.

3. Functional and presentation currency

These financial statements have been prepared in Saudi Arabian Riyals (SR) which is the Company's functional and presentation currency.

4. USE OF JUDGEMENTS AND ESTIMATES

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

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

Significant judgments made by the management upon the adopting the Company's accounting policies correspond to the disclosed policies in last year's financial statements.

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

Measurement of employee benefits obligation

The Company's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in current and prior periods and discounting that amount to arrive at present value. The calculation is performed annually by a qualified actuary using the projected unit credit method. Judgments are used in estimating the actuarial assumptions. Key assumptions are disclosed in Note (15).

4. USE OF JUDGMENTS AND ESTIMATES (continued)

Impairment of inventory

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

Impairment of trade and other receivables

The Company follows an expected credit loss ("ECL") model for the impairment of trade receivables, this requires the Company to take into consideration certain estimates for forward looking factors while calculating the probability of default.

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or other CGUs.

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

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

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

Impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been calculated, net of depreciation or amortisation, if no impairment loss had been recognised.

4. USE OF JUDGMENTS AND ESTIMATES (continued)

Useful lives of property, plant and equipment

The Management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage physical wear and tear. Management reviews the residual value and useful lives annually and change in amortization charges (if any) are adjusted in current and future periods.

The depreciation rates for plant and equipment for Jizan Factory were amended, as at 1 June 2021, when the change in the depreciation method was accounted for as a change in an accounting estimate, and the remaining book value of plant and equipment was depreciated according to the new depreciation rates, and as a result of that adjustment, an increase of SR 13 million in the charged depreciation value during the financial year ended 31 December 2022 (31 December 2021: SR 7,9 million) compared to the amount of depreciation according to previous depreciation rates (note 5 and 6).

Fair value of assets and liabilities

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

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

- Level 2: Inputs other than quoted prices included level I that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: Inputs for assets and liabilities that are not based on observable market data (unobservable inputs).

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

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. As at 31 December 2022 and 31 December 2021, there are no transfers between levels.

The carrying values and fair values of financial assets and liabilities including their fair value hierarchy are disclosed. It doesn’t include information about fair value of financial assets and financial liabilities not measured at fair value if book value reasonably equals fair value in note (28).

5. SIGNIFICANT ACCOUNTING POLICIES

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

Foreign currencies

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

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

Revenues from contracts with customers

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

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

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

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

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Sales of goods

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

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

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

Employee benefits

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

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

The cost of the current service of the defined benefit plan is recognized in the statement of profit or loss and other comprehensive income under employee benefit expense to reflect the increase in the liability resulting from staff services for the current year and the cases of change, reduction or adjustment of benefits. Service costs for the previous years are directly are recognized in profit or loss and other comprehensive income.

Actuarial gains and losses arising from adjustments and changes in actuarial assumptions are charged in equity in the statement of other comprehensive income in the period in which they arise.

Defined benefit costs are classified as follows:

- cost of service (including current service costs, past service cost, as well as gains and losses resulting from the scaling up and reimbursement of staff benefits);
- interest cost, and
- remeasurement.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

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

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

Finance income and finance costs

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

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

Zakat

Zakat is provided for in accordance with the regulations of the Zakat, Tax and Customs Authority (“ZATCA”) in Saudi Arabia. Zakat is provided for the period ratably and charged separately in the statement of profit or loss. Zakat liabilities, if any, related to prior years’ assessments are accounted for in the period in which the final assessments are finalized.

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

Inventories

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

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Recognition and Measurement
Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

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

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

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

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

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

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

Depreciation charge is recognized in the statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated on the lower of lease period or the useful life. Unless there is a reasonable certainty that the asset’s ownership will be transferred to the Company by the end of the lease term. Freehold lands are not depreciated.

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

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation (continued)

The estimated useful lives of the items of properties, plant and equipment for the current year and the comparative years are as follow:

Item	Prior years	Current year
Buildings and constructions	33	33
Roads and utilities	12.5 - 33 years	12.5 - 33 years
Plant and equipment	10-30 years	4-30 years
Furniture and office equipment	5-10 years	5-10 years
Vehicles and heavy equipment	4-5 years	4-5 years

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

Projects in progress

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

Investment properties

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

Leases

a) Definition of a lease

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

b) As a lessee

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

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

The lease liability is re-measured when there is a change in future lease payments.

Financial instruments

Non-derivative financial instruments

The Company has applied the following classification and measurement requirements for financial instruments.

Recognition of financial instruments

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

Derecognition

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

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

Classification of financial instruments

The Company classifies its financial assets into the following measurement categories:

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Non-derivative financial assets (continued)

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

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

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

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

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

Financial assets- subsequent measurement - profits or losses:

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

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

Share capital

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

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

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

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

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

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

Impairment of non-financial assets (continued)

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to the recoverable amount. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. The value in use is based on a discounted cash flow (DCF) model, whereby the future expected cash flows discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

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

An assessment is conducted at each reporting date to determine whether there is an evidence of impairment loss previously recorded or curtailed. If such indication exists, the 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 exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognised in the statement of profit or loss and other comprehensive income.

