YANBU CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Yanbu Cement Company - A Saudi Joint Stock Company - (" the Company" or "the Parent Company") and its subsidiary (together "the Group''), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements from note 1 to 39, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key Audit Matters	How our audit addressed the key audit matter
Risk of fraud and misstatement in revenue recognition	
The Group has recognized revenue from operations amounted SR 981 million. The Group recognizes the revenue at a point in time when control over the goods is transferred to the customer, generally on delivery of goods. Revenue is considered as a key audit matter as its recognition requires management to establish the fact that control over goods is transferred at the time of delivery in accordance with IFRS 15, 'Revenue from contracts with customers'. The Group focuses on revenue as a key performance measure which could create an incentive for key management personnel to recognize revenue before the control has been transferred. Refer to note 4 for the accounting policy on revenue and note 8 for related disclosure.	Our audit procedures to assess the recognition of revenue include the following: • Accessed Group's revenue recognition policy and its compliance in terms of IFRS 15 'Revenue from contract with customers'. • Assessed the design and implementation of internal controls related to revenue recognition. • Performed sample tests of individual sales transactions and traced to sales invoices, purchase orders, delivery notes and other related documents. Further in respect of the samples tested we checked that the revenue has been recognized upon delivery as per IFRS 15. • Selected sample of revenue transactions made pre- and post-year end, agreeing the period of revenue recognition to third party support such as transporter invoice and customer confirmation of receipt of goods. • Assessed the adequacy of the related disclosures.

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Independent Auditor's Report to the Shareholders of Yanbu Cement Company (A Saudi Joint Stock Company), on the Audit of the Consolidated Financial Statements (Continued)

Other Information

Other information consists of the information included in the Group's 2022 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2022 annual report is expected to be made available to us after the date of this auditor's report.

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

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

r. Mohammed Al-Amri & Co. Chartered Accountants, a professional closed joint stock company registered in the Kingdom of Saudi Arabia under CR no. 1010433982, with paid-up capital of SAR (1,000,000) is a member of BDO International Limited, a UK Company Limited by guarantee, and forms part of the international BDO network of independent member firms.
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Independent Auditor's Report to the Shareholders of Yanbu Cement Company (A Saudi Joint Stock Company), on the Audit of the Consolidated Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Consolidated 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 Group's internal control.

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

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

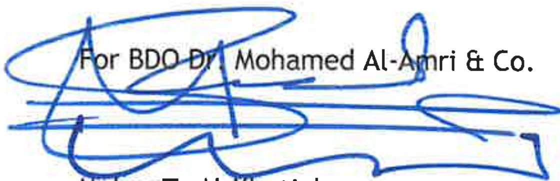
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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



For BDO Dr. Mohamed Al-Amri & Co.

Maher T. Al-Khatieb
Certified Public Accountant
Registration No. 514

27 Shaban 1444(H)
19 March 2023 (G)

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 SR	2021 SR
Revenue	8	981,168,444	934,025,649
Cost of revenue		(696,445,375)	(710,418,736)
GROSS PROFIT		284,723,069	223,606,913
Selling and distribution expenses	9	(14,565,179)	(11,203,148)
General and administrative expenses	10	(36,872,303)	(36,704,063)
PROFIT FROM OPERATIONS		233,285,587	175,699,702
Other income	12	7,268,781	58,020,875
Profit on derivative instruments	13	4,575,269	1,170,821
Share of net profit from associate	28	321,079	72,276
Finance income		2,169,140	272,543
Finance costs		(8,452,401)	(3,254,612)
Other expenses		(8,281,429)	(56,851,225)
PROFIT BEFORE ZAKAT		230,886,026	175,130,380
Zakat	14	(15,478,550)	(13,344,751)
NET PROFIT FOR THE YEAR		215,407,476	161,785,629
Attributable to:			
Owners of the Parent Company		215,407,476	159,556,334
Non-controlling interests	7	-	2,229,295
		215,407,476	161,785,629
EARNINGS PER SHARE			
Basic and diluted earnings per share attributable to owners of the Parent Company	26	1.37	1.01

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 SR	2021 SR
Net profit for the year		**215,407,476**	161,785,629
Other comprehensive income			
Items not to be reclassified to consolidated statement of profit or loss in subsequent periods:			
Re-measurement loss on provision for employees' benefit	29	**(5,301,582)**	(6,912,841)
Total comprehensive income for the year		**210,105,894**	154,872,788
Attributable to:			
Owners of the Parent Company		210,105,894	152,667,955
Non-controlling interests		-	2,204,833
		210,105,894	154,872,788

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 SR	2021 SR
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	2,398,067,922	2,529,430,730
Intangible assets	16	1,802,689	2,500,788
Investment in an associate	28	312,278	-
Other non-current assets	12	32,904,342	54,181,309
TOTAL NON-CURRENT ASSETS		2,433,087,231	2,586,112,827
CURRENT ASSETS			
Inventories	17	594,985,500	541,471,148
Trade receivables	18	157,065,253	166,320,074
Prepayments, advances and other receivables	19	37,955,186	38,303,164
Financial derivatives	13	4,511,669	-
Short term murabaha deposit	20	21,000,000	-
Cash and cash equivalents	21	100,681,866	60,605,196
TOTAL CURRENT ASSETS		916,199,474	806,699,582
TOTAL ASSETS		3,349,286,705	3,392,812,409
EQUITY AND LIABILITIES			
EQUITY			
Share capital	22	1,575,000,000	1,575,000,000
Statutory reserve	23	787,500,000	787,500,000
Retained earnings		406,190,104	432,334,210
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		2,768,690,104	2,794,834,210
Non-controlling interests	24	-	32,331,437
TOTAL EQUITY		2,768,690,104	2,827,165,647
NON-CURRENT LIABILITIES			
Bank borrowings	27(A)	91,500,000	80,000,000
Provision for employee benefits	29	95,983,900	83,743,089
Lease liability	33	5,444,625	5,778,856
TOTAL NON-CURRENT LIABILITIES		192,928,525	169,521,945
CURRENT LIABILITIES			
Trade payables		52,386,278	21,617,736
Financial derivatives	13	-	63,600
Current portion of bank borrowings	27(A)	23,737,659	45,944,444
Short term financing	27(B)	50,041,713	150,735,566
Dividend payable	25	81,072,268	81,689,119
Accrued expenses and other current liabilities	30	164,467,883	84,070,934
Zakat payable	14	15,962,275	12,003,418
TOTAL CURRENT LIABILITIES		387,668,076	396,124,817
TOTAL LIABILITIES		580,596,601	565,646,762
TOTAL EQUITY AND LIABILITIES		3,349,286,705	3,392,812,409

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to owners of the parent					
	Share capital	Statutory reserve	Retained earnings	Total	Non-controlling interests	Total equity
	SR	SR	SR	SR	SR	SR
As at 1 January 2021	1,575,000,000	787,500,000	634,041,255	2,996,541,255	32,126,604	3,028,667,859
Net profit for the year	-	-	159,556,334	159,556,334	2,229,295	161,785,629
Other comprehensive loss for the year	-	-	(6,888,379)	(6,888,379)	(24,462)	(6,912,841)
Total comprehensive income for the year	-	-	152,667,955	152,667,955	2,204,833	154,872,788
Dividends (note 25)	-	-	(354,375,000)	(354,375,000)	-	(354,375,000)
Dividends to non-controlling interests (note 25)	-	-	-	-	(2,000,000)	(2,000,000)
Balance at 31 December 2021	1,575,000,000	787,500,000	432,334,210	2,794,834,210	32,331,437	2,827,165,647
As at 1 January 2022	1,575,000,000	787,500,000	432,334,210	2,794,834,210	32,331,437	2,827,165,647
Net profit for the year	-	-	215,407,476	215,407,476	-	215,407,476
Other comprehensive loss for the year	-	-	(5,301,582)	(5,301,582)	-	(5,301,582)
Total comprehensive income for the year	-	-	210,105,894	210,105,894	-	210,105,894
Increase in ownership stake of the subsidiary (note 7.1)	-	-	-	-	(32,331,437)	(32,331,437)
Dividends to the owners of the parent (note 25)	-	-	(236,250,000)	(236,250,000)	-	(236,250,000)
Balance at 31 December 2022	1,575,000,000	787,500,000	406,190,104	2,768,690,104	-	2,768,690,104

