# TABUK CEMENT COMPANY
## (A Saudi Joint Stock Company)

Financial Statements
For The Year Ended December 31, 2023
Together with Independent Auditor's Report

**TABUK CEMENT COMPANY**
**(A Saudi Joint Stock Company)**

FINANCIAL STATEMENTS
For The Year Ended December 31, 2023
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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# INDEPENDENT AUDITOR'S REPORT

**TO: THE SHAREHOLDERS OF**
**TABUK CEMENT COMPANY**
**(A Saudi Joint Stock Company)**

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of **Tabuk Cement Company (the "Company"),** which comprise the statement of financial position as at December 31, 2023, the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

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

### Basis for Opinion

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

### Key Audit Matters

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

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**INDEPENDENT AUDITOR'S REPORT *(Continued)***
**TABUK CEMENT COMPANY**
**(A Saudi Joint Stock Company)**

**Key Audit Matters**

| **Revenue Recognition** | |
|---|---|
| **Key audit matter** | **How the matter was addressed in our audit** |
| During the year ended 31 December 2023, revenue from sales amounting to SR 265 million was recognized.<br><br>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.<br><br>Revenue is one of the core indicators for measuring performance, and consequently, there are inherent risks through recognizing revenue with more than its actual value in order to increase profitability. Therefore, the revenue recognition process has been considered as a key audit matter. | The auditing procedures we performed in relation to recognition of revenues from sales included, among other procedures, the following:<br><br>- Assessed the appropriateness of the Company's accounting policies related to recognition of income from sales, including those related to discounts and incentives, as well as assessing compliance with the requirements of applicable accounting standards.<br>- Evaluated the design and implementation of the internal control procedures related to revenue recognition.<br>- Performed analytical review on 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.<br>- 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. |
| Refer to note (4.10) for the accounting policy and note (20) regarding disclosure of revenue. | |

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**
**TABUK CEMENT COMPANY**
**(A SAUDI JOINT STOCK COMPANY)**

**Key Audit Matters** ***(Continued)***

<table>
<tr><th colspan="2">Impairment of Spare parts inventory</th></tr>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As at 31 December 2023, the book value of spare parts inventory amounted to SR 92,19 million, which is kept for periods that may exceed one financial year and this may impact the evaluation of the spare parts stock, which includes the use of judgments in estimating provisions for spare parts inventory.<br><br>The use of judgments is required to assess the appropriate level of provisions for the spare parts inventory items that may be damaged or sold for less than their cost if the damaged and slow-moving quantity is determined. These judgments include the management's expectations regarding the future use of these spare parts or plans to exclude or sell them.<br><br>Due to the significance of the spare parts provision and related estimates, this was considered a key audit matter.</td><td>Our audit procedures, which are related to the verification the appropriateness of the recorded provision against the inventory of spare parts, included, among other procedures, the following:<br><br>- Assessed the appropriateness of the Company's accounting policies related to allowance for slow-moving inventories recognition, as well as assessing compliance with the requirements of applicable accounting standards.<br>- Evaluated the design and implementation of the internal control procedures related to inventory evaluation.<br>- 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.<br>- Discuss with the management the key assumptions it used in estimating the provision.<br>- Verify the reasonableness of the assumptions used by management in calculating the provision on sample basis.<br>- 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.</td></tr>
<tr><td colspan="2">With reference to Note (3) regarding the use of judgments and estimates in respect of the impairment of inventories, as well as Note (10) regarding disclosure of inventories.</td></tr>
</table>

**Other Matter**

The financial statements of the Company for the year ended 31 December 2022were audited by another auditor who expressed unmodified opinion on those financial statements on Ramadan 5, 1444 H (corresponding to March 27, 2023).

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**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**
**TABUK CEMENT COMPANY**
**(A SAUDI JOINT STOCK COMPANY)**

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 Company's 2023 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

**Responsibilities of Management and Those Charged with Governance for the 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**
**TABUK 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, 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 Tabuk 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 we reasonably believe affect our independence and, where possible, actions taken to eliminate threats or on applicable 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.

شركة حلول كرو للاستشارات المهنية
C.R. No. 1010466353
سجل تجاري رقم ١٠١٠٤٦٦٣٥٣
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**Crowe Solution**
**For Professional Consulting**

**Abdullah M. Al Azem**
**License No. 335**

18 Ramadan 1445H (Corresponding to March 28, 2024)
Riyadh, Kingdom of Saudi Arabia

**TABUK CEMENT COMPANY**
(A Saudi Joint Stock Company)
**STATEMENT OF FINANCIAL POSITION**
As of December 31, 2023
(Saudi Riyal)

| | Notes | 31-Dec-23 | 31-Dec-22 (Restated Note 35) |
|---|---|---|---|
| **Assets** | | | |
| **Non-current Assets** | | | |
| Properties, plants and equipment | 5 | 907,970,529 | 950,872,509 |
| Investment properties | 6 | 72,279,440 | 72,279,440 |
| Investments at fair value through other comprehensive income | 7 | 287,111,819 | 295,201,417 |
| Intangible assets | 8 | 5,959,378 | 4,874,048 |
| Right of use assets | 9-1 | 6,422,212 | - |
| Derivative Financial Instruments | 31 | 7,179,800 | 11,146,526 |
| **Total non-current assets** | | 1,286,923,178 | 1,334,373,941 |
| **Current Assets** | | | |
| Inventory | 10 | 282,355,709 | 266,764,185 |
| Trade receivable | 11 | 23,677,340 | 17,627,304 |
| Prepayments and Other debit balances | 12 | 13,805,352 | 10,931,249 |
| Cash and cash equivalents | 13 | 36,894,267 | 46,953,691 |
| **Total current assets** | | 356,732,668 | 342,276,429 |
| **Total assets** | | 1,643,655,846 | 1,676,650,369 |
| **Liabilities & Shareholders' Equity** | | | |
| **Shareholders' Equity** | | | |
| Capital | 14 | 900,000,000 | 900,000,000 |
| Statuary reserve | | 233,592,463 | 231,618,097 |
| Other reserves | 27 | 124,942,869 | 136,999,193 |
| Retained earnings | | 37,642,430 | 19,993,867 |
| **Total Shareholders' Equity** | | 1,296,177,762 | 1,288,611,157 |
| **Non-current Liabilities** | | | |
| Non-current portion of long-term loans | 15 | 91,591,185 | 151,471,216 |
| Non-current portion of lease liabilities | 9-2 | 4,843,628 | - |
| Employees' defined benefits obligation | 17 | 17,377,129 | 16,135,397 |
| **Total non-current liabilities** | | 113,811,942 | 167,606,613 |
| **Current Liabilities** | | | |
| Current portion of long-term loans | 15 | 63,470,883 | 63,470,883 |
| Current portion of lease liabilities | 9-2 | 1,725,597 | - |
| Other credit balances | 18 | 20,262,324 | 17,682,479 |
| Trade payables | | 17,049,002 | 12,223,887 |
| Accrued dividend to shareholders | 16 | 119,691,529 | 120,371,949 |
| Zakat provisions | 19 | 11,466,807 | 6,683,401 |
| **Total current liabilities** | | 233,666,142 | 220,432,599 |
| **Total liabilities** | | 347,478,084 | 388,039,212 |
| **Total Shareholder's equity & liabilities** | | 1,643,655,846 | 1,676,650,369 |

The accompanying notes from (1) to (38) form an integral part of these financial statements, and was approved from bord of directors, and was signed by:

Mansour Ibraheem Al Habdan
Financial Manager

Tariq bin Khaled Al-Anqari
(Authorized) BOD Member

Ali bin Mohamed Al-Qahtani
Chief Executive Officer

**TABUK CEMENT COMPANY**
(A Saudi Joint Stock Company)
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
For the year ended December 31, 2023
(Saudi Riyal)

شركة اسمنت تبوك
CR 3550012690 س.ت
TABUK CEMENT CO.

| | Notes | 2023 | 2022 (Restated Note 35) |
|---|---|---|---|
| Revenue | 20 | 265,083,135 | 297,549,464 |
| Cost of revenue | 20 | (211,928,173) | (234,115,479) |
| **Gross profit** | | 53,154,962 | 63,433,985 |
| Selling and distribution expenses | 21 | (4,681,112) | (3,787,430) |
| General and administrative expenses | 22 | (26,677,736) | (23,226,783) |
| Other income | 23 | 11,997,714 | - |
| Impairment (loss) / reversal on trade receivables | | - | (237,429) |
| **Operating profit** | | 33,793,828 | 36,182,343 |
| Finance cost, Net | 24 | (4,395,846) | (7,345,044) |
| The effect of modifying the cash flows of a financial liability | 15 | (3,590,852) | (4,729,410) |
| **Profit before Zakat** | | 25,807,130 | 24,107,889 |
| Zakat expense | 19 | (6,063,468) | (3,140,701) |
| **Net profit for the year** | | 19,743,662 | 20,967,188 |
| **Other comprehensive income:** | | | |
| **Items that will not be reclassified to profit or loss** | | | |
| Unrealized (loss) / gains on investments at FVOCI | 7 | (8,089,598) | 12,060,468 |
| Re-measurement loss on defined benefit plan | 17 | (120,733) | (510,478) |
| **Items that are or may be reclassified subsequently to profit or loss:** | | | |
| Movement in Fair Value on Cash Flow Hedges | | (3,966,726) | 11,146,526 |
| **Other comprehensive income for the year** | | (12,177,057) | 22,696,516 |
| **Total comprehensive income for the year** | | 7,566,605 | 43,663,704 |
| **Earnings per share:** | | | |
| Basic and diluted | 25 | 0.219 | 0.233 |