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

Provisions

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

Loans and receivables

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

For trade receivables, which are reported net after deducting the impairment, such provision is recorded is recorded in a separate account and offset by a loss that is recorded in the statement of profit or loss and other comprehensive income, when it is certain that the trade receivables will not be collected, the total book value of them is written off against the related provision.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

Trade payables and accruals

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

Expenses

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

Current / non-current classification

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

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

All other assets are classified as non-current.

A liability is classified as current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the date of financial position.

The Company classifies all other liabilities as non-current.

Segment information

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

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

Statutory reserve

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

Earnings per share

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

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

6. PROPERTY, PLANT AND EQUIPMENT

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

	Note	Lands	Buildings and constructions	Roads and utilities	Plant and Equipment	Furniture and office equipment	Vehicles and heavy equipment	Projects in progress	Total
Cost:									
Balance at 1 January 2022		6,613,641	1,596,117,567	114,533,149	4,621,500,403	45,281,981	392,276,699	13,201,647	6,789,525,087
Additions		--	237,217	--	23,074,677	12,838,852	1,891,622	110,004,166	148,046,534
Disposals		--	--	--	(2,930,865)	--	(146,634)	--	(3,077,499)
Transferred from projects in progress		--	4,385,974	804,850	50,422,121	--	1,826,302	(57,439,247)	--
Balance at 31 December 2022		6,613,641	1,600,740,758	115,337,999	4,692,066,336	58,120,833	395,847,989	65,766,566	6,934,494,122
Accumulated depreciation:									
Balance at 1 January 2022		--	839,655,837	83,977,154	2,641,009,683	40,230,854	363,775,881	--	3,968,649,409
Depreciation charged on the year	6.c	--	36,319,856	1,860,500	162,260,719	9,144,459	3,078,057	--	212,663,591
Disposals		--	-	-	(2,914,190)	-	(146,449)	--	(3,060,639)
Balance at 31 December 2022		--	875,975,693	85,837,654	2,800,356,212	49,375,313	366,707,489	--	4,178,252,361
Net book value:									
At 31 December 2022		6,613,641	724,765,065	29,500,345	1,891,710,124	8,745,520	29,140,500	65,766,566	2,756,241,761

6. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Note	Lands	Buildings and constructions	Roads and utilities	Plant and Equipment	Furniture and office equipment	Vehicles and heavy equipment	Projects in progress	Total
Cost:									
Balance at 1 January 2021		6,613,641	1,594,014,226	114,517,819	4,612,862,010	44,663,552	368,986,009	1,991,866	6,743,649,123
Additions		--	2,103,341	15,330	23,103,713	1,113,737	23,290,690	11,524,570	61,151,381
Disposals		--	--	--	(14,465,320)	(495,308)	--	(314,789)	(15,275,417)
Balance at 31 December 2021		6,613,641	1,596,117,567	114,533,149	4,621,500,403	45,281,981	392,276,699	13,201,647	6,789,525,087
Accumulated depreciation:									
Balance at 1 January 2021		--	802,893,563	81,743,783	2,496,748,254	38,844,520	358,009,908	--	3,778,240,028
Depreciation charged on the year	6.c	--	36,762,274	2,233,371	158,619,756	1,876,254	5,765,973	--	205,257,628
Disposals		--	--	--	(14,358,327)	(489,920)	--	--	(14,848,247)
Balance at 31 December 2021		--	839,655,837	83,977,154	2,641,009,683	40,230,854	363,775,881	--	3,968,649,409
Net book value:									
At 31 December 2021		6,613,641	756,461,730	30,555,995	1,980,490,720	5,051,127	28,500,818	13,201,647	2,820,875,678

6. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Note	**31 December 2022**	31 December 2021
Cost of sales	20	**211,161,730**	203,868,182
General and administration expenses	22	**1,435,150**	1,352,736
Selling and distribution expenses	21	**66,711**	36,710
		212,663,591	205,257,628

d) The Company's property, plant and equipment as at 31 December 2022 includes projects in progress amounting to SR 65,7 million (31 December 2021: SR 13,2 million) mainly relates to works of energy renewal projects of the Bisha plant and the renovation of the hospitality hall and the labor building.

e) During the year ended 31 December 2021, the Company's management took a decision to replace the two production lines of Jazan factory and to establish a production line with a production capacity of 10 thousand tons per day, provided that the replacement process would be completed by January 2025. Accordingly, the Company's management reviewed the estimated useful lives of the two production lines of Jizan factory, which led to a change in the estimated useful life of those lines. Accordingly, the useful life of the two production lines has been reduced from 10 years to 3 years to be depreciated over the remaining useful life of those lines. The change in the actual and estimated depreciation expense included in the cost of sales was as follows:

	Estimated			
	2021	2022	2023	2024
Depreciation before adjustment	1,967,406	1,213,234	1,211,145	752,205
Increase in depreciation expenses	7,886,526	13,116,044	12,132,341	10,166,901

7. INVESTMENT PROPERTIES

The fair value of real estate investments amounted to SR 10,6 million as on 31 December 2022 (31 December 2021: SR 9 million). It was determined based on the evaluation provided by Mahd Al Tanmea Real Estate Establishment, an independent certified real estate evaluator (license number 1210000015). The fair value of the properties was determined based on the prevailing market prices for similar properties.

	31 December 2022	31 December 2021
Carrying amount	**5,437,625**	5,437,625
Fair value	**10,658,000**	9,051,000

8. INVENTORIES

a) Inventories as at 31 December comprise the following:

	Note	**31 December 2022**	31 December 2021
Spare parts		**268,424,295**	275,949,509
Production under processing		**370,488,598**	301,472,223
Raw, filling and packaging materials		**84,445,311**	54,046,168
		723,358,204	631,467,900
Less: Allowance for slow moving inventory items	8.b	**(54,056,963)**	(58,086,438)
		669,301,241	573,381,462

b) Movement on provision for slow moving inventory during the year as follows:

	Note	**31 December 2022**	31 December 2021
Balance at the beginning of year		**58,086,438**	49,886,438
Provided during the year		**--**	8,200,000
Provision no more required	20.b	**(4,029,475)**	--
Balance at the end of the year		**54,056,963**	58,086,438

9. TRADE RECEIVABLES

a) Trade receivables comprise the following:

	Note	**31 December 2022**	31 December 2021
Trade receivables		**78,533,183**	51,125,822
Allowance for expected credit losses (ECL)	9.b	**(410,587)**	(410,587)
		78,122,596	50,715,235

b) The movement in allowance for expected credit losses is as follows:

	31 December 2022	31 December 2021
Balance at the beginning of year	**410,587**	410,587
Balance at the end of the year	**410,587**	410,587

c) Additional information related to the Company's exposure to credit and market risk is disclosed in note (28).

10. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments and other receivables comprise of the following:

	Note	**31 December 2022**	31 December 2021
Advance Payments to suppliers		**31,086,075**	40,544,604
Prepaid expenses		**3,542,285**	2,278,092
Other debit balances, net	10-1	**7,868,780**	7,889,311
		42,497,140	50,712,007

10.1 Other receivable balances include an amount of SR 7 million deposited with the court for the bin in the name of a citizen in exchange for a plot of land. The Company has appealed against it. These amounts have been classified under other receivables until the issuance of final decision from the court.

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents compromise of following:

	Note	**31 December 2022**	31 December 2021
Islamic deposits	11 (a)	**200,000,000**	435,000,000
Cash at banks - current accounts		**120,175,062**	68,561,808
Cash in hand		**38,221**	36,188
		320,213,283	503,597,996

11-a Investment in Islamic deposits represents time deposits, placed with commercial bank and has a maturity of 3 months or less as at the original investment date, and on which a commission is generated according to the prevailing short-term deposit rates.

12. SHARE CAPITAL

As at 31 December 2021 and 31 December 2022, the Company's authorized, subscribed and fully paid share capital amounted to SR 1,400 million divided into 140 million ordinary shares of SR 10 each.

13. STATUTORY RESERVE

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

14. LOANS AND FACILITIES

The Company has bank facilities with some local banks with a total amount of SR 772.4 million as at 31 December 2022 (31 December 2021: SR 772.4 million), and the balance of facilities on 31 December 2022 amounted to SR 253 million (2020: SR 328 million) to be paid in variable quarterly installments until the end of the year 2025.

Facilitation agreements with banks include certain covenants, which among other things, states that the liquidity ratio should not be less than 1:1 based on the audited annual financial statements, and it also requires maintaining some ratios and financial indicators. As at 31 December 2022, the Company has complied with the above financial commitments.

A breach of these covenants in the future may lead to renegotiation. The management monitors the covenants on a monthly basis, and in case of the existence of a breach that is expected to occur in the future, the management takes the necessary measures to ensure compliance.

All banking facilities carry agreed upon commissions according to the commercial rates prevailing in the market.