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 SR	2021 SR
OPERATING ACTIVITIES			
Profit before zakat		230,886,026	175,130,380
Adjustments to reconcile operating income to net cash flows:			
Depreciation of property, plant and equipment	15	165,846,379	189,963,476
Amortization of intangible assets	16	698,099	2,298,825
Finance costs		8,452,401	3,254,612
Gain on derivative instruments	13	(4,575,269)	(1,170,821)
Provision for employee benefits'	29	9,273,729	7,587,691
Share of profit from an associate	28	(312,278)	-
Disposal of property, plant and equipment	15	-	12,232,563
Provision for spare parts	17	9,501,206	46,324,527
(Reversal) / allowance for expected credit losses	18	(827,903)	1,983,655
		418,942,390	437,604,908
Working capital adjustments:			
Inventories		(63,015,558)	83,344,079
Trade receivables		10,082,724	(6,704,973)
Prepayments, advances and other receivables		21,624,945	(68,116,013)
Trade payables		30,768,542	(38,539,193)
Accrued expenses and other current liabilities		80,396,949	(1,353,525)
		498,799,992	406,235,283
Provision for Employee benefits' paid	29	(2,334,500)	(7,403,401)
Finance cost paid		(8,176,627)	(2,961,428)
Zakat paid	14	(11,519,693)	(18,532,115)
Net cash generated from operating activities		476,769,172	377,338,339
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	15	(34,483,571)	(100,528,357)
Payment made for ownership stake in the Subsidiary	7	(32,331,437)	-
Intangible assets	16	-	(574,426)
Short term murabaha deposit	20	(21,000,000)	-
Net cash used in investing activities		(87,815,008)	(101,102,783)
FINANCING ACTIVITIES			
Repayment of lease liability		(610,000)	(650,000)
(Repayment) / Proceed of bank borrowings		(10,706,785)	48,111,111
Net movement of short-term financing		(100,693,853)	150,735,566
Dividends paid to owners of the Parent	25	(236,866,856)	(548,842,478)
Dividends paid to non-controlling interests		-	(2,000,000)
Net cash used in financing activities		(348,877,494)	(352,645,801)
NET CHANGES IN CASH AND CASH EQUIVALENTS		40,076,670	(76,410,245)
Cash and equivalents balances at the beginning of the year		60,605,196	137,015,441
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	21	100,681,866	60,605,196

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

Yanbu Cement Company ("the Company" or "the Parent Company") - a Saudi Joint Stock Company - established in accordance with Companies Regulations in the Kingdom of Saudi Arabia by the Royal Decree No. M/10 dated on 4 Rabi' I 1397H (corresponding to 22 February 1977), and it is registered in Yanbu city under Commercial Registration (CR) No. 4700000233 dated on 21 Dhul-Qi'dah 1398H (corresponding to 24 October 1978). The Company's shares are listed in the Capital Market Authority (CMA) in the Kingdom of Saudi Arabia.

The Parent Company's authorized and paid-up share capital is divided into 157,500,000 shares as at 31 December 2022 (31 Dec 2021: 157,500,000 shares) stated at SR 10 per share.

The Company is mainly engaged in manufacturing, producing and trading in cement and its related products as per industrial license No. 411102104244 issued on 05 Ramadan 1441H (corresponding to 28 April 2020) which ends on 04 Ramadan 1444H (corresponding to 26 March 2023)

The registered address of the Company is Yanbu Cement building located at Al Baghdadiyah Al Gharbiyah District, P. O. Box 5330, Jeddah 21422, Kingdom of Saudi Arabia. The Company has branch in Jeddah with CR number 4030021367.

During 2022, the Company had acquired 40% additional shares of Yanbu Saudi Kuwaiti Paper Products Company Limited (the "Subsidiary"). Consequently, the Company became 100% owner of it. Refer Note 7 for further details.

Interest in associate

During 2020, the Company has invested 49% interest in Knowledge Center for Cement Training Limited (the associate company), a mixed limited liability company registered in the Kingdom of Saudi Arabia and have a share capital of SR 500,000. The Company is established to conduct short term cement training programs. The remaining 51% shareholding is held by FLSmidth Company.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements for the year ended 31 December 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

2.2 Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis except for otherwise disclosed in the notes of the consolidated financial statements.

2.3 Functional and presentation currency

The consolidated financial statements are presented in Saudi Riyals (SR) which is the financial currency of the Group.

2. BASIS OF PREPARATION (continued)

2.4 Going concern assessment

The Group has performed an assessment of whether it is going concern in the light of current economic conditions and all available information about future risk and uncertainties. The projections have been prepared covering the Group's future performance and liquidity. The Group manage its liquidity position by proactively controlling cost components and managing capital expenditure within the budgets. Further, the Group is low-leveraged and consequently the management believes that it is better placed off the headwinds as compared to its competitors.

Management foresee improvement in local market on account of, inter alia, recent announcement of new public projects. Management is determined on the following:

- Developing strategies to concentrate and expand the Cement sales volume at local level;
- Strict working capital management and managing working capital in line with the activity level;
- Restricting capital expenditure to essential maintenance level; and
- Deferment of all non-essential and discretionary expenditure for a conceivable future.

Management is cognizant of the challenges that lie ahead and will continue proactively adapt in order to ensure optimum performance of the Group.

Management believes that the above action, combined with other strategies and operational measures taken by the Board of Directors, are realistic and reasonable and will effectively maintain the profitability of the Group and improve its ability to generate future profits and cash flows and continue its operations in the future period.

2.5 Basis of consolidation and equity accounting

I) Subsidiaries

Control is achieved when the Group is exposed, or has rights, to variable returns from its transactions with the investee and has the ability to affect those returns through exercising its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its transactions with the investee.
- The ability to use its power over the investee to affect its returns.

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the it ceases to control the subsidiary.

Statement of profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2. BASIS OF PREPARATION (continued)

2.5 Basis of consolidation and equity accounting (continued)

I) Subsidiaries (continued)

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

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Intra group balances and transactions, and any unrealized income and expenses arising from intra group transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

II) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decision of the investee, but is not control or joint control over those policies. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method, after initially being recognized at cost.

Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of other comprehensive income of the investee in other comprehensive income. After the share in the investee is reduced to zero, a liability is recognized only to the extent that there is an obligation to fund the investee's operations or any payments have been made on behalf of the investee. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in the other comprehensive income ("OCI") of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The financial statements of the associate are prepared for the same reporting period as the Group.

When necessary, adjustments are made to bring the accounting policies of the associate in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the loss as 'Share of profit of an associate and a joint venture' in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

3. STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO EXISTING STANDARDS

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The most significant of these are as follows:

a. New standards, interpretations and amendments not yet effective

IFRS	Summary	Effective date
IAS 1	Amendment - Disclosure of Accounting Policies	1 January 2023
IAS 8	Amendment - Definition of Accounting Estimates	1 January 2023
IAS 12	Amendment - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 16	Amendment - Lease Liability in a Sale and Leaseback	1 January 2024
IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2024
IAS 1	Amendment - Non-current Liabilities with Covenants	1 January 2024

b. New standards, interpretations and amendments effective in the current year

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 but they had no material impact on these financial statements.

Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

IAS 37 defines an onerous contract as a contract in which the unavoidable costs (costs that the Group has committed to pursuant to the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced during the testing phase of a manufacturing facility after it is being constructed but before start of commercial production). The proceeds from selling such samples, together with the costs of producing them, are now recognised in profit or loss.