The accompanying notes from (1) to (38) form an integral part of these financial statements, and was approved from bord of directors, and was signed by:

Mansour Ibrahim Al-Habdan
Financial Manager

Tariq bin Khaled Al-Anqari
(Authorized) BOD Member

Ali bin Mohamed Al-Qahtani
Chief Executive Officer

**TABUK CEMENT COMPANY**
(A Saudi Joint Stock Company)
**STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY**
For the year ended December 31, 2023
(Saudi Riyal)

شركة اسمنت تبوك
CR 3550012690 س.ت
TABUK CEMENT Co.

| | Capital | Statuary reserve | Other reserves | Retained earnings | Total Shareholders' Equity |
|---|---|---|---|---|---|
| **Balance as at January 01, 2022** | 900,000,000 | 229,521,378 | 113,792,199 | 24,133,876 | 1,267,447,453 |
| Net profit for the year | - | - | - | 20,967,188 | 20,967,188 |
| Other comprehensive income | | - | 23,206,994 | (510,478) | 22,696,516 |
| Net comprehensive income for the year | - | - | 23,206,994 | 20,456,710 | 43,663,704 |
| Dividend (Note 26) | - | - | | (22,500,000) | (22,500,000) |
| Transfer to statuary reserve | - | 2,096,719 | - | (2,096,719) | - |
| **Balance as at December 31, 2022** (Restated Note 35) | 900,000,000 | 231,618,097 | 136,999,193 | 19,993,867 | 1,288,611,157 |
| **Balance as at January 01, 2023** | **900,000,000** | **231,618,097** | **136,999,193** | **19,993,867** | **1,288,611,157** |
| Net profit for the year | | - | | **19,743,662** | **19,743,662** |
| Other comprehensive income | - | - | **(12,056,324)** | **(120,733)** | **(12,177,057)** |
| Net comprehensive income for the year | | - | **(12,056,324)** | **19,622,929** | **7,566,605** |
| Transfer to statuary reserve | | **1,974,366** | - | **(1,974,366)** | - |
| **Balance as at of December 31, 2023** | **900,000,000** | **233,592,463** | **124,942,869** | **37,642,430** | **1,296,177,762** |

The accompanying notes from (1) to (38) form an integral part of these financial statements, and was approved from bord of directors, and was signed by:

| Mansour Ibrahim Al-Habdan<br>Financial Manager | Tariq bin Khaled Al-Anqari<br>(Authorized) BOD Member | Ali bin Mohamed Al-Qahtani<br>Chief Executive Officer |
|---|---|---|

**TABUK CEMENT COMPANY**
(A Saudi Joint Stock Company)
**STATEMENT OF CASH FLOWS**
For the year ended December 31, 2023
(Saudi Riyal)

CR 3550012690 س.ت
TABUK CEMENT CO.

| | Note | 2023 | 2022 |
|---|---|---|---|
| **Cash Flow from Operating Activities** | | | |
| Profit before Zakat | | 25,807,130 | 21,107,889 |
| **Adjustments in Non-cash Accounts** | | | |
| Depreciation of property, equipment and amortization | 5 | 59,105,321 | 58,916,880 |
| Amortization of intangible assets | 8 | 483,192 | 231,790 |
| Charged of slow-moving items | 10 | 461,176 | 294,664 |
| Depreciation of right-of-use assets | 9-1 | 891,695 | 1,705,654 |
| The effect of modifying the cash flows of a financial liability | 15 | 3,590,852 | 4,729,410 |
| Finance cost | 24 | 4,395,816 | 7,315,044 |
| (Loss) / recharge of bad debit provision | 11 | - | 237,429 |
| Charged end of service obligation | 17 | 2,297,732 | 1,838,265 |
| Losses from dispose an asset | | - | 185,110 |
| | | 97,032,944 | 99,592,135 |
| **Changes in Current Assets & Liabilities** | | | |
| Trade receivable | | (6,050,036) | (9,887,126) |
| Other debit balances | | (2,874,103) | 309,174 |
| Inventory | | (16,052,700) | 34,137,034 |
| Trade payables | | 4,649,745 | (4,153,950) |
| Other credit balances | | 2,579,845 | (9,209,681) |
| | | 79,285,695 | 110,788,486 |
| Zakat paid | 19 | (1,280,062) | (3,413,692) |
| End of services benefits paid | 17 | (1,176,733) | (2,136,372) |
| **Net cash provided from operating activities** | | 76,828,900 | 105,238,422 |
| **Cash flow from investing activities** | | | |
| Purchase of property, machinery and equipment | 5 | (16,203,341) | (10,227,862) |
| Purchase of intangible assets | 8 | (1,568,522) | (343,146) |
| **Net cash (used in) investing activities** | | (17,771,863) | (10,571,008) |
| **Cash flow from financing activities** | | | |
| Repayment of loans | 15 | (63,470,883) | (63,470,883) |
| Payment of lease liabilities | 9-2 | (767,805) | (1,772,419) |
| Financial charges paid | | (4,197,353) | (7,315,044) |
| Dividends paid | [illegible] | (680,420) | (23,237,908) |
| **Net cash (used in) financing activities** | | (69,116,461) | (95,796,254) |
| **Net decrease in cash and cash equivalents** | | (10,059,424) | (1,128,840) |
| Cash and cash equivalents at beginning of the year | | 46,953,691 | 48,082,531 |
| **Cash and cash equivalents at end of the year** | | 36,894,267 | 46,953,691 |
| **Non-cash transactions:** | | | |
| Transfer from lease obligation to trade payable | 9-2 | (175,370) | - |
| Addition right of use | 9-1 | 7,313,907 | - |
| Change in investment FVOCI reserves | 7 | (8,089,598) | 12,060,468 |

The accompanying notes from (1) to (38) form an integral part of these financial statements, and was approved from bord of directors, and was signed by:

Mansour Ibrahim Al-Habdan
Financial Manager

Tariq bin Khaled Al-Angari
(Authorized) BOD Member

Ali bin Mohamed Al-Qahtani
Chief Executive Officer

(Saudi Riyal)

## 1. ORGANIZATION AND ACTIVITIES

**a) General information:**

Tabuk Cement Company (the Company) is a Saudi joint stock company established under the regulations for companies in the Kingdom of Saudi Arabia issued by Royal Decree No. (M/6) dated 30 Jumada Thani 1405H (corresponding to 22 March 1985).The Company is registered in the city of Tabuk under Commercial Registration No. 3550012690 on 25 Saffar 1415H (corresponding to 2 August 1994).

The Company's main activity is as follows:
- Ordinary Cement Industry (Portland)
- Salt-resistant cement industry
- Cement industry (clinker)

The Company operates under industrial license No. 42110217153 issued on 14 Saffar 1442H (corresponding to 1 October 2020) which expires on 16 Rabi' Al-Awwal 1445H (corresponding to 1October 2023).

The registered address of the Company is: Al- Duba area, north of the city of Duba, next to the port of Duba, near the sea port of Duba, P.O. Box 122, Tabuk 71451, Kingdom of Saudi Arabia.

The accompanying condensed interim financial statements as of December 31, 2023 represent the business results, assets and liabilities of the company and its branches as follows:

| Branch Name | CR number | City |
|---|---|---|
| Tabuk Company for Gypsum Products | 3555001184 | Duba |

## 2. BASIS OF PREPARATION

*a) Statement of compliance*

The accompanying financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as 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) (hereafter referred to as "IFRS as endorsed in KSA").

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

*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 and investments that are measured at fair value in the statement of other comprehensive income and using the accrual basis of accounting and the going concern concept.

*c) Functional and presentation currency*

These financial statements are presented in Saudi Arabian Riyals (SAR), which is the functional and presentation currency of the Company. All amounts have been rounded to the nearest SAR, unless otherwise indicated.

(Saudi Riyal)

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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:

### *Useful lives of property, plant and equipment and intangible assets*

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 of plant and equipment have been adjusted as of 1 January 2021, where the change in the depreciation method has been accounted for as a variable in an accounting estimate and the remaining book value of plant and equipment will be depreciated according to the new depreciation rates. The impact of this amendment amounted to SR 12,2 million as an impairment of depreciation during the year ended 31 December 2022 (2021: SR 12,2 million) compared to previous depreciation rates, and the impact of this on the next five years is as follows:

| | Estimated | | | | |
|---|---|---|---|---|---|
| | 2024 | 2025 | 2026 | 2027 | 2028 |
| Decrease in depreciation expense | 12,209,318 | 12,209,318 | 12,209,318 | 12,209,318 | 12,209,318 |

### *Zakat*

Zakat charge is accounted for in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia.