The facilities are stated in the statement of financial position as follows:

	31 December 2022	31 December 2021
Current portion under current liabilities	**80,000,000**	75,000,000
Non-current portion under non-current liabilities	**173,397,000**	253,397,000
	253,397,000	328,397,000

The financing movement during the year is as follows:

	31 December 2022	31 December 2021
Balance at the beginning of year	**328,397,000**	398,397,000
Payment	**(75,000,000)**	(70,000,000)
	253,397,000	328,397,000

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

Year	**31 December 2022**	31 December 2021
2023	**--**	80,000,000
2024	**85,000,000**	85,000,000
2025	**88,397,000**	88,397,000
Total	**173,397,000**	253,397,000

15. EMPLOYEE'S DEFINED BENEFIT OBLIGATIONS

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

- As at 31 December 2022, the discount rate was 4.7% for the Company annually (31 December 2021: Discount rate of 3.15 % for the Company annually).
- As at 31 December 2022, the salary increase rate was 4.5% for the Company annually (31 December 2021: 3.25% for the Company annually).

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

	31 December 2022	31 December 2021
Present value of the obligation as at the beginning of the year	**117,864,488**	116,773,430
Components of cost charged on year in statement of profit or loss:		
Current service cost	**9,089,322**	8,883,151
Interest cost	**3,706,401**	3,292,509
Total expense charged to statement of profit or loss	**12,795,723**	12,175,660
Items within statement of other comprehensive income:		
Re-assessment of employee benefit obligations	**1,581,904**	(2,604,096)
Actual benefits paid during the year	**(12,722,427)**	(8,480,506)
Current value of the obligation at the end of the year	**119,519,688**	117,864,488

c) Defined benefit liability sensitivity

		31 December 2022	31 December 2021
	Base		
Rate of change in salaries	Increase by 1%	**130,441,170**	128,591,774
	Decrease by 1%	**108,542,567**	106,517,965
	Base		
Discount rate	Increase by 1%	**109,138,178**	107,075,026
	Decrease by 1%	**129,947,390**	128,149,192
Assumption of a statistical study of employees			
Membership data			
Average age of employees (years)		**41**	41
Average years of past experience		**11**	11

16. ACCRUED EXPENSES AND OTHER PAYABLES

Accrued expenses and other payables at comprise of the following:

	31 December 2022	31 December 2021 (Restated – note 27)
Accrued quarry utilization fees	**14,041,435**	64,420,633
Advances from customers	**26,032,691**	21,343,057
Value added tax	**4,192,545**	9,071,890
Accrued revenue	**5,132,848**	4,928,404
Committees bonus	**3,302,500**	--
Accrued expenses	**6,920,210**	7,205,507
Board of directors renumeration	**1,800,000**	1,800,000
Others	**4,378,618**	4,785,309
	65,800,847	113,554,800

17. DIVIDEND PAYABLES

The movement on the dividends payable as follows:

	31 December 2022	31 December 2021
Balance January 1	**161,586,672**	158,620,252
Dividends declared during the year	**280,000,000**	525,000,000
Dividend payments during the year	**(280,741,468)**	(522,033,580)
	160,845,204	161,586,672

On 2 March 2022, the Company's Board of Directors has recommended to distribute cash dividends for the second half of the year 2021 amounting to SR 175 million and 12.5% of the paid-up capital at the rate of SR 1.25 (second half of 2020: SR 350 million at SR 2.50 per share), which was approved during the forty ninth ordinary general assembly meeting on 12 April 2022.

On 7 September 2022, the Company's Board of Directors decided to distribute cash dividends for the second half of the year 2022 amounting to SR 105 million and 7.5% (first half of 2021: SR 175 million, or 12.5% of the paid-in capital at SR 1.25).

18. ZAKAT

a) Charge for the year

	For the year ended 31 December	
	2022	2021
Charge for the year	**16,742,896**	17,109,412
	16,742,896	17,109,412

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

	For the year ended 31 December	
	2022	2021
Balance at the beginning of year	**43,438,517**	43,813,703
Provided during the year	**16,742,896**	17,109,412
Provision no more required	**(24,918,466)**	--
Paid during the year	**(16,929,009)**	(17,484,598)
Balance at the end of the year	**18,333,938**	43,438,517

c) The significant components of Zakat base for the year ended 31 December comprise of the following:

	31 December 2022	31 December 2021
Additions		
Share capital	**1,400,000,000**	1,400,000,000
Retained earnings	**826,750,506**	657,679,191
Bank facilities	**253,397,000**	328,397,000
Net adjusted income	**292,532,612**	494,186,610
Statuary reserve	**700,000,000**	700,000,000
Provisions	**198,914,842**	187,031,463
Advances to customers	**13,873,307**	20,142,820
Others	**3,369,704**	5,227,818
Total additions	**3,688,837,971**	3,792,664,902
Discounts		
Property, plant and equipment (net)	**(2,690,475,195)**	(2,807,674,031)
Real estate investments - lands	**(5,437,625)**	(5,437,625)
Projects in progress	**(65,766,566)**	(13,201,647)
Spare parts	**(268,424,295)**	(275,949,509)
Total deductions	**(3,030,103,681)**	(3,102,262,812)
Total zakat base	**658,734,290**	690,402,090
Total zakat due	**16,742,896**	17,260,052