References to Conceptual Framework (Amendments to IFRS 3)

In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 & IAS 41)

- IFRS 1: Subsidiary as a First-time Adopter (FTA)
- IFRS 9: Fees in the '10 per cent' Test for Derecognition of Financial liabilities
- IAS 41: Taxation in Fair Value Measurements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any noncontrolling interest in the acquire. For each business combination, the Group elects whether to measure the non-controlling interest in the acquire at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquire.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognized in the consolidated statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in consolidated statement of profit or loss.

B) Investment in associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate are accounted for using the equity method (Refer Note 2.5(II)).

C) Current versus non-current classification

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

- Expected to be realized or intended to be sold or consumed in normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realized within twelve months after the date of the consolidated statement of financial position, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the consolidated statement of financial position.

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) Fair value measurement financial instruments

The Group measures financial instruments, such as derivatives at fair value at each financial position date.

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

- In the principal market for the assets or liabilities, or
- In the absence of a principal market, in the most advantageous market for the assets or liabilities

The principal or the most advantageous market must be accessible by the Group.

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

A fair value measurement of non-financial assets considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

E) Revenue

The Group is engaged in selling packed, bulk cement and cement bags. The sale is performed by sales invoices and / or specific contracts independently entered into with customers.

(a) Sale of goods

Sale of cement is the sole performance obligation, The Group has concluded that revenue from sale should be recognized at a point in time when control of asset is transferred to the customer, generally on delivery. Revenue is measured at the fair value of the consideration received or receivable, considering contractually defined terms of payment and excluding taxes or duty. No element of financing component is deemed present as the sales are either made on cash or credit terms with less than 12 months.

(b) Presentation and disclosure requirements

The group has separated the revenue from contracts with customers into categories that illustrates how the economic factors affect the nature, amount, timing and uncertainty of revenues and cash flows for each category, see note 8.

F) Costs and expenses

Cost of revenue

Production costs and direct manufacturing expenses are classified as cost of revenue. This includes raw material, direct labor and other attributable overhead costs.

Selling and distribution expenses

These include any costs incurred to carry out or facilitate selling activities of the Group. These costs typically include salaries of the sales staff, distribution and other contingent related expenses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) Costs and expenses (Continued)

General and administrative expenses

These pertain to operation expenses which are not directly related to the production of any goods or services. These also include allocations of general overheads which are not specifically attributed to cost of revenue or selling and distribution expenses.

Allocation of overheads between cost of revenue, selling and distribution expenses, and general and administrative expenses, where required, is made on a consistent basis.

G) Finance income

Finance income is recognized on an accrual basis using the effective yield basis.

H) Zakat

Zakat is provided in accordance with the Regulations of the Zakat, Tax and Custom Authority ("ZATCA") in the Kingdom of Saudi Arabia and on accruals basis. The provision is charged to the consolidated statement of profit or loss. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization.

I) Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in the consolidated statement of profit or loss.

J) Cash dividend to equity holders

The Group recognizes a liability to make cash distribution to equity holders of the Parent Company when the distribution is authorized and the distribution is no longer at the discretion of the Group. Distribution authorization is assessed in line with the Companies Law in the Kingdom of Saudi Arabia, of which a distribution is authorized when approved by the shareholders. A corresponding amount is recognized directly in equity. Interim dividends, if any, are recorded when approved by the Board of Directors.

K) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a comprehensive inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in consolidated statement of profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	25 - 40 years	Quay	20 years
Vehicles and dump trucks	4 - 6.67 years	Furniture and other assets	4 - 6.67 years
Machine and equipment	25 - 40 years	Paper factory equipment	Units of production

Land and Capital work in progress is stated at cost, net of accumulated impairments losses, if any.

An item of property, plant and equipment ("the asset") and any significant part initially recognized, is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognized.

The residual values, useful lives and depreciation methods for property, plant and equipment are reviewed on annual basis at the end of each fiscal year and adjustments are made whenever necessary.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L) Leases

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

Group as a lessee

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

i. Right-of-use assets - Leasehold land

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives. Currently, right-of-use assets are depreciated using an average range rate from 6% to 11%. Right-of-use assets are subject to impairment.

ii. Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii. Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

M) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale as part of the cost of the asset. All other costs are expensed in the period in which they are due. Borrowing costs consist of interest cost and other costs that an entity incurs in connection with the borrowing of funds.

N) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

4 . SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) Intangible assets (continued)

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expenses on intangible assets with finite lives are recognized in the consolidated statement income in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.

The estimated useful life of software is 5 years. The amortization method, useful life and residual value are reviewed at each reporting date and the changes are adjusted, if appropriate.

O) 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, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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

In order for a debt financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O) Financial instruments (continued)

i) Financial assets (continued)

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 Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four 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 derecognition (equity instruments)
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

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

Financial assets at fair value through OCI (debt instruments)

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

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group 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 statement of profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of profit or loss.

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

The Group uses derivatives financial instruments such as interest rate swap and currency swap to manage its interest rate and currency risks (see note 13).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O) Financial instruments (continued)

i) Financial assets (continued)

Derecognition

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

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

When the Group 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 Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group 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 Group has retained.

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

Impairment of financial assets

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

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and other receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O) Financial instruments (continued)

ii) Financial liabilities (continued)

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below: 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. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of profit or loss. 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.

Loans and borrowings
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in consolidated statement of profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by considering 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 consolidated statement of profit or loss.

Derecognition
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 derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss.

iii) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

P) Derivative financial instruments
The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Q) Inventories
Inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a weighted average basis
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognized in OCI, in respect of the purchases of raw materials. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R) Impairment of non-financial assets

The Group assesses, at the date of preparing the financial statements, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset or CGU's fair value less costs of disposal or its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate future cash inflows that are largely independent of those from other assets or Groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account- if available or an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's Cash Generating Units ("CGUs") to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. To cover longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment of goods, are recognized in the consolidated statement of profit or loss in expense category consistent with the function of the impaired asset.

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

S) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise of cash in hand, bank balances and short-term deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

T) Short term deposit

Short term deposit in the consolidated statement of financial position comprises of murahaba deposit with original maturity of after three months and are not readily convertible to known amounts of cash for a fixed period of time.

U) Provisions

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

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

V) Provision for employee benefits

This represents end-of-service ("employee benefits") under defined unfunded benefit plans. End-of-service benefits, as required by Saudi Arabia Labor Law, are required to be provided based on the employees' length of service.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

V) Provision for employee benefits (continued)

The Group's net obligations in respect of employee benefits ("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; that benefit is discounted to determine its present value, and any unrecognized past service costs.

The discount rate used is the market yield on high quality corporate bonds at the reporting date that has maturity dates and the risk profile approximating the terms of the Group's obligations.

The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method to determine the Group's present value of the obligation, with actuarial valuations to be carried out annually. The defined benefit liability comprises the present value of defined benefit obligation as adjusted for any past service cost not yet recognized. Currently there are no past service costs. The full amount of actuarial gains and losses are recognized in consolidated statement of comprehensive income in the year in which they arise.

5. CRITICAL JUDGEMENTS, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosure of contingent liabilities at the date of preparing the financial statements. Uncertainty about these assumptions and estimates could result in making material adjustments to the carrying amount of asset or liabilities affected in future years.

5.1 Critical judgements

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

A) Component parts of property, plant and equipment

The Group's assets, classified within property, plant and equipment, are depreciated on a straight-line basis over their economic useful lives. When determining the economic useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately. Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to primary asset, its pattern of consumption, and its replacement cycle/maintenance schedule.

B) Determining the lease term of contracts with renewal and termination options - Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset)

5.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of preparing the consolidated financial statements, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the subsequent financial periods, are described below. The Group based its assumptions and estimates on parameters available at the date of preparing the consolidated financial statements. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

5. CRITICAL JUDGEMENTS, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

5.2 Estimates and assumptions (continued)

A) Allowance for expected credit losses of trade receivables

By adopting IFRS 9, the Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 18.

B) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

C) Useful life of intangible assets

The Group's management determines the estimated useful lives of its intangible assets for calculating amortization. This estimate is determined after considering the expected benefit obtained from the usage of the intangible assets. Management reviews the carrying value and useful lives annually and future amortization charge would be adjusted where the management believes the useful lives differ from previous estimates.

D) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal is based on available data from binding sales of long-term transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the estimated budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is based on the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

E) Provision for material extraction

The Parent Company exploits raw material in accordance with Mineral Resources Saudi Law (appendix 3). The Group sets estimation and expectations relating to quantities regarding extracted raw material to pay fees against site exploitation based on accurate estimations.

F) Provision for employee benefit

The cost of defined benefit liabilities regarding employee's end of service are determined using actuarial valuations. An actuarial valuation requires making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, the defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each annual reporting date.

5. CRITICAL JUDGEMENTS, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

5.1 ESTIMATES AND ASSUMPTIONS (continued)

F) Provision for employee benefit (continued)

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the commission rates of corporate bonds in currencies consistent with the currencies of the post-employment defined liabilities with at least an 'AA' rating or above, as set by an internationally acknowledged rating agencies, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality.

Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the respective countries. Those mortality tables are subject to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the respective countries and future salary increases.

G) Zakat assessments

Provision for zakat and withholding taxes is determined by the Group in accordance with the requirements of the Zakat, Tax and Custom Authority ("ZATCA") and is subject to change based on final assessments received from the GAZT. The Group recognizes liabilities for any anticipated zakat and withholding tax based on management's best estimates of whether additional zakat/taxes will be due. The final outcome of any additional amount assessed by the GAZT is dependent on the eventual outcome of the appeal process which the Group is entitled to. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences could impact the consolidated statement of profit or loss in the period in which such final determination is made

H) Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the Discounted Cash Flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

I) Provision for spare parts

The Group holds spare parts inventory for the machinery of its plant held longer than one reporting period. This might impact the valuation of spare parts and involves judgment in estimating spares parts inventory provision. The group has a policy to assess the appropriate level of provisioning for spare parts inventory items, which may be ultimately disposed or sold below cost as a result of obsoleteness or the retirement of related machinery. This policy includes management's expectations for future utilization, disposal or sale plans for the spare parts.

J) Existence of inventories

Inventories comprise of purchased raw materials (limestone, sand, gypsum and iron ore) and work in progress (mainly clinker which are stored in purpose built shed and stockpiles). Since the weighing of these inventories is not practicable, management assesses the quantities on hand at the year-end by obtaining measurements of the stockpiles and converting these measurements to unit of volumes by using the angle of repose and the bulk density. In doing so, management appoints an independent surveyor to estimate the quantities by using certain scientific systematic measurements calculations and applying the density conversion methods which are applied for similar stock in the cement industry.

6. SEGMENT INFORMATION

The Group is engaged in one operating segment engaged in manufacturing cement and operates completely within the Kingdom of Saudi Arabia. Accordingly, the financial information was not divided into different geographic or business segments. The financial information of the subsidiary is not significant to Group's consolidated financial statements for the purpose of segment information.

7. SUBSIDIARY

7.1 *Acquisition of the remaining stake of the Subsidiary Company*

During 2022, the Company acquired 40% additional shares of the Subsidiary Company. Consequently, the Company became the 100% owner of the Subsidiary Company. The consideration against the above 40% acquisition is amounted to SR 32.2 million that represents the related share of its net assets as at 31 December 2021. Accordingly, the incurred transaction has not resulted into any gain or loss in the consolidated financial statements during the current year.

7.2 *The financial information of the subsidiary*

Referring to note 1, the financial information of the subsidiary that have non-controlling interest up to 2021 (Note 7.1) is provided below:

Subsidiary	Country of Incorporation	% Non-controlling interest 2022	% Non-controlling interest 2021
Yanbu Saudi Kuwaiti for Paper Products Company (A Limited Liability Company)	Kingdom of Saudi Arabia	0%	40%

The tables below represent the financial information of the subsidiary, Yanbu Saudi Kuwaiti for Paper Products Company (A Limited Liability Company):

	31 December 2022 SR	31 December 2021 SR
Accumulated balance of non-controlling interests:		
Yanbu Saudi Kuwaiti for Paper Products Company (A Limited Liability Company)	-	32,331,437

	31 December 2022 SR	31 December 2021 SR
Profit / (loss) attributable to non-controlling interests for the year:		
Yanbu Saudi Kuwaiti for Paper Products Company (A Limited Liability Company)	-	2,229,295

7. SUBSIDIARY (continued)

The following is a summary of the financial information of the subsidiary "Yanbu Saudi Kuwaiti for Paper Products Company (A Limited Liability Company)". This information is based on amounts before intercompany eliminations:

Summarized statement of comprehensive income for the year:

	2022 SR	2021 SR
Revenue	58,861,720	77,353,888
Cost of revenue	(44,695,637)	(65,746,571)
GROSS PROFIT	14,166,083	11,607,317
Selling and distribution expenses	(60,285)	(30,078)
General and administrative expenses	(3,141,605)	(5,173,611)
PROFIT FROM OPERATION	10,964,193	6,403,628
Other income	365,064	514,360
PROFIT BEFORE ZAKAT	11,329,257	6,917,988
Zakat	(1,478,550)	(1,344,751)
NET PROFIT FOR THE YEAR	9,850,707	5,573,237
Other comprehensive loss not to be reclassified to the statement of income in subsequent periods	(100,775)	(61,156)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	9,749,932	5,512,081
Profit attributable to:		
Shareholders of the Parent Company	9,749,932	3,343,942
Non-controlling interests	-	2,229,295
	9,749,932	5,573,237

	2022 SR	2021 SR
Other comprehensive loss attributable to:		
Shareholders of the Parent Company	(100,775)	(36,694)
Non-controlling interests	-	(24,462)
	(100,775)	(61,156)

7. SUBSIDIARY (continued)

7.2 The financial information of the subsidiary (continued)

Summarized statement of financial position:

	2022 SR	2021 SR
Non-current assets	38,425,960	37,497,898
Current assets	89,922,132	57,633,986
Non-current liabilities	(3,184,831)	(2,787,144)
Current liabilities	(34,584,735)	(11,516,146)
Total equity	90,578,526	80,828,594
Attributable to:		
Equity holders of parent	90,578,526	48,497,157
Non-controlling interest	-	32,331,437

Summarized cash flow information for the year:

	2022 SR	2021 SR
Operating activities	11,642,963	2,050,329
Investing activities	(23,299,207)	(346,991)
Financing activities	-	(5,000,000)
Net changes in cash and cash equivalents	(11,656,244)	(3,296,662)

8. REVENUE

	2022 SR	2021 SR
Product type		
Bulk cement	461,187,967	468,495,367
Packed cement	282,129,350	291,595,370
Cement bags	17,145,440	53,167,592
Raw cement (clinker)	220,705,687	120,767,320
Total revenue (*)	981,168,444	934,025,649
Geographical markets		
Total revenue inside the Kingdom of Saudi Arabia	760,462,757	808,812,678
Total revenue outside the Kingdom of Saudi Arabia	220,705,687	125,212,971
Total revenue (*)	981,168,444	934,025,649

(*) The timing of the revenue recognition from the above goods is at a point in time basis.