### *Defined benefit plans (employees' terminal benefits)*

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.

### *Expected credit losses (ECLs) of trade 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.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS- CONTINUED

*Lease*

Extension and termination options are included in a number of leases. These terms are used to increase operational flexibility in terms of contract management. Most of the extension and termination options held are subject to renewal by both the company and the lessor.

When determining the term of a lease, management takes into account all facts and circumstances that create an economic incentive to extend the option, or not to terminate. Extension options (or periods following termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The rating is reviewed if a significant event or significant change in circumstances occurs that affects this rating and is within the tenant's control.

*Deduct rent payments*

Lease payments are discounted using a rediscount rate and yield curve. Management has applied judgment and estimates to determine the incremental borrowing rate at lease inception.

*Fair value measurement*

If it is not possible to obtain from active markets the fair values of financial assets and financial liabilities included in the statement of financial position, those fair values are determined using a set of valuation techniques that include the use of mathematical models. The data entered into these models is obtained from market data, if possible. In the absence of such market data, fair values are determined by making judgments. These provisions include liquidity considerations and input data to the models such as derivative volatility, longer term discount rates, prepayment ratios and default rates for asset-backed securities. Management believes that the chosen valuation techniques used are appropriate to determine the fair value of financial instruments

*Fair value measurement and valuation procedures*

When estimating the fair value of financial assets and financial liabilities, the company uses available observable market data. In the absence of level (1) inputs, the company conducts evaluations using appropriate valuation models to determine the fair value of financial instruments.

*Contingent liabilities*

The company is currently involved in a number of legal procedures. Estimates of the potential costs of settling such claims, if any, have been developed in consultation with internal and external advisors who engage with Company officials in these matters and are based on the likelihood of potential outcomes. The company's management currently believes that these measures will not have a material impact on the financial statements. However, it is possible that future results of operations could be materially affected depending on the ultimate outcome of the proceedings.

***Impairment for inventory***

Management estimates the impairment to reduce the inventory to its net realizable value if the cost of the inventory is not recoverable or the inventory is damaged or become an obsolete in whole or in part, or if the market 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.

***Going concern***

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS- CONTINUED

*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 recognized 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 amortization, if no impairment loss had been recognized.

## 4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The following accounting policies have been consistently applied by the Company when preparing the financial statements to all periods presented in these financial statements.

### 4-1 Property and equipment

**Recognition and measurement**

Items of property, and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset including any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, where applicable.

**Subsequent costs**

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the 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 charged to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognized in profit or loss. The depreciation is charged from the date the asset is available for use until the date of its disposal or de-recognition.

The estimated useful lives of property and equipment are as follows:

| | Years |
|---|---|
| Buildings and construction | 7 - 50 |
| Machines and equipment | 3 – 25 |
| Furniture and office equipment | 5 – 20 |
| Vehicles and heavy equipment | 4 – 8 |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The company reviews depreciation methods, useful lives, and residual value of property, machinery, and equipment at the end of each fiscal year, and if there is a difference, it is treated as changes in accounting estimates (in the year of change and subsequent years).

## 4. SUMMARY OF MATERIAL ACCOUNTING POLICIES – (CONTINUED)

### 4-1 Property and equipment – (continued)

**De-recognition**
An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in statement of profit or loss and other comprehensive income.

### 4-2 Project under constructions

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.

### 4-3 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Amortization is calculated to write off the cost of intangible assets and is recognized in profit or loss. The amortization is charged from the date the intangible assets are available for use until the date of its disposal or de-recognition. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**Subsequent *expenditure***
Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

The Company's intangible assets comprise of the following:

**Computer software**
Computer software are initially recognized at cost and are amortized on a straight-line basis over their estimated useful lives, from the date of initial recognition.

**Useful lives**
The estimated useful lives of the Company's intangible assets are as follows:

| | Years |
|---|---|
| Computer software | 4 |

### 4-4 Investment properties

Investment properties are non-current assets held either to earn rental income or for capital appreciation or for both, as well as those held for undetermined future as investment properties. Investment property is measured at cost less accumulated depreciation and impairment loss if any. Investment properties are depreciated on a straight line basis over the estimated useful life of the respective assets. No depreciation is charged on land and capital work-in-progress.

Investment property is derecognized either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of profit or loss and other comprehensive income in the period of derecognition.

Expenses incurred for replacing component of investment properties items, which are accounted for separately are capitalized, and carrying value of replaced component is written off. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of the related investment properties. All other expenses are recognized in the statement of profit or loss and other comprehensive income when incurred.

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

## 4. SUMMARY OF MATERIAL ACCOUNTING POLICIES – (CONTINUED)

### 4-4 Investment properties– (continued)

The Company determines at each reporting date whether there is any objective evidence that the investment properties are impaired. Whenever the carrying amount of an investment property exceeds their recoverable amount, an impairment loss is recognised in the statement of profit or loss and other comprehensive income. The recoverable amount is the higher of investment property's fair value less cost to sell and the value in use.

### 4-5 Leases

the Company assesses whether a contract contains a lease, at inception of the contract. For all such lease arrangements the Company recognizes right of use assets and lease liabilities except for the short-term leases and leases of low value assets as follows:

**Company as a lessee**

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

**Right-of-use assets**

Leases are recognized as right-of-use assets, in addition to their corresponding liabilities, on the date that the leased assets are available for use by the Company. Lease payments are apportioned between the lease liability and the finance cost. Finance cost is recognized in the statement of profit or loss and other comprehensive income over the lease term. Right-of-use assets are depreciated on a straight-line basis over the lease term and the estimated useful lives of the assets, whichever is shorter, as follows:

| | Years |
|---|---|
| Vehicle | 4 |

Right-of-use assets are initially measured at cost, which consists of the following:

- The amount of the initial measurement of lease liabilities;
- Lease payments made on or before the lease start date less lease incentives received;
- Any initial direct cost; And
- The cost of restoring the site to its original condition, as the case may be.

In the event that the ownership of the leased asset is transferred to the Company at the end of the lease term or the cost reflects the exercise of the purchase option, then depreciation is calculated over the estimated useful life of the asset. Right-of-use assets are also subject to impairment.

**Lease liabilities**

At the inception of the lease, the Company includes lease liabilities measured at the present value of the lease payments over the lease term. Lease payments include fixed payments (including fixed payments in substance) less any lease incentives receivable, variable lease payments that are index or rate dependent, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option that the Company is reasonably certain to exercise and payments of penalties for terminating the lease, if the lease term shows the Company exercising the option to terminate. Variable lease payments that do not depend on an index or rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs. The lease payments are discounted using the Company's implied rate of interest, or the Company's incremental borrowing rate.

**Short-term leases and leases of low-value assets**

Short-term leases represent leases with a lease term of 12 months or less. Low value assets represent those items that do not reach the Company's capitalization limit and are considered immaterial to the Company's statement of financial position as a whole. Payments relating to short-term leases and leases of low-value assets are recognized on a straight-line basis in profit or loss.

## 4. SUMMARY OF MATERIAL ACCOUNTING POLICIES – (CONTINUED)

### 4-6 Financial instruments

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

#### i) Financial assets

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, or fair value through other comprehensive income (OCI) or fair value through profit or loss (FVTPL).

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

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

**Subsequent measurement**

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
- Financial assets at fair value through income statement

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Company. the Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in statement of profit or loss when the asset is derecognized, modified or impaired. the Company's financial assets at amortized cost include cash and cash equivalents, trade, other receivables and contract assets.

Financial assets at fair value through OCI (debt instruments)

the Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## 4. SUMMARY OF MATERIAL ACCOUNTING POLICIES – (CONTINUED)

### 4-6 Financial instruments – (continued)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit and loss and other comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon de-recognition, the cumulative fair value change recognized in OCI is recycled to the statement of income. Currently the Company does not have investment in financial asset at fair value through OCI.

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

Gains and losses on these financial assets are never recycled to the income statement. Dividends are recognized as other income in the statement of income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. Currently the Company have financial asset designated at fair value through OCI.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss and other comprehensive income.

**De-recognition**
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognized (i.e., removed from the Company's statement of financial position) when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

**ii) Financial liabilities**

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

## 4. SUMMARY OF MATERIAL ACCOUNTING POLICIES – (CONTINUED)

### 4-6 Financial instruments – (continued)

**Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

**Financial liabilities at fair value through profit or loss**

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

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

**Trade and other payables**

This category is relevant to the Company. After initial recognition, borrowings, trade and other payables are subsequently measured at amortized cost using the effective interest rate ("EIR") method. Gains and losses as a result of unwinding of interest cost through EIR amortization process and on de-recognition of financial liabilities are recognized in the statement of profit or loss and other comprehensive income.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss and other comprehensive income.

**De-recognition**

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

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 recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

**Impairment of financial assets**

The Company recognizes an allowance for expected credit losses (ECLs) for trade receivables and contract assets. The ECL reflects the changes in credit risk since initial recognition of the instrument.