18. ZAKAT (continued)

d) Zakat and tax status

- At the year 2021, the Company filed the zakat declaration and the financial statements and paid the zakat due accordingly, and obtained a certificate valid until 30 April 2023.
- In the years 2015, 2016 and 2018, the decision of the First Circle to settle income tax violations and disputes in the city of Dammam No. (IZD-2022-724) issued in suit No. (Z-39955-2021) regarding the grievance of the Southern Region Cement Company over the connection Zakat for the years 2015, 2016 and 2018, which was required by the Zakat, Tax and Customs Authority to pay the due zakat in the amount of SR 40,583,829. The decision was in favor of the Company in its main clauses, which led to a decrease in the amount of zakat due for those years to SR 5,243, and the company and the Zakat, Tax and Customs Authority appealed against the decision. In light of the decision of the First Appeals Circuit for Income Tax Violations and Disputes No. (IR-2022-194) issued for the years from 2011 to 2013, according to which the company's point of view was supported, and due to the similarity of the items and the reasons in the main items, a similar decision is expected.
- The years 2011 till 2013, the decision of the First Appeals Circuit for Income Tax Violations and Disputes No. (IR-2022-194), issued on the appeal of the Southern Province Cement Company and the Zakat, Tax and Customs Authority on the decision of the First Circuit in the settlement of income tax violations and disputes in Jeddah No. IZJ-2020-141 related to the assessment of zakat and withholding tax for the years from 2011 to 2013, which ZATCA requires to pay zakat differences, withholding tax and delay fines in the amount of SR 45,319,700. The decision came in general in support of the Company's point of view, by accepting the appeal submitted by the Company, and rejecting the appeal of the Zakat, Tax and Customs Authority. Thus, the decision of the First Appeals Circuit and Income Tax Violations and Disputes No. (IR-2022-194) is considered final and enforceable by the Zakat, Tax and Customs Authority, and in light of the decision, the zakat and tax dues on the Company decreased to become overpaid amounts of SR 39,566,720.
- In the years 2019 and 2020, the Company filed the zakat returns, and they were reviewed by the Zakat, Tax and Customs Authority and issued letters of amendment for the years 2019 and 2020 with zakat differences in the amount of SR 573,933, which were paid by the Company.
- The Company has sufficient allocations to meet any potential zakat obligations that may arise from the final assessments, if any.

19. EARNINGS PER SHARE (EPS)

a) Basic earnings per share

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

	31 December 2022	31 December 2021 (Restated - note 27)
Profit for the year	**300,708,182**	429,150,690
Number of shares (weighted average)	**140,000,000**	140,000,000
Basic earnings per share (SR)	**2.15**	3.07

19. EARNINGS PER SHARE (EPS) (continued)

b) Diluted EPS

The calculation of diluted earnings per share has been based on the profit distributable to shareholders on ordinary shares and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, if any.

During the year there were no diluted shares, accordingly the diluted earnings per share was the same as the basic.

20. REVENUE AND COST OF SALES

a) Any other classifications of revenues have not been disclosed since the Company is selling two types of products (cement and clinker) and no significant differences have appeared between the sale prices and production cost for different types of Cement, whether packed on non-packed. The selling is conducted at a certain point in time, not over time.

b) Cost of sales for the year ended 31 December comprises the following:

	Note	**Year ended 31 December 2022**	Year ended 31 December 2021 (Restated - note 27)
Raw materials		**285,263,726**	260,765,421
Depreciation	6.c	**211,161,730**	203,868,182
Salaries, wages and equivalents		**170,373,524**	170,203,774
Spare parts		**90,745,796**	82,039,752
Quarry utilization fees		**65,154,961**	66,203,683
Maintenance and repair		**34,099,622**	33,907,345
Packaging cost		**52,396,443**	32,868,807
(Reversal) / provision for slow moving inventory	8.b	**(4,029,475)**	8,200,000
Others		**28,910,135**	29,174,192
Total operating costs		**934,076,462**	887,231,156
Movement in inventory		**(69,016,375)**	(53,285,517)
		865,060,087	833,945,639

21. SELLING AND DISTRIBUTION EXPENSES

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

	Note	**Year ended 31 December 2022**	Year ended 31 December 2021
Salaries, wages and equivalents		**4,760,022**	5,022,213
Export fees		**7,600,797**	1,542,280
Depreciation	6.c	**66,711**	36,710
Others		**1,131,187**	686,660
		13,558,717	7,287,863

22. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the year ended 31 December are as follow:

	Note	**Year ended 31 December 2022**	Year ended 31 December 2021
Salaries, wages and equivalents		**28,116,486**	25,864,289
Consultancy fee		**4,266,803**	4,427,005
Donations and aids		**2,477,000**	2,241,000
Subscription		**2,109,359**	1,296,383
Board of directors' remunerations		**1,800,000**	1,800,000
Depreciation	6.c	**1,435,150**	1,352,736
Allowance for attending committee sessions and remuneration		**3,347,500**	3,279,359
Provision for lawsuits	22a	**--**	10,000,000
Others		**5,987,617**	4,637,088
		49,539,915	54,897,860

22.a The amount represents a provision for lawsuits filed against the Company that have not yet acquired the final decision. Despite this, the Company's management has formed a provision to meet any expected obligations.