9. SELLING AND DISTRIBUTION EXPENSES

	2022 SR	2021 SR
Salaries and employees' related costs (note 11)	9,345,448	8,212,732
Donations and social responsibility	3,023,077	1,372,272
Depreciation (note 15)	862,912	858,087
Secondment expenses	222,461	113,931
Repair and maintenance	54,372	200,473
Advertising expenses	264,512	58,290
Others	792,397	387,363
	14,565,179	11,203,148

10. GENERAL AND ADMINSTRATIVE EXPENSES

	2022 SR	2021 SR
Salaries and employees' related costs (note 11)	21,146,929	15,347,680
Remuneration of Board of Directors	4,070,433	4,783,097
Consulting and professional fees	4,861,833	1,554,294
Amortization (note 16)	-	1,280,581
Repair and maintenance	1,578,829	1,794,533
Subscriptions fees	235,893	1,208,916
Communications and telephone	815,774	747,763
(Reversal) / Allowance of expected credit loss	(827,903)	1,983,655
Depreciation (note 15)	1,197,757	1,016,177
Others	3,792,758	6,987,367
	36,872,303	36,704,063

11. SALARIES AND EMPLOYEES' RELATED COSTS

Salaries and employees' related costs (including provision for employee benefits') for the year were allocated as follows:

	2022 SR	2021 SR
Cost of revenue	116,867,814	110,938,437
Selling and distribution expenses (note 9)	9,345,448	8,212,732
General and administrative expenses (note 10)	21,146,929	15,347,680
	147,360,191	134,498,849

12. OTHER INCOME, NET

	2022 SR	2021 SR
(Loss) / Gain on disposal of property, plant and equipment (*)	(1,008,034)	43,698,682
Gain on sale of scrap	4,712,902	2,714,360
Insurance companies' compensation	1,292,052	8,517,067
Net foreign exchange gain	776,313	365,921
Others	1,495,548	2,724,845
	7,268,781	58,020,875

(*) During 2021, the Parent Company sold machinery and heavy equipment for SR 60.62 million having a net book value of SR 12.2 million. The sale proceeds against the said disposal will be received as per the terms of the contract over the period of next five years, accordingly the net present value of the receipt is calculated and an amount of SR 32.9 million (2021: SR 54.2 million) has been classified as non-current portion in result gain of amounting to SR 43.7 million was recognized. During 2022, one of the heavy equipment which was under repair at the time of sale SR 1.7 million resulted in high maintenance cost. The Company agreed with the buyer to take possession of the heavy equipment at scrap value of SR 0.25 million against which receipt of SR 1.45 million was adjusted from the buyer account, resulted adjustment of net present value by SR 1.01 million recognized as loss in the current year.

13. FINANCIAL DERIVATIVES

The Parent Company has engaged in an interest rate swap contract with one of the local commercial banks to manage interest rates fluctuations. As at 31 December 2022, the fair value of the contract was amounting to SR 4.5 million (31 December 2021: SR 63 thousand). Accordingly, the Parent Company recognized valuation profit during the year ended 31 December 2022 amounting to SR 4.58 million (2021: SR 1,171 thousand). The notional amount of interest rate swap contract as at 31 December 2022 is amounting to SR 80 million (31 December 2021: SR 25.9 million).

14. ZAKAT

a) Provision charge for the year:

The Parent Company and its subsidiary provide separate financial statements for zakat on a non-consolidated basis using the equity method. The principal elements of the zakat base for each Company form the Company's shareholders' equity, provisions as at the beginning of the year, adjusted net income, minus the net book value of property, plant and equipment and investments and other different items. If the zakat base is negative, the Company does not have zakat payable for the year.

	2022	2021
	SR	SR
Zakat charge for the year	**15,478,550**	13,344,751

b) The movement in zakat payable is as follows:

	2022	2021
	SR	SR
Balance at beginning of the year	**12,003,418**	17,190,782
Zakat charge:		
Current year	**15,478,550**	11,819,851
Adjustment relating to prior years	-	1,524,900
Charge for the year	**15,478,550**	13,344,751
Paid during the year	**(11,519,693)**	(18,532,115)
Balance at the end of the year	**15,962,275**	12,003,418

c) Zakat status

Parent Company:

The Company has submitted its Zakat returns to Zakat, Tax and Customs Authority ("ZATCA") up to the year ended 31 December 2021 and paid the zakat liabilities for those years due as per the returns. The Company has also finalized it status until the year ended 31 December 2018. During 2021, the Company received an assessment order for the years 2019 and 2020, claiming additional zakat of SR 22.8 million. The company objected to the assessment, and the claim was reduced to 13.5 million riyals Saudi, the company paid an amount of 7.5 million Saudi riyals.

On January 02, 2022, the company filed a lawsuit with the General Secretariat for an amount of 6 million Saudi riyals, and the amount represents the balance of the provision for the obsolescence of spare parts not intended for sale and the balance of payments made by customers. On November 16, 2022, the company filed an appeal against the assessment of the First Department of the General Secretariat, which issued its decision and adhered to the Commission's decision to the objected elements and the appeal is still under consideration.

The Company has provided nil zakat liability against the above remaining balance and believes that it is the best estimate of the liability as at year end and in accordance with the laws and regulations for calculating zakat.

Subsidiary:

The Company submitted the zakat returns for the financial year ended on 31 December 2021 and paid the amount based on the return.

The company received an additional assessment from Zakat, tax and customs authority for the year 2017 with an additional zakat liability of SR 207,080. The Company has filed objections against this assessment order with the Tax Violation and Dispute Appellate Committee which were rejected on 16 March 2022 for the year 2017. Management has filed the appeal against the decision to the General Secretariat of the Tax Committees on 13 April 2022. The appeal is under process until 31 December 2022.

15. PROPERTY, PLANT AND EQUIPMENT

	Land SR	Right-of use asset (Leasehold lands) SR	Factory buildings on leasehold land SR	Production buildings of paper factory on leasehold land SR	Buildings and other constructions SR	Quay SR	Machinery and equipment SR	Paper factory machinery and equipment SR	Vehicles SR	Furniture and other assets SR	Construction work in progress SR	Total SR
Cost:												
1 January 2021	4,805,116	7,153,653	358,073,888	23,682,301	619,901,729	16,360,228	4,805,258,872	45,091,388	29,553,411	35,602,921	66,918,141	6,012,401,648
Additions	-	-	-	-	761,614	-	20,587,662	100,000	-	1,693,700	77,385,381	100,528,357
Disposals	-	-	-	-	-	-	(197,976,458)	-	(1,416,000)	-	-	(199,392,458)
Transfers	-	-	-	-	838,887	-	107,962,112	-	-	738,564	(109,539,563)	-
As at 31 December 2021	4,805,116	7,153,653	358,073,888	23,682,301	621,502,230	16,360,228	4,735,832,188	45,191,388	28,137,411	38,035,185	34,763,959	5,913,537,547
Additions	-	-	-	-	97,050	-	10,311,674	-	420,850	3,918,057	19,735,940	34,483,571
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	25,363,847	-	-	586,996	(25,950,843)	-
As at 31 December 2022	4,805,116	7,153,653	358,073,888	23,682,301	621,599,280	16,360,228	4,771,507,709	45,191,388	28,558,261	42,540,238	28,549,056	5,948,021,118

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land SR	Right-of use asset (Leasehold lands) SR	Factory buildings on leasehold land SR	Production buildings of paper factory on leasehold land SR	Buildings and other constructions SR	Quay SR	Machinery and equipment SR	Paper factory machinery and Equipment SR	Vehicles SR	Furniture and other assets SR	Construction work in progress SR	Total SR
Depreciation:												
1 January 2021	-	913,554	254,080,394	11,134,221	287,808,736	16,360,228	2,731,536,140	19,140,015	28,761,629	31,568,319	-	3,381,303,236
Charge for the year	-	459,574	7,300,787	787,750	16,054,047	-	161,088,732	1,402,132	293,157	2,577,297	-	189,963,476
Disposals	-	-	-	-	-	-	(185,743,895)	-	(1,416,000)	-	-	(187,159,895)
As at 31 December 2021	-	1,373,128	261,381,181	11,921,971	303,862,783	16,360,228	2,706,880,977	20,542,147	27,638,786	34,145,616	-	3,384,106,817
Charge for the year	-	**457,709**	**5,860,546**	**467,640**	**15,804,883**	-	**139,773,086**	**820,019**	**288,123**	**2,374,373**	-	**165,846,379**
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2022	-	**1,830,837**	**267,241,727**	**12,389,611**	**319,667,666**	**16,360,228**	**2,846,654,063**	**21,362,166**	**27,926,909**	**36,519,989**	-	**3,549,953,196**
Net Book Value:												
As at 31 December 2022	**4,805,116**	**5,322,816**	**90,832,161**	**11,292,690**	**301,931,614**	-	**1,924,853,646**	**23,829,222**	**631,352**	**6,020,249**	**28,549,056**	**2,398,067,922**
As at 31 December 2021	4,805,116	5,780,525	96,692,707	11,760,330	317,639,447	-	2,028,951,211	24,649,241	498,625	3,889,569	34,763,959	2,529,430,730

(*) The Group has property, plant and equipment of SR 44.65 million (2021: SR 42.20 million) which are fully depreciated but still in use.