The Company applies the simplified approach to calculate impairment on accounts receivable and contract assets and this always recognizes lifetime ECL on such exposures. ECL on these financial assets are estimated using a credit loss rate based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

As a practical expedient allowed in IFRS 9, the Company, the Company reconstructed the expected credit loss model for trade receivables and contract assets by recalculating the allowance for impairment using the provision matrix and thus using the credit loss rate approach rather than the probability of default.

**Credit impaired financial assets**

At each reporting date, the Company assesses whether there is any impairment in financial assets measured at amortized cost. Financial assets are considered credit-impaired when one of the following events occurs that can be monitored and has a material effect on the estimated future cash flows:

- Significant financial difficulties of the client, or
- Exceeding the allowed payment due date by 90 days, or
- It becomes probable that the customer will enter bankruptcy or other financial restructuring.

The Company considers trade receivables and contract assets to have defaulted when they become credit impaired or when they have exceeded the allowed payment due date by 90 days.

## 4. SUMMARY OF MATERIAL ACCOUNTING POLICIES – (CONTINUED)

### 4-6 Financial instruments – (continued)

#### 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.

### 4-7 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.

## 4. SUMMARY OF MATERIAL ACCOUNTING POLICIES – (CONTINUED)

### 4-8 Impairment of non-financial assets

At each financial reporting date, the Company reviews the book values of its non-financial assets to verify whether there is any indication of any decline in value. If such indication exists, the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash flows from continuing use and are largely independent of the cash flows of other assets or cash-generating units.

The recoverable amount of an asset or cash generating unit is the higher of its value in use or fair value less costs to sell. Value in use is based on 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 cash generating unit.

Impairment losses are recognized when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. It is distributed to reduce the book value of the assets in the cash-generating unit proportionately.

The company calculates impairment based on the information used to calculate detailed budgets and forecasts, which are prepared independently for each cash-generating unit in the company to which the asset is allocated. These budgets and forecast calculations usually cover a period of five years. For longer periods, the long-term growth rate is calculated and applied to the project's future cash flows after the budget period.

Impairment losses from continuing operations are recognized in the statement of profit or loss and other comprehensive income within expense categories in line with the function of the impaired asset.

Regardless of whether there is an indication of impairment, the company must also examine intangible assets with an indefinite useful life or intangible assets that are not ready for use to determine impairment annually by comparing their carrying value with the related recoverable amount. An impairment check can be performed at any time during the year, provided that it is performed at the same time each year. Impairment in the value of various intangible assets can be examined at several times. However, if an intangible asset is recognized during the current period, that intangible asset must be tested for impairment before the end of the current annual period.

For assets other than those mentioned above, an evaluation is performed at the end of each fiscal year to ensure that there is any indication that previously recognized impairment losses do not exist or decrease. If such evidence exists, the

Company estimates the recoverable amount of the asset or cash generating unit. 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. This reversal is limited so that the recoverable amount does not exceed the book value or the book value that had previously been determined after deducting depreciation or amortization, had no impairment loss been recorded for the asset in prior years. This reversal is recognized in the statement of profit or loss.

### 4-9 Employees' defined benefit obligation

the Company operates employees' end of service benefits scheme.

End of service benefits, as required by Saudi Arabia Labor Law, are required to be provided based on the employees' length of service. the Company's net obligation in respect of defined unfunded benefit plans ("the obligations") is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value, and any unrecognized past service costs.

The discount rate used is the market yield on government bonds at the reporting date that has maturity dates approximating the terms of the Company's obligations. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method to determine the Company's present value of the obligation, with actuarial valuations to be carried out every third year and updated annually for the following two years for material changes, if any. Defined benefits liability comprises of the following:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense / income; and
- Re-measurement gains / (losses).

## 4. SUMMARY OF MATERIAL ACCOUNTING POLICIES – (CONTINUED)

### 4-9 Employees' defined benefit obligation– (continued)

The Company recognizes and presents the first two components of the defined benefit costs in the statement of income. Gains / (losses) due to re-measurement of employee benefits liabilities are recognized in other comprehensive income immediately. Curtailment gains/ (losses) are accounted for as past service cost in the profit or loss in the period of plan amendment.

the Company is also required to contribute towards a state-owned benefit plan where the Company's obligation under the plan is to make specified monthly contribution based on specified percentage of payroll cost as stipulated under the regulation. These contributions are recognized as an expense when employees have rendered the service entitling them to the contributions. Any unpaid amounts are classified as accruals.
A liability is also recognized for benefits accruing to the employees in respect of wages and salaries, annual leaves and other related benefits in the period the related services are rendered at the undiscounted amount of the benefits expected to be paid and are classified as accruals.

### 4-10 Revenue recognition

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.

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

## 4. SUMMARY OF MATERIAL ACCOUNTING POLICIES – (CONTINUED)

### 4-11 Inventories
Inventories are measured at the lower of cost or net realizable value. Inventories cost is calculated using the weighted average method, which includes expenditure incurred in bringing inventories to their existing location and condition and in case of manufactured inventories and work in progress, inventories are charges with an appropriate share of production overheads based on normal operation capacity of the company. Net realisable value is the estimated selling price in the Company's ordinary course of business, less the estimated costs of completion and selling.

### 4-12 Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, cash at banks in current accounts and other short-term liquid investments with original maturities of three months or less, if any, which are available to the Company without any restrictions.

### 4-13 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost in the profit or loss account.

### 4-14 Earnings per share
Basic earnings per share is calculated by dividing:

- the income attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account:

- by the weighted average number of ordinary shares outstanding during the financial year, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### 4-15 Zakat and taxes

the Company is subject to Zakat and income tax in accordance with the regulations of the Zakat Tax and Customs Authority (the "ZATCA"). The zakat and income tax charges are charged to profit or loss statement.

#### Zakat
the Company calculates and records the zakat provision based on the zakat base in its financial statements in accordance with Zakat rules and principles in the Kingdom of Saudi Arabia. Adjustments arising from final zakat assessment are recorded in the reporting period in which such assessment is approved by the ZATCA.

#### Value Added Tax ("VAT")
Expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and/or
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

#### Withholding tax
Withholding tax related to dividends, royalties, interest and service fees are recorded as liabilities.

## 4. SUMMARY OF MATERIAL ACCOUNTING POLICIES – (CONTINUED)

### 4-16 Cost and Expenses

**Cost of revenue**

Represents cost of revenue incurred during the year and includes costs of services, government fees, interconnection costs and other direct and indirect expenses relating to recognized revenue. Where governmental fees represent government contribution fees in trade earnings, license fees, frequency waves' fees and costs charged to the Company against the rights to use telecommunications and data services in the Kingdom of Saudi Arabia as stipulated in the license agreements. These fees are recorded in the related periods during which these fees are incurred and included under cost of revenue in the statement of profit or loss. Interconnection costs represent connection charges to national and international telecommunication networks. Interconnection costs are recorded in the period when relevant calls are made and are included in the cost of revenue caption in the statement of profit or loss.

**Selling, Marketing and General Administrative Expenses**

Expenses are those 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 general and administrative expenses. Allocations of common expenses between cost of sales, selling, marketing, general and administrative expenses, when required, are made on a consistent basis.

### 4-17 Foreign currency transactions

Transactions denominated in foreign currencies are translated to the functional currency of the Company at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to the functional currency of the Company at the exchange rate ruling at that date. Exchange differences arising on translations are recognized in the profit or loss account.

### 4-18 Segment Reporting

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

### 4-19 Offsetting

Financial liabilities are set off against financial assets, and the net amount is shown in the financial position only when the obliging legal rights are available and when settled on net basis or the realization of assets or settlement of liabilities is done at the same time.

### 4-20 Statuary reserve

The company's articles of association require that 10% of annual net income be transferred to the statutory reserve. The Ordinary General Assembly may decide to stop transferring the aforementioned reserve until it reaches 30% of the paid-up capital.

In accordance with the company's bylaws, the General Assembly may decide to form another reserve to the extent that serves the company's interest.

## 4. SUMMARY OF MATERIAL ACCOUNTING POLICIES – (CONTINUED)

### 4-21 Fair value measurement

The company discloses the fair value of non-financial assets such as investment properties as part of its financial statements. Fair value is the price that would be received when selling an asset or paid when transferring a liability in an ordinary transaction between parties participating in the market at the measurement date. The fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability occurs either:

• In the primary market for the asset or liability; or
• In the most suitable market for the asset or liability in the absence of a principal market.

The main market or the most viable market must be available to the company.

The fair value of an asset or liability is measured using the assumptions used by parties operating in the market when pricing the asset or liability, assuming that these parties seek to achieve their greatest economic benefit.

Measuring the fair value of a non-financial asset takes into account the ability of parties in the market to generate economic benefits by using the asset in order to achieve the best benefit from it or to sell it to another party in the market to use it in order to achieve the best benefit from it.

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

When measuring the fair value of a financial asset or liability, the company uses data that can be monitored in the market as much as possible. Fair values are classified into hierarchical levels based on the data used in the valuation techniques as follows:

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

• Level 2: Inputs other than quoted prices that are not included under the first level and that can be observed for assets and liabilities directly (such as prices) or indirectly (derived from prices).