23. OTHER INCOME

The other income for the year ended 31 December comprises of as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Murabaha income	**5,979,097**	2,838,039
Revenue from currency differences	**1,301,922**	984,164
Human resource development fund	**377,425**	799,046
Rents collected	**130,000**	105,557
(Losses) /gains on disposal of property and equipment	**(16,860)**	2,730,120
Others	**860,396**	4,215,314
	8,631,980	11,672,240

24. CONTINGENCIES AND CAPITAL COMMITMENTS

a) As at 31 December 2022, the capital contingencies related to projects in progress amounted to SR 40,6 million (2021: SR 52,5 million).

b) As at 31 December 2021, the contingent liabilities against issued banking letters of guarantee amounted to SR 44 million (2020: SR 74,3 million).

c) There are labor cases filed against the company with a fixed value and other labor cases with an unspecified value that are still pending before the judiciary, and neither the Company's management or its legal advisor cannot reliably anticipate the obligations that may result from them at the present time, and accordingly no provisions have been made against these cases.

25. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related party transactions mainly represent transaction with companies related to BOD members, salaries, allowances and bonuses of senior executives.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Directors and shareholders (whether executive or otherwise).

Description	**Nature of relationship**
Saudi Chemical Company Limited	A company related to BOD members
Company for Cooperative Insurance (Tawuniya)	A company related to BOD members
Company’s BOD members	Corporate governance officials
Key management and senior executives	Executive management of the Company

25. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

a) The following table shows the balances of related parties, which are recognized in trade payables as on 31 December 2022 and 31 December 2021:

		Volume of transactions		Closing balance	
Transactions with	**Nature of transaction**	**31 December 2022**	31 December 2021	**31 December 2022**	31 December 2021
Saudi Chemical Company Limited	Purchases of raw material	**12,361,048**	13,347,900	**--**	415,265
Company for Cooperative Insurance (Tawuniya)	Insurance	**6,576,600**	--	--	--

The salaries, wages and related costs benefits during the year ended 31 December include the following:

Transactions with	**Nature of transaction**	**31 December 2022**	31 December 2021
Key management personnel	Salaries, wages and equivalents	**7,922,481**	6,911,526
BOD members	Board of directors' remunerations	**1,800,000**	1,800,000

26. SEGMENT INFORMATION

The Company has one main product, which is packed and unpackaged cement. The main sectors of the Company are presented according to geographical sectors. These segments are organized and managed separately according to the geographical location, each forming a separate unit. The geographical segments set out below are determined by distinguishing business activities from which the Company generates revenues and incurs costs. The economic characteristics are reviewed and the method of determining the geographical sectors is reconsidered in light of the evaluation made by the Chief Operating Decision Maker at least every quarter, provided that they are approved by the Company's Board of Directors. The Company is operating its activities in the Kingdom of Saudi Arabia through the following geographic areas:

As at and for the year ended 31December 2022:	**Jazan**	**Bisha**	**Tehama**	**Head office**	**Total**
Total non-current assets	**228,990,884**	**1,019,338,954**	**1,502,020,164**	**11,329,384**	**2,761,679,386**
Revenues	**450,984,511**	**324,469,192**	**446,955,298**	**--**	**1,222,409,001**
Cost of sales	**361,790,779**	**212,432,519**	**290,836,789**	**--**	**865,060,087**
Income for the year	**89,193,732**	**112,036,673**	**156,118,509**	**(56,640,732)**	**300,708,182**

26. SEGMENT INFORMATION (continued)

As at and for the year ended 31 December 2021:	Jazan	Bisha	Tehama	Head office	Total
Total non-current assets	228,990,884	1,019,338,954	1,502,020,164	11,329,384	2,761,679,386
Revenues	450,984,511	324,469,192	446,955,298		1,222,409,001
Cost of revenue (restated – note 27)	361,790,779	212,432,519	290,836,789		865,060,087
Profit for the year (restated - note 27)	89,193,732	112,036,673	156,118,509	(56,640,732)	300,708,182

27. CORRECTION OF PREVIOUS YEARS' ERRORS

During the first quarter of 2022, the Company became aware of an error in calculating the entitlement of the limestone extraction expense, which is due in favor of the Ministry of Industry and Mineral Resources, based on the quantities extracted for the financial year ended 31 December 2021, as a result of the issuance of an update to the executive regulations of the mining investment, corresponding to 09/05/1442H, which the Company did not implement at the time. Accordingly, the Company's management has re-presented its statements by amending the items of the previous financial statements that were affected by this error in line with the requirements of IAS (8) "Change in Accounting Policies, Change in Accounting Estimates and Accounting Errors".