15. PROPERTY, PLANT AND EQUIPMENT (continued)

a) Depreciation for the year was allocated as follows:

	2022 SR	2021 SR
Cost of revenue	**163,785,710**	188,089,212
Selling and Distribution expenses (note 9)	**862,912**	858,087
General and Administrative expenses (note 10)	**1,197,757**	1,016,177
	165,846,379	189,963,476

b) The plants are situated on land leased from Ministry of Industries and Mineral Resources, of Ras Baridi in Yanbu, for 30 Hijra years commencing 4 Rabi' I 1398H (corresponding to 12 February 1978). The lease has been renewed for a similar period for 30 years on 3 Rabi' I 1428H (corresponding to 22 March 2007). The lease is renewable for further similar periods subject to the agreement of both parties.

16. INTANGIBLE ASSETS

	Software 2022 SR	Software 2021 SR
Cost:		
At 1 January	**11,494,123**	10,919,697
Additions	**-**	574,426
Balance at 31 December	**11,494,123**	11,494,123
Amortization:		
At 1 January	**8,993,335**	6,694,510
Amortization during the year (Note a)	**698,099**	2,298,825
Balance at 31 December	**9,691,434**	8,993,335
Net Book Value on 31 December	**1,802,689**	2,500,788

a) Amortization for the year was allocated as follows:

	2022 SR	2021 SR
Cost of revenue	**698,099**	1,018,244
General and administrative expenses (note 10)	**-**	1,280,581
	698,099	2,298,825

17. INVENTORIES

Inventories as at 31 December 2022 and 31 December 2021 comprised of the following:

	2022 SR	2021 SR
Spare parts	**257,948,576**	235,109,459
Finished Goods	**8,118,375**	7,738,684
Work in process	**355,829,879**	343,167,972
Raw materials	**33,911,788**	23,047,307
Fuel	**9,808,398**	8,788,299
Packaging materials	**9,115,177**	2,001,948
Fuel in transit	**6,421,778**	7,087,226
Raw material in transit	**9,068,787**	39,713
Other materials	**318,198**	544,790
	690,540,956	**627,525,398**
Less: provision for spare parts (Note a)	(95,555,456)	(86,054,250)
	594,985,500	**541,471,148**

17. INVENTORIES (Continued)

a) Provision for spare parts

	2022 SR	2021 SR
At the beginning of the year	86,054,250	102,829,686
Charge for the year	8,359,252	46,324,527
Reversal / (write off) during the year	1,141,954	(63,099,963)
At the end of the year	95,555,456	86,054,250

18. TRADE RECEIVABLES

	2022 SR	2021 SR
Trade receivables	160,181,031	170,263,755
Allowance for expected credit losses (a)	(3,115,778)	(3,943,681)
	157,065,253	166,320,074

a) The movement in the allowance for expected credit losses of trade receivables is as follows:

	2022 SR	2021 SR
At the beginning of the year	3,943,681	1,960,026
Allowance for expected credit losses	36,246	1,983,655
Reversal of allowance for the year	(864,149)	-
At the end of the year	3,115,778	3,943,681

The information about the credit exposures is disclosed in note 34.

19. PREPAYMENTS, ADVANCES AND OTHER RECEIVABLES

	2022 SR	2021 SR
Advances to suppliers	12,151,392	9,639,787
Employees advances	8,964,651	9,638,586
Prepaid expenses	4,647,104	4,254,988
Others	12,192,039	14,769,803
	37,955,186	38,303,164

20. SHORT MURABAHA TERM DEPOSIT

	2022 SR	2021 SR
Short term Murabaha deposit (*)	21,000,000	-

(*) Short-term deposits are placed with local commercial Bank for the period of 6 months to earn a commission at normal commercial terms.

21. CASH AND CASH EQUIVALENTS

	2022 SR	2021 SR
Cash in hand	15,119	72,579
Bank balances	100,666,747	60,532,617
	100,681,866	60,605,196

22. SHARE CAPITAL

The Parent Company's authorized and paid-up share capital is divided into 157,500,000 shares as at 31 December 2022 (2021: 157,500,000 shares) stated at SR 10 per share.

The Board of Director vide its meeting dated 30 January 2021 recommended to decrease the existing share capital of the Company from SR 1,575 million to SR 1,000 million by cancelling 57,500,000 shares (36.5%) of the Company. On 5 April 2022, the Board of Directors again decided to postpone the recommendation to reduce the capital in response to the "Shrek" program launched by the Crown Prince and to take advantage of the Company's financial solvency to support the objectives of this program and invest in promising local investment opportunities.

23. STATUTORY RESERVE

In accordance with the Parent Company's By-laws, the Parent Company is required to transfer at least 10% of net profit to the statutory reserve. The Parent Company may cease such transfers when the statutory reserve equals 30% of the share capital. The Parent Company has voluntarily decided to maintain the statutory reserves at 50% of the share capital.

24. NON-CONTROLLING INTERESTS

Non-controlling interests represent the portion of the Group's income or loss and the net assets not held by the Group that have been presented as a separate item in the consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of changes in equity in the consolidated statement of financial position separately from the parent company's equity. Non-controlling interests as at 31 December 2022 was nil (31 December 2021: represent 40 % of the share capital of Yanbu Saudi Kuwaiti for Paper Products Company (A Limited Liability Company).

25. DIVIDENDS DISTRIBUTION

a) Dividends for the year ended 31 December 2022:

- On 1 June 2022 (corresponding to 2 Dhu-Al Qa'dah 1443), the Board of Directors of the Parent Company announced a distribution of cash dividends amounting to SR 118.1 million (SR 0.75 per share) for the first half of the year ended 31 December 2022 which represents 7.5% of the nominal value of shares.

- On 10 December 2022 (corresponding to: 16 Jummad Al-Awal 1444), the Board of Directors of the Parent Company announced a distribution of cash dividends amounting to SR 118.1 million (SR 0.75 per share) for the second half of the year ended December 31 2022 which represents 7.5% of the nominal value of the share.

b) Dividends for the year ended 31 December 2021:

- On 26 July 2021 (corresponding to 16 Dhul-Hijjah 1442H), the Board of Directors of the Parent Company announced the distribution of cash dividend amounting to SR 196.9 million (SR 1.25 per share) for the first half of the year 2021 which represents 12.5% of the nominal value of the shares.

- On 11 December 2021 (corresponding to 07 Jumada Al-Awwal 1443H), the Board of Directors of the Parent Company announced a distribution of cash dividend amounting to SR 157.5 million (SR 1 per share) for the second half of the year 2021 which represents 10% of the nominal value of the shares.

26. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the profit for the year attributable to equity holders in the Parent Company by the weighted average number of ordinary shares which are 157.5 million shares.