• Level 3: inputs for assets and liabilities that do not depend on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall at different levels of the fair value hierarchy, the entire measurement is categorized into the lowest level input that is considered material to the measurement as a whole.

The Company recognizes movements between levels of the fair value hierarchy at the end of the reporting period in which the change occurred. As of December 31, 2023 and December 31, 2022, there are no transfers between levels.

The carrying values and fair values of financial assets and liabilities are disclosed, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities that are not measured at fair value if the book value is reasonably equivalent to the fair value in Note No. (31).

## 4. SUMMARY OF MATERIAL ACCOUNTING POLICIES – (CONTINUED)

### 4-22 New standards, interpretations and amendments

Amendments to IFRS that were applied by the Company on 1 January 2023 and had no material impact are as follows:

### 4-22.1 New international financial reporting standards issued and implemented

- Amendments to IFRS 17
- Amendments to IAS 8: Definition of Accounting Estimates
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Initial Application of IFRS 17 and IFRS 9- Comparative Information

### 4-22.2 International financial reporting standards issued but not yet implemented

The standards and amendments that are issued, but not yet effective, as of 31 December 2023 are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. These standards are not expected to have a material impact on the Group at their effective dates.

- Amendments to IAS 1: Classification of Liabilities as Current and Non-current
- Amendments to IAS 1 Non-current Liabilities with Covenants
- Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
- Amendments to IAS 21: Lack of exchangeability

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

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

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

- **IFRS S2, 'Climate-related disclosures'**

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

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## 5. PROPERTY AND EQUIPMENT

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

| | Buildings and constructions | Furniture and office equipment | Machinery, Equipment and Spare parts | Vehicles and heavy equipment | Projects in progress | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance as of 01 January 2022 | 491,846,195 | 37,008,480 | 1,761,719,759 | 65,835,985 | 6,642,363 | 2,363,052,782 |
| Addition | - | 866,606 | 8,202,244 | 257,960 | 901,052 | 10,227,862 |
| Disposal | - | - | - | (227,826) | - | (227,826) |
| **Balance as of 31 December 2022** | 491,846,195 | 37,875,086 | 1,769,922,003 | 65,866,119 | 7,543,415 | 2,373,052,818 |
| Addition | - | 2,338,036 | 6,821,615 | 230,401 | 6,813,289 | 16,203,341 |
| Transfer from PUC | 4,994,349 | 279,296 | 1,202,687 | - | (6,476,332) | - |
| Disposal | - | - | (1,036,044) | - | - | (1,036,044) |
| **Balance as of 31 December 2023** | 496,840,544 | 40,492,418 | 1,776,910,261 | 66,096,520 | 7,880,372 | 2,388,220,115 |
| **Accumulated Depreciation** | | | | | | |
| Balance as of 01 January 2022 | 258,064,743 | 31,803,153 | 1,009,439,903 | 63,998,346 | - | 1,363,306,145 |
| Depreciation for the year | 6,540,734 | 1,371,637 | 50,360,971 | 643,538 | - | 58,916,880 |
| Disposal for the year | - | - | - | (42,716) | - | (42,716) |
| **Balance as of 31 December 2022** | 264,605,477 | 33,174,790 | 1,059,800,874 | 64,599,168 | - | 1,422,180,309 |
| Depreciation for the year | 7,137,104 | 1,363,054 | 50,054,046 | 551,117 | - | 59,105,321 |
| Disposal for the year | - | - | (1,036,044) | - | - | (1,036,044) |
| **Balance as of 31 December 2023** | 271,742,581 | 34,537,844 | 1,108,818,876 | 65,150,285 | - | 1,480,249,586 |
| **Net book value** | | | | | | |
| **As of December 31, 2023** | 225,097,963 | 5,954,574 | 668,091,385 | 946,235 | 7,880,372 | 907,970,529 |
| **As of December 31, 2022** | 227,240,718 | 4,700,296 | 710,121,129 | 1,266,951 | 7,543,415 | 950,872,509 |

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## 5. PROPERTY AND EQUIPMENT – CONTINUED

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

| | Note | 2023 | 2022 |
|---|---|---|---|
| Cost of revenue | | 57,530,132 | 57,284,968 |
| General and administrative expenses | 22 | 1,413,825 | 1,479,724 |
| Selling and distribution expenses | 21 | 161,364 | 152,188 |
| Total | | 59,105,321 | 58,916,880 |

c) The buildings are built on land with a 30-year concession from the Ministry of Petroleum and Mineral Resources that expires on September 4, 2027. The lease is renewable for further similar periods subject to the agreement of both parties
d) Project under progress includes the residential complex project.

## 6. INVESTMENT PROPERITIES

The following is the analysis of the movement in the investment properties represented in the lands owned by the Company as at 31 December:

| | 31-Dec-23 | 31-Dec-22 |
|---|---|---|
| Balance at beginning of the year | 72,279,440 | 72,279,440 |
| Additions | - | - |
| **Balance at end of the year** | 72,279,440 | 72,279,440 |

The fair value of real estate investments represented in lands owned by the Company amounted to SR 96,9 million as at 31 December 2023 (31 December 2022: SR 96,3 million). It has been determined based on the evaluation provided by Nojoum Al Salam Group, a certified independent real estate valuation expert (license number 1210000480). The fair value of the properties was determined based on the prevailing market prices for similar properties. These lands are held for a currently undetermined future use; therefore, they are classified as investment properties.

## 7. INVESTMENT IN EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPERHENSIVE INCOME

As of December 31, 2023, the company owns: 16,934,875 shares (December 31, 2022: 16,934,875 shares), representing 2.36% of the total capital of the Manufacturing and Energy Services Company (a closed Saudi joint stock company). The nature of this company's business is power generation, and the investment was recorded at value. Fair, the investment is mortgaged against a loan (Note 15).

| | 31-Dec-23 | 31-Dec-22 |
|---|---|---|
| Balance at beginning of the year | 295,201,417 | 283,140,949 |
| Unrealized (loss)/ profit from remeasurement of investment by fair value through other comprehensive income | (8,089,598) | 12,060,468 |
| **Balance at end of the year** | 287,111,819 | 295,201,417 |

On 28/10/1444 H (Corresponding 18/5/2023) The General Assembly of the Industrialization and Energy Services Company approved the distribution of profits for the year 2022, of which the company's share amounted to 5,080.463 Saudi riyals, and on the date 6/7/2023 these distributions were collected.

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## 8. INTANGIBLE ASSETS

| | 31-Dec-23 | 31-Dec-22 |
|---|---|---|
| **Cost** | | |
| Balance as at January 01 | 6,542,934 | 6,199,788 |
| Additions during the year | 1,568,522 | 343,146 |
| Disposal during the year | (1,668,886) | - |
| **Balance at end of the year** | 6,442,570 | 6,542,934 |
| **Accumulated depreciation** | | |
| Balance at beginning of the year | 1,668,886 | 1,437,096 |
| Amortization during the year | 483,192 | 231,790 |
| Disposal during the year | (1,668,886) | - |
| **Balance at end of the year** | 483,192 | 1,668,886 |
| **Net book value** | 5,959,378 | 4,874,048 |

## 9. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

### 9-1 Right of use assets

The following table shows the movement in the right to use assets during the year represented by leasing cars:

| | 31-Dec-23 | 31-Dec-22 |
|---|---|---|
| Balance at beginning of the year | - | 1,705,654 |
| Additions during the year | 7,313,907 | - |
| Amortization during the year | (891,695) | (1,705,654) |
| **Balance at end of the year** | 6,422,212 | - |

### 9-2 Lease Liability

This pertains to the amount of leases recognized as lease liabilities under IFRS 16. The details and movement of these are as follows:

| | 31-Dec-23 | 31-Dec-22 |
|---|---|---|
| **Balance at beginning of the year** | - | 1,772,419 |
| Additions during the year | 7,313,907 | - |
| Finance cost charged during the year | 198,493 | - |
| Transfer to trade payable | (175,370) | - |
| Paid during the year | (767,805) | (1,772,419) |
| **Lease liability at the end of the year** | 6,569,225 | - |
| | | |
| Current portion | 1,725,597 | - |
| Non-current portion | 4,843,628 | - |
| | 6,569,225 | - |

Expenses related to short-term and low-value leases for the period ending December 31, 2023 amounted to SAR 2,321,727 (December 31, 2022: SAR 1,687,299).