The following table summarizes the impact on the Company's statement of financial position as at 31 December 2021 and the statement of profit or loss and other comprehensive income and the statement of cash flows for the period ended 31 December 2021:

During 2022, the Company discovered an error in the calculation of the entitlement of the limestone extraction expense for the year ended 31 December 2021, which is due in favor of the Ministry of Industry and Mineral Resources. The calculation was based on the quantities of limestone extracted during the year ended 31 December 2021 and the requirements of regulations of the mining investment issued by 6 December 2020 corresponding to 21 Rabi al-Akhar 1442 H. An update was issued to the executive regulations of the mining investment by Ministry of Industry and Mineral on 17 April 2021 corresponding to 5 Ramadan 1442 H, which was erroneously not implemented by the Company at that the time. Consequently, cost of revenue and the accrued expenses and other payables were misstated. This error has been corrected by restating each of the affected financial statement line items for the prior period in line with the requirements of IAS (8) "Change in Accounting Policies, Change in Accounting Estimates and Accounting Errors".

The following table summarizes the impact on the Company's financial statements:

27. CORRECTION OF PREVIOUS YEARS' ERRORS (continued)

	As at 31 December 2021		
Statement of financial position	**Balance as previously reported**	**Adjustments**	**Balance after adjustment**
Accrued expenses and other payables	92,530,383	21,024,417	113,554,800
Total current liabilities	425,966,541	21,024,417	446,990,958
Total liabilities	797,228,029	21,024,417	818,252,446
Retained earnings	1,107,491,974	(21,024,417)	1,086,467,557
Total shareholders' equity	3,207,491,974	(21,024,417)	3,186,467,557

	For the year ended 31 December 2021		
Condensed statement of profit or loss and other comprehensive income	**Balance as previously reported**	**Adjustments**	**Balance after adjustment**
Cost of revenues	812,921,222	21,024,417	**833,945,639**
Gross profit	526,428,942	(21,024,417)	**505,404,525**
Operating income	464,243,219	(21,024,417)	**443,218,802**
Profit before Zakat	467,284,519	(21,024,417)	**446,260,102**
Profit for the year	450,175,107	(21,024,417)	**429,150,690**
Total comprehensive income	452,779,203	(21,024,417)	**431,754,786**

	For the year ended 31 December 2021		
Condensed statement of cash flows (Un-audited)	**Balance as previously reported**	**Adjustments**	**Balance after adjustment**
Operating activities:			
Profit before zakat	467,284,519	(21,024,417)	446,260,102
Change in working capital:			
Accrued expenses and other payables	**(11,576,642)**	21,024,417	9,447,775

	For the year ended 31 December 2021		
Condensed statement of changes in equity (unaudited)	**Balance as previously reported**	**Adjustments**	**Balance after adjustment**
Retained earnings	**1,107,491,974**	(21,024,417)	**1,086,467,557**
Total shareholders' equity	**3,207,491,974**	(21,024,417)	**3,186,467,557**

27. CORRECTION OF PREVIOUS YEARS' ERRORS (continued)

	For the year ended 31 December 2021		
Basic EPS (unaudited)	**Balance as previously reported**	**Adjustments**	**Balance after adjustment**
Basic	3.22	(0.15)	3.07
Diluted	**3.22**	(0.15)	3.07

28. FINANCIAL INSTRUMENTS

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

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

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

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

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the 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 risk committee oversees compliance by management 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.

Financial instruments carried on the balance sheet include cash and cash equivalents, trade and other receivables, financial assets, borrowings, trade and other payables, other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

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

28. FINANCIAL INSTRUMENTS (continued)

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

	31 December 2022	31 December 2021
Variable rate instruments		
Loans	**253,397,000**	328,397,000

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

	Profit / (loss) 2022		Profit / (loss) 2021	
	BPs decrease on interest rates **100 bp**	BPs increase on interest rates **100 bp**	BPs decrease on interest rates **100 bp**	BPs increase on interest rates **100 bp**
Loans	**2,533,970**	**(2,533,970)**	3,283,970	(3,283,970)

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

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

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

28. FINANCIAL INSTRUMENTS (continued)

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

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

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

	31 December 2022	31 December 2021
Financial assets		
Trade receivables	**78,122,596**	50,715,235
Cash and cash equivalent	**320,213,283**	503,597,996
	398,335,879	554,313,231