The table below reflects the details of the net profit for the year and the number of shares used in calculating basic and diluted earnings per share:

26. EARNINGS PER SHARE (continued)

	2022 SR	2021 SR
Profit for the year attributable to ordinary equity holders of the Parent Company (SR' 000)	**215,407**	159,556
Weighted average number of outstanding ordinary shares (000' shares)	**157,500**	157,500
Basic and diluted earnings per share attributable to shares holders of the Parent Company (Saudi Riyals)	**1.37**	1.01

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

27. LOANS

The outstanding bank borrowings as at the consolidated statement of financial position are as follows:

A) BANK BORROWINGS

	2022 SR	2021 SR
SNB loan (Note - a)	**-**	25,944,444
Gulf International Bank loan (Note - b)	**80,237,659**	100,000,000
SABB loan (Note - c)	**35,000,000**	-
Total	**115,237,659**	125,944,444
Current portion	**(23,737,659)**	(45,944,444)
Non-current portion	**91,500,000**	80,000,000

a) During 2015, the Parent Company entered into bank facilities contracts amounting to SR 250 million with the Saudi National Bank ("SNB") to finance the construction of power generating plant from waste thermal energy project. The loan balance has been fully utilized in prior years. The loan is repayable in monthly installments of SR 4.32 million each with last installment due in June 2022. The loan is subject to interest costs as per prevailing Saudi rates (SIBOR) plus fixed commission rate. The power generating plant from waste thermal energy project was mortgaged completely as a guarantee to SNB. The loan has been fully settled during the year.

b) During year 2021, the parent Company entered into a bank facility contract with Gulf International Bank in the amount of 100 million Saudi riyals to cover the financing of the project to raise the production capacity of the fourth line. The loan is subject to repayable in quarterly installments of 5 million Saudi riyals each and the last payment is due in December 2026. The loan is subject to interest costs as per prevailing Saudi rates (SIBOR) plus fixed commission rate.

c) During year 2022, the parent Company entered into a bank facility agreement with the Saudi British Bank ("SABB") in the amount of SR 35 million to cover the acquisition of 40% of the remaining shares of the Subsidiary Company. The loan is subject to repayment of quarterly installments of SR 1.75 million each, starting from July 2023 until June 2028. The loan entails financing costs as per prevailing Saudi rates (SIBOR) in addition to a fixed commission rate.

Below is the summary of the undiscounted loans repayment schedule

	2022 SR	2021 SR
2022	**-**	49,708,151
2023	**27,779,056**	22,377,185
2024	**30,365,231**	21,672,835
2025	**28,947,476**	20,968,482
2026	**27,845,504**	20,264,132
2027	**7,259,896**	-
2028	**3,500,000**	-
	125,697,163	134,990,785

27. LOANS (continued)

B) SHORT TERM BORROWINGS

During 2022, the Parent Company entered into Islamic financing facilities agreement with Banque Saudi Fransi and Saudi National Bank, each amounting to SR 25 million at SIBOR plus agreed commission rate to meet its working capital requirements. The facilities availed during the year 2021 from Gulf international bank, Al bilad bank, Al Jazira and Saudi Fransi Bank SR 530 million out of which the balance used SR 150.7 million were also fully paid off during the year. As at 31 December 2022, the outstanding amounts of SR 50.04 million (31 December 2021: SR 150.7 million) were classified under current liabilities since these are due to Banque Saudi Fransi and Saudi National Bank within 12 months period.

28. INVESTMENT IN AN ASSOCIATE

The movement of investment in associate is as follow:

	2022 SR	2021 SR
Cost of investment	-	245,000
Adjustment of excess losses	(8,801)	-
Share of net profit /(loss) from associate (*)	321,079	(245,000)
	312,278	-

(*) The Company's share in net profit from the associate company for the year December 31, 2022 amounted to SR 321,079 (2021: SR 72,276) due to the net excess losses in the prior years accrued liability was recognized for SR 8,801 which is settled from the current year net profit from associate.

29. PROVISION FOR EMPLOYEE BENEFITS'

	2022 SR	2021 SR
Balance at the beginning of the year	83,743,089	76,645,958
Current service cost	7,092,071	5,977,996
Interest cost	2,181,658	1,609,695
Re-measurement loss	5,301,582	6,912,841
Paid during the year	(2,334,500)	(7,403,401)
Balance at the end of the year	95,983,900	83,743,089

The following is the breakup of the re-measurement loss / (gain) on provision for employee benefits:

	2022 SR	2021 SR
Demographic assumptions	10,249	(60,710)
Financial assumptions	700,843	96,168
Experience adjustment	4,590,490	6,877,383
	5,301,582	6,912,841

Provision for employee benefits' expense:

	2022 SR	2021 SR
Current service cost	7,092,071	5,977,996
Interest cost on defined benefits obligation	2,181,658	1,609,695
Provision for Employee benefits' expense	9,273,729	7,587,691

29. PROVISION FOR EMPLOYEE BENEFITS' (continued)

The principle actuarial assumptions used in the calculation of the provision for employee benefits' are as follows:

	2022	2021
Discount rate	**4.85%**	2.60%
Salary increase rate	**5.00%**	2.60%
Mortality rate	**AM 80**	AM 80

The effect of the change of one of the actuarial assumptions that has a reasonable change in the rate in the defined benefit obligation, with all other variable assumptions constant, is presented as follows:

	2022 SR	2021 SR
Discount rate +0.5%	**(4,223,536)**	(3,548,866)
Discount rate - 0.5%	**4,561,280**	3,828,229
Long term salary increases +0.5%	**3,853,318**	3,204,018
Long term salary increases -0.5%	**(3,612,449)**	(3,007,421)

30. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2022 SR	2021 SR
Accrued expenses against limestone extraction fees	**104,120,963**	33,542,809
Service payable accounts	**17,833,584**	12,035,891
Advances from customers	**11,217,990**	6,872,536
Other accrued expenses	**19,721,617**	14,804,744
VAT payable	**2,236,818**	5,344,200
Lease Liability	**358,529**	358,527
Other payables	**8,978,382**	11,112,227
	164,467,883	84,070,934

31. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, Board of Directors, the Group's key management personnel and enterprises managed or significantly influenced by those parties. The following are the details of major related parties' transactions during the year ended 31 December 2022:

- Allowances and compensation of the Board of Directors and senior executives

The Group's senior management includes key management personnel and executives, Board of directors, having authorities and responsibilities for planning, directing and controlling the activities of the Group.

Board of Directors and committees' compensation charged during the year amounting to SR 4.1 million (2021: SR 4.8 million) (see note 10).

- Key management personnel compensation comprised the following:

	2022 SR	2021 SR
Short term employee benefits	**7,423,960**	7,180,860
Post-employment benefits	**440,562**	445,356
	7,864,522	7,626,216

31. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- The Group entered into transaction with its associate under mutually agreed terms and conditions:

Associate *(Nature of transaction)*	Amount of transaction 2022 SR	 2021 SR	Due to related party 2022 SR	 2021 SR
Training cost charges by associate (Knowledge center for cement training limited)	**2,240,559**	1,745,269	**569,426**	767,501

32. CONTINGENCIES AND CAPITAL COMMITMENTS

As at 31 December 2022, the contingencies against bank letters of guarantees issued on behalf of the Group is amounting to SR 23.47 million (31 December 2021: SR 31.9 million).

As at 31 December 2022, the Group has bank letters of credit issued amounting to SR 29.75 million (31 December 2021: SR 2.8 million) issued from bank in the Kingdom of Saudi Arabia.

33. LEASES

Group as a lessee

The Group has lease contracts for various leased properties. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

The Group also has certain lease contracts for leased properties with lease terms of 12 months or less and with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Below are the carrying amounts of right-of-use assets and leased liabilities recognized and the movements during the year.

	Consolidated statement of financial position	
	Right-of-use asset (Leasehold lands)	Lease liabilities
As at 1 January 2022 (note 15)	5,780,525	6,137,380
Depreciation expense (note 15 and (a) below)	(457,709)	-
Interest expense (note (a) below)	-	275,774
Payments made	-	(610,000)
As at 31 December 2022	**5,322,816**	**5,803,154**

a) The Group recognized depreciation expense relating to right-of-use asset and interest expense relating to lease liabilities for the year ended 31 December 2022 under cost of revenue and finance cost, respectively.

b) As at 31 December 2022, right-of-use asset is recorded as part of property, plant and equipment (note 15) amounting to SR 5,322,816 (2021: SR 5,780,525) while the lease liability amounting to SR 5,444,625 (2021: SR 5,778,856) is classified as non-current and current lease liability amounting to SR 358,529 (2021: SR 358,527) is recorded under "accrued expenses and other current liabilities".

The Group had total cash outflows for leases of SR 610,000 in 2022 (2021: SR 650,000).