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## 10. INVENTORIES

Inventories comprise the following

| | 31-Dec-23 | 31-Dec-22 |
|---|---|---|
| Production under processing | 131,038,647 | 128,844,150 |
| Spare parts | 92,193,231 | 98,185,286 |
| Raw, filling, packaging materials and fuel | 48,532,462 | 31,904,176 |
| Finished goods | 6,451,719 | 5,617,310 |
| Goods in transit | 5,500,405 | 3,112,842 |
| | 283,716,464 | 267,663,764 |
| Less: Provision of slow-moving inventory | (1,360,755) | (899,579) |
| **Total** | **282,355,709** | **266,764,185** |

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

| | 2023 | 2022 |
|---|---|---|
| Balance at beginning of the year | 899,579 | 604,915 |
| Charge during the year | 461,176 | 294,664 |
| **Balance at end of the year** | **1,360,755** | **899,579** |

## 11. TRADE RECEIVABLES

| | 31-Dec-23 | 31-Dec-22 |
|---|---|---|
| Trade receivable | 24,049,783 | 17,999,747 |
| Provision for expected credit losses | (372,443) | (372,443) |
| **Net account receivable** | **23,677,340** | **17,627,304** |

11.1 Movement in expected credit losses provision:

| | 31-Dec-23 | 31-Dec-22 |
|---|---|---|
| Balance at the beginning of year | 372,443 | 135,014 |
| Provision during the year | - | 237,429 |
| **Balance at the end of the year** | 372,443 | 372,443 |

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## 12. PREPAID AND OTHER DEBIT BALANCES

| | 31-Dec-23 | 31-Dec-22 |
|---|---|---|
| Advance to suppliers | 5,935,539 | 6,269,472 |
| Accrued rent revenue | 4,117,252 | - |
| Refundable insurance fee | 400,000 | 1,030,797 |
| Prepaid salaries and wages | 315,159 | 115,283 |
| Prepaid fees and subscriptions | 178,500 | 178,500 |
| Prepaid research and development | 86,526 | 232,911 |
| Prepaid maintenance | - | 264,712 |
| Other debit balances | 2,772,376 | 2,839,574 |
| | **13,805,352** | **10,931,249** |

## 13. CASH AND CASH EQUIVALENTS

| | 31-Dec-23 | 31-Dec-22 |
|---|---|---|
| Cash at bank | 26,228,769 | 26,281,687 |
| Islamic deposit* | 10,665,498 | 20,672,004 |
| **Total** | 36,894,267 | 46,953,691 |

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

## 14. CAPITAL

The company's capital is 900 million Saudi Riyals as of December 31, 2023 (December 31, 2022: 900 million Saudi Riyals), consisting of 90 million shares (2022: 90 million shares) issued and fully paid, with a nominal value of 10 Saudi Riyals per share.

## 15. LOANS

The Company has bank loan with a local bank with a total amount of SR 155.06 million as at Dec 31, 2023 (31 December 2022: SR 214,9 million). The loan agreement with the bank contains some covenants, which among other things, that the leverage ratio shall not be more than 1:1 and the debt coverage ratio shall not be less than 3:1 based on the annual audited financial statements and it also requires maintaining some financial ratios and indicators.

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. The company has fulfilled these covenants as at December 31, 2023.

The loan is stated in the statement of financial position as follows:

| | 31-Dec-23 | 31-Dec-22 |
|---|---|---|
| Total loan amount | 155,062,068 | 214,942,099 |
| Non-current portion | 91,591,185 | 151,471,216 |
| Current portion | 63,470,883 | 63,470,883 |

The loan movement during the year is as follows:

| | 31-Dec-23 | 31-Dec-22 |
|---|---|---|
| Balance at the beginning of the year | 214,942,099 | 273,683,572 |
| Effect of modifying the cash flows of a financial liability | 3,590,852 | 4,729,410 |
| Payment during the year | (63,470,883) | (63,470,883) |
| **Balance at the end of the year** | 155,062,068 | 214,942,099 |

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## 15. LOANS - CONTINUED

On 11 November 2021, the facilities were renewed, and the loan rate was modified to become a three-month SIBOR plus 1% instead of a six-month SIBOR plus 1.25%. The payment is due in quarterly installments of SR 15.9 million. The last installment will be paid on 13 March 2026 instead of February 2024.

As a result of rescheduling the loan and modifying the terms, the Company performed a 10% test of the loan commitment in accordance with the requirements of IFRS 9 "Financial instruments" and this test resulted in a gain of SR 22, 758,671.This amount represents the difference between the present value of the loan under the terms before the modification and the present value of future cash payments under the terms of the loan being renegotiated and modified, discounted at the original effective interest rate of the loan. Since the difference is less than 10%. the amendment in the terms is not considered essential. and it is not accounted for as the disposal of the loan obligation and establishment of a new financial obligation. Accordingly, the present value of future cash payments is recognized in accordance with the terms of the modification using the original effective interest rate of the loan. and the difference is recognized as gain from the effect of the modification.

The loan is secured by an investment in the Industrialization and Energy Services Company, note (15). The loan includes financial covenants. The management monitors the fulfillment of commitments on a regular basis, and in the event of a breach expected to occur in the future. the necessary measures are taken to ensure compliance.

## 16. DIVIDENDS PAYABLE TO SHAREHOLDERS

The movement on dividends payable to shareholders is as follows:

| | 31-Dec-23 | 31-Dec-22 |
|---|---|---|
| Balance at the beginning of the year | 120,371,949 | 121,079,857 |
| Dividend* | - | 22,500,000 |
| Payment during the year | (680,420) | (23,207,908) |
| **Balance at the end of the year** | **119,691,529** | **120,371,949** |

* On March 27, 2022, the Company's Board of Directors recommended distributing cash dividends to shareholders for the year 2021 at the rate of SR 0.25 per share. which represents 2.5% of the nominal value of the share and a total amount of SR 22.5 million, which was approved during the thirty-fifth ordinary general assembly meeting dated 24 April 2022.

## 17. EMPLOYEES' DEFINED BENEFIT OBLIGATION

17.1 Movement in the present value of the defined benefit obligation is as follows:

| | Note | 31-Dec-23 | 31-Dec-22 |
|---|---|---|---|
| Balance at beginning of the year | | 16,135,397 | 15,923,026 |
| Current service cost | | 1,542,749 | 1,426,238 |
| Interest cost | | 754,983 | 412,027 |
| **Amount recognized in profit or loss account** | | **2,297,732** | **1,838,265** |
| Re-measurement loss recognized in other comprehensive loss | 17-2 | 120,733 | 510,478 |
| Benefits paid during the year | | (1,176,733) | (2,136,372) |
| **Balance at the end of the year** | | **17,377,129** | **16,135,397** |

17.2 Re-measurements loss recognized in other comprehensive income are as follow:

| | 2023 | 2022 |
|---|---|---|
| Loss resulting from experience adjustments | | |
| **Actuarial loss** | 120,733 | 510,478 |

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## 17.EMPLOYEES' DEFINED BENEFIT OBLIGATION - CONTINUED

17.3 Principal actuarial assumptions
The following were the principal actuarial assumptions:

| | 2023 | 2022 |
|---|---|---|
| Key actuarial assumptions: | | |
| Discount rate used | 4.75% | 4.8% |
| Future growth in salary | 1% | 1.5% |
| Demographic assumptions: | | |
| Retirement Age | 60 years | 60 years |
| Membership data | | |
| Average age of employees (in years) | 42,33 | 41.43 |
| Average years of previous service | 10.2 | 9.62 |

17.4 Sensitivity analysis
Reasonably possible changes as to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (1% movement) | 16,175.920 | 18,754,521 | 14,935,117 | 17,517,270 |
| Future salary growth (1% movement) | 18,796,119 | 16,121,261 | 17,553,082 | 14,885,236 |

17.5 Risks associated with defined benefit plans
**Longevity risks:**
The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

**Salary increase risk:**
The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual salary increases are higher than expectation and impacts the liability accordingly.

## 18. ACCRUED AND OTHER CREDIT BALANCES

| | 31-Dec-23 | 31-Dec-22 |
|---|---|---|
| Employee dues and benefits | 7,348,072 | 5,027,259 |
| Performance bonds | 5,915,689 | 5,915,689 |
| Accrued fees for the exploitation of raw materials | 2,926,652 | 1,066,776 |
| Value added tax | 1,770,046 | 2,726,145 |
| Accrued finance charges | 1,088,327 | 1,559,871 |
| Advance from customer | 888,650 | 1,045,399 |
| Others | 324,888 | 341,340 |
| | 20,262,324 | 17,682,479 |

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## 19. PROVISION FOR ZAKAT

**19.1 Movement:**

The movement in Zakat payable represented as follows:

| | 2023 | 2022 |
|---|---|---|
| Balance at beginning of the year | 6,683,401 | 6,956,392 |
| Zakat charge during the year | 6,063,468 | 3,140,701 |
| Paid During the Year | (1,280,062) | (3,413,692) |
| **Balance at end of the year** | 11,466,807 | 6,683,401 |
| **The breakdown of Zakat paid is as follows:** | | |
| Zakat settlement payments during the year | 1,133,248 | 3,413,692 |
| The zakat charged for the previous years and paid during the year | 146,814 | - |
| **Total payments during the year** | 1,280,062 | 3,413,692 |

**19.2 Components of zakat base**

| | 2023 | 2022 |
|---|---|---|
| **Adjusted loss** | | |
| Net profit for the year | 25,807,130 | 24,107,889 |
| Adjustments: provisions and others | 2,758,908 | 2,413,629 |
| Adjusted profit for the year | 28,566,038 | 26,521,518 |
| **Zakat pool** | | |
| Shareholders' equity at the beginning of the year | 1,269,375,033 | 1,244,947,453 |
| Adjusted zakat profit | 28,566,038 | 26,521,518 |
| Provisions at the beginning of the year | 16,230,686 | 14,526,583 |
| Debts and the like | 167,871,870 | 151,471,216 |
| Other additions | 125,983,517 | 16,648,567 |
| | 1,608,027,144 | 1,454,115,337 |
| **Deductions** | | |
| Net fixed assets and their equivalents | (909,986,132) | (959,119,151) |
| Investments in an establishment inside the Kingdom that are not trading and are subject to Zakat | (287,111,819) | (295,201,417) |
| Other discounts | (174,838,658) | (77,153,488) |
| **Zakat base** | 236,090,535 | 122,641,281 |
| **Zakat charge for the year** | 6,063,468 | 3,140,701 |

* Zakat is calculated from the adjusted net profit at 2.5%, while the zakat base is calculated from the zakat base less the adjusted net profit at 2.577684% (during 2022, zakat is due at 2.577684% of the zakat base after deducting the adjusted net profit and 2.5% of the adjusted net profit.