	31 December 2022	31 December 2021
Financial assets		
Secured	**398,335,879**	554,313,231
	398,335,879	554,313,231

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

	31 December 2022		31 December 2021	
Duration	**Balance SR**	**Impairment SR**	Balance SR	Impairment SR
Neither past due nor impaired	**76,097,300**	**--**	49,717,767	--
From 1 to 60 days	**2,257,210**	242,913	783,451	23,278
From 61 to 90 days	**178,673**	**167,674**	452,094	214,799
More than 90 days	**--**	**--**	172,510	172,510
	78,533,183	410,587	51,125,822	410,587

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell financial assets quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available. The concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowings or reliance on a particular market in which to realize liquid assets. The following is the contractual maturities for financial liabilities at the end of the period and represented by growth amounts:

28. FINANCIAL INSTRUMENTS (continued)

	Undiscounted contractual cash flows					
31 December 2022	**Less than 1 year**	1 year to 3 years	Over 3 years	Interest accruals for future periods	Total contractual maturity	Total Carrying Amount
Loans	**80,000,000**	**173,397,000**	**--**	**3,963,774**	**257,360,774**	**253,397,000**
Trade receivables, accrued expense and other payables	**114,123,981**	**--**	**--**	**--**	**--**	**114,123,981**
Dividends payable	**160,845,204**					**160,845,204**
	354,969,185	**173,397,000**	**--**	**3,963,774**	**382,907,659**	**528,366,185**

	Undiscounted contractual cash flows					
31 December 2021	Less than 1 year	1 year to 3 years	**More than 3 years**	**Interest accruals for future periods**	**Total contractual maturity**	Total Carrying Amount
Loans	75,000,000	165,000,000	88,397,000	14,190,800	342,587,800	328,397,000
Trade receivables, accrued expense and other payables (restated - note 27)	166,965,769	--	--	--	--	166,965,769
Dividends payable	161,586,672	--	--	--	--	161,586,672
	403,552,441	165,000,000	88,397,000	14,190,800	682,493,145	656,949,441

- It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Capital Management

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

The Company's adjusted net liabilities to equity ratio was as follows:

	31 December 2022	31 December 2021 (Restated - note 27)
Total liabilities	**666,219,811**	818,252,446
Less: Cash at banks	**(320,213,283)**	(503,597,996)
Net liabilities	**346,006,528**	314,654,450
Total shareholders' equity	**3,205,593,835**	3,186,467,557
Net liabilities to equity ratio	**0.11**	0.10

28. FINANCIAL INSTRUMENTS (continued)

Capital management (continued)

The below table shows the carrying amounts and fair values of the financial assets and liabilities including their levels in the fair value hierarchy.

	31 December 2022					
	Carrying amount		**Fair value**			
Financial assets	**Amortized cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Trade receivables	**78,122,596**	**78,122,596**	**--**	**--**	**--**	**--**
Cash and cash equivalents	**320,213,283**	**320,213,283**	**--**	**--**	**--**	**--**
	398,335,879	**398,335,879**	**--**	**--**	**--**	**--**
Financial liabilities						
Loans and facilities	**253,397,000**	**253,397,000**	**--**	**--**	**--**	**--**
Trade receivables, accrued expense and other payables	**114,123,981**	**114,123,981**	**--**	**--**	**--**	**--**
	367,520,981	**367,520,981**	**--**	**--**	**--**	**--**

	31 December 2021					
	Carrying amount		Fair value			
Financial assets	Amortised cost	Total	Level 1	Level 2	Level 3	Total
Trade receivables	50,715,235	50,715,235	--	--	--	--
Cash and cash equivalents	503,597,996	503,597,996	--	--	--	--
	554,313,231	554,313,231	--	--	--	--
Financial liabilities						
Loans and facilities	328,397,000	328,397,000	--	--	--	--
Trade receivables, accrued expense and other payables (restated - note 27)	166,965,769	166,965,769	--	--	--	--
	495,362,769	495,362,769	--	--	--	--

29. FINANCE COSTS

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

	31 December 2022	31 December 2021
Finance cost charged on the statement of profit or loss under borrowings	**10,349,650**	8,630,940
Finance cost charged on the statement of profit or loss under employee's benefits obligations (note 15.b)	**3,706,401**	3,292,509
	14,056,051	11,923,449

30. SUBSEQUENT EVENTS

The Board of Directors, at its meeting held on 5 Ramadan 1444H, corresponding to 27 March 2023, recommended cash dividends of SR 70 million for the second half of the financial year 2022 at SR 0,5 per share. Provided that the dividends are attributable to the shareholders of the Company who own shares on the maturity date registered in the registry of the Company's shareholders' in the Securities Depository Center (Edaa) at the end of the second trading day following the day of the Company's General Assembly meeting, the date of which will be announced later, after taking the necessary approvals.

31. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on March 27, 2023, corresponding to Ramadan 5, 1444H.