34. RISK MANAGEMENT OBJECTIVES AND POLICIES

Risks are part of the Group's operations and are managed through a continuous mechanism including the identification and then assessment of risks with follow up in line with other approved restrictions and controls. Risk management is important for the Group's ability to achieve gains. Every employee in the Group is responsible for risk management related to his roles and responsibilities. The Group is exposed to market risk, commission rate risk, currencies risk, credit risk and liquidity risk.

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 two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include bank borrowing and derivative financial instruments.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowing obligations and short-term borrowings with floating interest rates. The Group manages the commission risks mainly by entering into interest rate swap agreements with one of the local commercial banks (note 13).

Currency risk
Currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities. The Group is not exposed to any significant currency risk as the Group did not have any significant balances as at 31 December 2022 denominated other than Saudi Riyal and US Dollars.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables
Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of guarantees or other forms of credit insurance obtained from reputable banks.

The five largest customers account for 95% of outstanding trade receivables as at 31 December 2022 (31 December 2021: 93%). Sales to such customers represent 80% of the total sales of the Group for the year ended 31 December 2022 (31 December 2021: 50%).

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance).

The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 34. The Group does not hold collateral as security. The letters of guarantees and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment. At 31 December 2022, 86% (2021: 84%) of the Groups trade receivables are covered by letters of credit and other forms of credit insurance.

The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

34. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Trade receivables:

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

31 DECEMBER 2022

	Trade receivables – *Days past due*						
	Not due yet	< 90 days	91-180 days	181-270 days	271-360 days	>360 days	Total
	SR	SR	SR	SR	SR	SR	SR
Expected credit loss rate	0.79%	1.27%	12.13%	32.15%	55.51%	100%	1.95%
Estimated total gross carrying amounts at default	102,263,157	53,621,872	624,241	46,241	310,650	3,314,870	160,181,031
Expected credit loss	147,862	57,770	6,977	18,672	153,768	2,730,729	3,115,778

31 December 2021

	Trade receivables – *Days past due*						
	Not due yet	< 90 days	91-180 days	181-270 days	271-360 days	>360 days	Total
	SR	SR	SR	SR	SR	SR	SR
Expected credit loss rate	0.08%	0.28%	1.36%	3.82%	5.88%	100%	1.02%
Estimated total gross carrying amounts at default	129,079,289	31,677,640	467,122	5,981,985	726,168	2,331,551	170,263,755
Expected credit loss	115,239	53,640	12,382	2,458,533	42,699	1,261,188	3,943,681

Liquidity risk

The Group monitors its risk of a shortage of funds using a liquidity planning tool.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. Approximately 45% of the Group's debt will mature in less than one year at 31 December 2022 (2021: 71%) based on the carrying value of borrowings reflected in the financial statements. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

34. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Excessive risk concentration (continued)
In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

31 December 2022	< 3 months SR	3- 12 months SR	1 to 5 years SR	> 5 years SR	Total SR
Lease Liability	40,000	650,000	2,600,000	4,240,000	7,530,000
Trade payables	52,386,278	-	-	-	52,386,278
Financial derivatives	-	-	(4,511,669)	-	(4,511,669)
Short term financing	50,769,541	-	-	-	50,769,541
Bank borrowings	6,258,190	21,520,866	97,918,107	-	125,697,163
Dividends payable	81,072,268	-	-	-	81,072,268
Other current liabilities	141,288,517	-	-	-	141,288,517
	331,814,794	22,170,866	96,006,438	4,240,000	454,232,098

31 December 2021	< 3 months SR	3- 12 months SR	1 to 5 years SR	> 5 years SR	Total SR
Lease Liability	-	650,000	2,600,000	4,930,000	8,180,000
Trade payables	21,617,736	-	-	-	21,617,736
Financial derivatives	-	63,600	-	-	63,600
Short term financing	70,639,109	81,221,376	-	-	151,860,485
Bank borrowings	19,457,869	30,250,282	85,282,634	-	134,990,785
Dividends payable	81,689,119	-	-	-	81,689,119
Other current liabilities	63,989,592	-	-	-	63,989,592
	257,393,425	1112,185,258	87,882,634	4,930,000	462,391,317

Capital management
For the purpose of the Group's capital management, the Group's capital includes issued share capital and all other equity reserves attributable to the equity holders of the Parent Company. The primary objective of the Group's capital management is to maximize the shareholder value.

The Group manages its capital structure and adjusts in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital and net debt.

The Group's overall strategy remains unchanged from the previous year. The Group's capital structure consists of net debt (bank borrowings, trade payables and accrued expenses and other current liabilities for cash and cash equivalent), equity (consisting of share capital, statutory reserve and retained earnings).

34. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

	2022 SR	2021 SR
Bank borrowings	165,279,372	276,680,010
Other non-current liability	5,444,625	5,778,856
Financial derivatives	(4,511,669)	63,600
Trade payables	52,386,278	21,617,736
Accrued expenses and other current liabilities	164,467,883	84,070,934
Less: cash and cash equivalents	(100,681,866)	(60,605,196)
Net debt	282,384,623	327,605,940
Total equity	2,768,690,104	2,827,879,993
Net debt to equity ratio	10.20%	11.58%

35. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2022 SR	Cash flows SR	Others SR	31 December 2022 SR
Current portion of bank borrowings	45,944,444	(45,944,444)	23,737,659	23,737,659
Bank borrowings	80,000,000	35,237,659	(23,737,659)	91,500,000
Short term borrowings	150,735,566	(100,693,853)	-	50,041,713
Dividends payable	81,689,119	(236,866,856)	236,250,000	81,072,263
Lease liability	6,137,380	(610,000)	275,774	5,803,154
Total liabilities from financing activities	364,506,509	(348,877,494)	236,525,774	252,154,789

	1 January 2021 SR	Cash flows SR	Others SR	31 December 2021 SR
Current portion of bank borrowings	51,888,889	(51,888,889)	45,944,444	45,944,444
Bank borrowings	25,944,444	100,000,000	(45,944,444)	80,000,000
Short t8erm borrowings	-	150,735,566	-	150,735,566
Dividends payable	276,156,597	(548,842,478)	354,375,000	81,689,119
Lease liability	6,494,199	(650,000)	293,181	6,137,380
Total liabilities from financing activities	360,484,129	(350,645,801)	354,668,181	364,506,509

The 'Others' column includes the effect of reclassification of non-current portion of bank borrowings to current portion of bank borrowings and dividend declared and accrued during the year that were not yet paid at the year-end. The Group classifies finance cost paid as cash flows from operating activities.

36. FAIR VALUE MEASUREMENT

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

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

36. FAIR VALUE MEASUREMENT (continued)

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

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

			Fair value measurement using		
Financial derivatives measured at fair value	**Date of valuation**	**Total SR**	**Quoted prices in active markets (Level 1) SR**	**Significant observable inputs (Level 2) SR**	**Significant unobservable inputs (Level 3) SR**
Financial derivatives	**31 December 2022**	**4,511,669**	**-**	**-**	**4,511,669**
Financial derivatives	31 December 2021	(63,600)	-	-	(63,600)

The Group enters into derivative financial instruments principally with financial institutions having investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs is interest rate swaps. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations.

As at 31 December 2022 and 31 December 2021, the fair values of the Group's financial instruments are estimated to approximate their carrying values and are classified under level 3 of the fair value hierarchy. Fair value of trade receivables as at 31 December 2022 and 31 December 2021 is carrying amount because of short term nature of the balance.

Fair values of the Group's borrowings are determined by using DCF method using discount rate that reflects the borrowing rate as at the end of the reporting period. As at 31 December 2022 and 31 December 2021, the carrying amounts of borrowings were not materially different from their calculated fair values. During the year ended 31 December 2022 and 2021, there were no movements between the levels.

37. EVENTS AFTER REPORTING PERIOD

In the opinion of the management there have been no subsequent event since the year ended 31 December 2022 which would have a material impact on the financial statement of the Group in addition to those reflected in these consolidated financial statements.

38. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform current year presentation.

39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements for the Group for the year ended 31 December 2022, were approved by the Board of Directors on 22 Shaban 1444H (corresponding to 14 March 2023).