**19.3 Zakat status**

The Company has finalized its zakat status for the years 2014 through 2018.

The Company has submitted its Zakat returns to the Zakat, Tax, and Customs Authority in the Kingdom of Saudi Arabia for all years up to the financial year ended 31 December 2022. The Company obtained a Zakat certificate valid until 30 April 2024.

With regard to the years 2019 and 2020, ZATCA issued zakat assessments with total additional zakat differences of SR 2,853,535 and SR 1,902,700 for the years ended 31 December 2019 and 2020, respectively. The Company objected to the assessment before the Zakat, Tax, and Customs Authority. and then the Company's objection was escalated before TVDRC. Then the Disputes Resolution Committee issued a decision rejecting the company's appeal, and accordingly, the company appealed the aforementioned declarations before the Tax Violations and Disputes Resolution Committee (TVDRC) immediately after the Resolution Committee rejected the Company's objection and the Company's appeal is still understudy.

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## 20. REVENUE AND COST OF REVNUE

The Company generates revenue primarily from the sale of cement and clinker. The selling is conducted at a certain point in time, not over time.

### Revenue distribution

In the following table, revenue is disaggregated by primary geographical market and major products.
Revenue is recognised at point in time for all products.

| | For The Year Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| **Primary geographic markets** | | |
| Local | 255,633,924 | 272,782,026 |
| Export | 9,449,211 | 24,767,438 |
| | 265,083,135 | 297,549,464 |
| **Major product types** | | |
| Cement | 264,846,615 | 286,750,184 |
| Clinker | - | 10,701,000 |
| Other | 236,520 | 98,280 |
| | 265,083,135 | 297,549,464 |

The following table provides information about trade receivables and advance from customers.

| | As at December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Trade receivable | 23,677,340 | 17,627,303 |
| Contract assets* | 888,650 | 1,045,399 |

* Contract liabilities represent advance consideration received from customers for the products to be sold, for which revenue is recognized at point in time. This will be recognized as revenue when the Company deliver the products to the customers and their balances for advances are settled with the revenue made.

### Cost Of Revenue

•The cost of revenues mainly represents the cost of raw materials, salaries and wages, spare parts and depreciations.

## 21. SELLING AND DISTRIBUTION EXPENSES

| | For The Year Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Salaries, wages and equivalents | 3,945,649 | 3,050,855 |
| Depreciation | 161,364 | 152,188 |
| Other | 574,099 | 584,387 |
| | 4,681,112 | 3,787,430 |

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## 22. GENERAL AND ADMINISTRATIVE EXPENSES

| | For The Year Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Salaries, wages and equivalents | 13,387,388 | 11,166,430 |
| Directors' remunerations and allowances | 2,359,000 | 2,065,938 |
| Professional fees | 1,954,833 | 2,612,713 |
| Depreciation | 1,413,825 | 1,479,724 |
| Postage and telephone expenses | 1,138,281 | 657,769 |
| Depreciation of right to use assets | 891,695 | - |
| Rent expenses | 815,048 | 430,292 |
| Cleaning expenses | 715,200 | 615,542 |
| Donations and aids | 290,000 | 319,845 |
| Subscriptions | 102,920 | 223,098 |
| Other | 3,609,546 | 3,655,432 |
| | 26,677,736 | 23,226,783 |

## 23. OTHER INCOME, NET

| | For The Year Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Rent income | 6,917,251 | - |
| Dividends on investments in equity instruments at fair value through comprehensive income | 5,080,463 | - |
| | 11,997,714 | - |

## 24. FINANCE COST, NET

| | For The Year Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Finance cost on loans | 5,097,700 | 7,580,146 |
| Finance cost on lease liabilities | 198,493 | - |
| Murabaha interests | (900,347) | (235,102) |
| | 4,395,846 | 7,345,044 |

## 25. 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 financial statements.

| | 31-Dec-23 | 31-Dec-22 |
|---|---|---|
| Net profit for the year | 19,743,662 | 20,967,183 |
| Number of shares (weighted average) | 90,000,000 | 90,000,000 |
| Basic earnings per share | 0.219 | 0.233 |

There has been no item of dilution affecting the weighted average number of ordinary shares.

## 26. DIVIDEND

The general assembly in its meeting on 21 April 2022 has approved to distribute cash dividends amounting to SR 22.5 million representing SR 0,25 per share representing 2.5% of the Company's share capital.

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## 27. OTHER RESERVE

| | 31-Dec-23 | 31-Dec-22 |
|---|---|---|
| Fair value reserve for an investment in equity instruments through other comprehensive income | 117,763,069 | 125,852,667 |
| Hedging Reserve | 7,179,800 | 11,146,526 |
| | 124,942,869 | 136,999,193 |

## 28. TRANSACTION WITH RELATED PARTIES

Transactions with related parties principally represent transactions with BOD members and key management personnel. The transactions with related parties during the year ended 31 December 2023 and the year ended 31 December 2022 are as follows:

| *Related parties name* | *Nature of transaction* | 2023 | 2022 |
|---|---|---|---|
| Higher management employee | Salaries. wages and equivalents | 2,115,000 | 1,800,000 |
| | End-of-service benefits | 63,206 | 84,040 |
| Bord member | BOD's remunerations and allowances | 2,359,000 | 2,065,938 |

## 29. CONTINGENCIES

*Contingencies*

*Letter of guarantees & credit*

The Company has outstanding letters of guarantees & credit as of December 31, 2023 by the amount of SR 6,211,081 (December 31, 2022: SAR 3,625,000 million).

## 30. SEGMENTAL INFORMATION

Information regarding the Company's operating segments is set out below in accordance with IFRS 8 Operating Segments. IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Company's Chief Operating Decision Maker (CODM) and used to allocate resources to the segments and to assess their performance.

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 arc 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 operates in the Kingdom of Saudi Arabia and exports cement to some Arab countries. where payment is made in advance to all export customers before completing the sale process according to the data shown below:

| | Inside KSA | Outside KSA | Total |
|---|---|---|---|
| For the period end at December 31, 2023 | | | |
| Revenue from contract with clients | 255,633,924 | 9,449,211 | 265,083,135 |
| For the period end at December 31, 2022 | | | |
| Revenue from contract with clients | 272,782,026 | 24,767,438 | 297,549,464 |

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## 31. DERIVATIVE FINANCIAL INSTRUMENTS

| | 31-Dec-23 | 31-Dec-22 |
|---|---|---|
| Balance at beginning of the year | 11,146,526 | - |
| Change in fair value of hedging instrument recognized in OCI | (3,966,726) | 11,146,526 |
| **Balance at end of the year** | 7,179,800 | 11,146,526 |
| Less: current portion of derivative financial instruments | 5,168,064 | 5,968,885 |
| Non-current portion | 2,011,736 | 5,177,641 |

The company entered into profit rate swap agreements ("hedge instrument") with local bank for its long-term borrowing to hedge against the changes in the SAIBOR ("hedge item"). The hedging instrument and hedging item has similar critical terms such as reference rate, reset dates, payment dates, maturities and notional amount, therefore, the hedge ratio is 1:1.

The arrangement has been designated as hedging arrangement since its inception and subject to prospective testing of hedge effectiveness at each reporting date. As at the reporting date, the hedge effectiveness was evaluated to be 100% as all critical terms matched throughout the year.

The details of agreement is as follows:

| Effective date | Maturity Date | Notional value 2023 | Notional value 2022 |
|---|---|---|---|
| 03-Jan-22 | 12-Mar-26 | 158,677,208 | 222,148,091 |

## 32. FINANCIAL RISK MANAGEMETN

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.

## 32. FINANCIAL RISK MANAGEMETN– (CONTINUED)

**Market risk**

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

**Interest rate risk cost**

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

| Variable rate instruments | 2023 | 2022 |
|---|---|---|
| Loans | 155,062,068 | 214,942.099 |

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) 2023 | | Profit / (loss) 2022 | |
|---|---|---|---|---|
| | 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 | 1,550,621 | (1,550,621) | 2,149,420 | (2,149,420) |

**Foreign currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to fluctuations in foreign exchange rates. The 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 some balances are pledged against effective bank guarantees from local banks with sound credit ratings. Trade and other receivables are stated at their estimated realizable values.

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

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

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## 32.FINANCIAL RISK MANAGEMETN – (CONTINUED)

### Credit risk

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

| | 2023 | 2022 |
|---|---|---|
| Financial assets | | |
| Trade receivables | 24,049,783 | 17,999,747 |
| Bank Balances | 36,894,267 | 46,953,691 |
| | 60,944,050 | 64,953,438 |
| Financial assets | | |
| Secured | 21,458,631 | 14,518,257 |
| | 21,458,631 | 14,518,257 |

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

| | 2023 | | 2022 | |
|---|---|---|---|---|
| Duration | Balance | Impairment | Balance | Impairment |
| Neither past due nor impaired | 21,169,611 | - | 16,245,294 | - |
| From 0 to 60 days | 1,662,530 | - | 1,165,449 | - |
| From 61 to 90 days | 450,216 | 268,413 | 338,112 | 268,413 |
| More than 90 days | 767,426 | 104,030 | 250,892 | 104,030 |
| | 24,049,783 | 372,443 | 17,999,747 | 372,443 |

### 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.

| 2023 | Total Carrying amount | Less than 1 year | Above 1 year | Total contractual maturity |
|---|---|---|---|---|
| Loans | 155,062,068 | 63,470,883 | 91,591,185 | 155,062,068 |
| Trade payables | 17,049,003 | 17,049,003 | - | 17,049,003 |
| Accrued expense and other payables | 20,262,324 | 20,262,324 | - | 20,262,324 |
| Lease liabilities | 6,569,225 | 1,725,597 | 4,843,628 | 6,569,225 |
| Dividends payable | 119,691,529 | 119,691,529 | - | 119,691,529 |
| | 318,634,149 | 222,199,336 | 96,434,813 | 318,634,149 |
| **2022** | | | | |
| Loans | 214,942,099 | 63,470,883 | 151,471,216 | 214,942,099 |
| Trade payables | 12,223,887 | 12,223,887 | - | 12,223,887 |
| Accrued expense and other payables | 17,682,479 | 17,682,479 | - | 17,682,479 |
| Dividends payable | 120,371,949 | 120,371,949 | - | 120,371,949 |
| | 365,220,414 | 213,749,198 | 151,471,216 | 365,220,414 |

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

## 33. FINANCIAL INSTRUMENT FAIR VALUE MEASUREMENT

The Company uses valuation methods that are appropriate in the circumstances and for which sufficient data are provided to measure fair value and maximize the use of convertible inputs for relevant observability and reduce the use of unobservable inputs. All assets and liabilities whose fair value is measured or disclosed in the condensed interim financial statements are measured within the fair value hierarchy.

This is explained as follows, based on the lowest level of significant data to measure the fair value as a whole:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – Valuation techniques for which the lowest level liability that is significant to the fair value measurement is directly or indirectly observable.
Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation methods maximize the use of observable market data when available and rely as little as possible on company estimates. If all significant inputs required to the fair value of a financial instrument are observable, those financial instruments are classified as Level 2. If one or more of the significant inputs are not based on observable market data, the financial instrument is classified as Level 3. As at December 31, 2023, the Company's equity investment classified as FVTOCI was determined at the third level of the fair value hierarchy. The book values of other financial assets and liabilities in the statement of financial position approximate their fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date 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.

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## 33. FINANCIAL INSTRUMENT FAIR VALUE MEASUREMENT – (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. 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.

| | 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | | | | Fair value | | | |
| | Hedging Instruments | Equity investments at FVOCI | Amortized cost | Total | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets measured at fair value** | | | | | | | | |
| Investment properties | - | - | 72,279,440 | 72,279,440 | - | 96,994,545 | - | 96,994,545 |
| Derivative Financial Instruments | 7,179,800 | - | - | 7,179,800 | - | 7,179,800 | - | 7,179,800 |
| Equity investments at Fair Value through Other Comprehensive Income (FVOCI) | - | 287,111,819 | - | 287,111,819 | - | 287,111,819 | - | 287,111,819 |
| | 7,179,800 | 287,111,819 | 72,279,440 | 366,571,059 | - | 391,286,164 | - | 391,286,164 |
| Financial assets not measured at fair value | | | | | | | | |
| Trade receivables | - | - | 24,049,783 | 24,049,783 | - | - | - | - |
| Cash and cash equivalent | - | - | 36,894,266 | 36,894,266 | - | - | - | - |
| | - | - | 60,944,049 | 60,944,049 | - | - | - | - |
| **Financial liabilities not measured at fair value** | | | | | | | | |
| Loans | - | - | 155,062,068 | 155,062,068 | - | - | - | - |
| Trade payable, accrued expense and other payables | - | - | 37,311,327 | 37,311,327 | - | - | - | - |
| | - | - | 192,373,395 | 192,373,395 | - | - | - | - |

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## 33. FINANCIAL INSTRUMENT FAIR VALUE MEASUREMENT – (CONTINUED)

| | 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | | | | Fair value | | | |
| | Hedging Instruments | Equity investments at FVOCI | Amortized cost | Total | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets measured at fair value** | | | | | | | | |
| Investment properties | - | - | 72,279,440 | 72,279,440 | - | 96,319,529 | - | 96,319,529 |
| Derivative Financial Instruments | 11,146,526 | - | - | 11,146,526 | - | 11,146,526 | - | 11,146,526 |
| Equity investments at Fair Value through Other Comprehensive Income (FVOCI) | - | 295,201,417 | - | 295,201,417 | - | 295,201,417 | - | 295,201,417 |
| | 11,146,526 | 295,201,417 | 72,279,440 | 378,627,383 | - | 402,667,472 | - | 402,667,472 |
| Financial assets not measured at fair value | | | | | | | | |
| Trade receivables | - | - | 17,999,747 | 17,999,747 | - | - | - | - |
| Cash and cash equivalent | - | - | 46,953,691 | 46,953,691 | - | - | - | - |
| | - | - | 64,953,438 | 64,953,438 | - | - | - | - |
| Financial liabilities not measured at fair value | | | | | | | | |
| Loans and facilities | - | - | 214,942,099 | 214,942,099 | - | - | - | - |
| Trade payable, accrued expense and other payables | - | - | 29,906,366 | 29,906,366 | - | - | - | - |
| | - | - | 244,848,465 | 244,848,465 | - | - | - | - |

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## 34. 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:

| | 2023 | 2022 |
|---|---|---|
| Total liabilities | 347,478,084 | 388,039,212 |
| Less: Cash and cash equivalents | (36,894,267) | (46,953,691) |
| **Net Liabilities** | 310,583,817 | 341,085,521 |
| Total equity | 1,288,997,962 | 1,277,464,631 |
| **Net liabilities to equity ratio** | 0.241 | 0.267 |

## 35. RESTATED

The company's management made an adjustment in the financial statements for the year ended December 31, 2022, relating to the valuation of derivative financial instruments, specifically interest rate swaps, which are used to hedge risks associated with interest rate fluctuations.

In accordance with the Company's policy, these derivative instruments are designated as cash flow hedges. When a derivative instrument contract is initiated, it is initially recorded at fair value. They are then remeasured at fair value, with any resulting differences affecting financial position accordingly. financial derivatives are recognized as assets if their fair value is positive.

The impact of this amendment on the financial statements for the year 2022 is summarized as follows:

**Statement of financial position**

| | As at 31 December 2022 | | |
|---|---|---|---|
| | As previously Reported | Adjustment | Restated |
| Derivative Financial Instruments | - | 11,146,526 | 11,146,526 |
| **Total non-current assets** | 1,323,227,414 | 11,146,526 | 1,334,373,940 |
| **Total assets** | 1,665,503,843 | 11,146,526 | 1,676,650,369 |

**Statement of profit or loss and other comprehensive income**

| | As at 31 December 2022 | | |
|---|---|---|---|
| | As previously Reported | Adjustment | Restated |
| Movement in Fair Value on Cash Flow Hedges | - | 11,146,526 | 11,146,526 |
| **Other comprehensive income** | 11,549,990 | 11,146,526 | 22,696,516 |
| **Total comprehensive income** | 32,517,178 | 11,146,526 | 43,663,704 |

## 36. COMPARATIVE FIGURES

Certain comparative figures for the previous year have been reclassified to be consistent with the classification in the current year. The company has reclassified spare parts from property to inventory at a value of SAR 8.2 million.

## 37. SUBSEQUENT EVENTS

The company received a notification from Aramco to change the prices of fuel products used in the company's activities starting January 1, 2024. Due to change in fuel prices, management is expecting an increase in the cost of production during 2024. the company is s currently study different ways to reduce the financial impact of this change on the future financial results.

Except as above, management believes that there have been no significant subsequent events since year-end that would require disclosure or amendment in these financial statements.

## 38. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 18 Ramadan 1445 H (Corresponding to 28 March, 2024).