TABUK CEMENT COMPANY
(Saudi Joint Stock Company)

FINANCIAL STATEMENTS
For the year ended 31 December 2021
with
INDEPENDENT AUDITOR'S REPORT

KPMG Professional Services
Zahran Business Center
Prince Sultan Street
P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 4030290792

Headquarters in Riyadh

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

المركز الرئيسي في الرياض

Independent Auditor's Report

To Shareholders of Tabuk Cement Company
Saudi Joint Stock Company

Opinion

We have audited the financial statements of Tabuk Cement Company (a Saudi joint stock Company) ("the Company"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

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

Key Audit Matters

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

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Independent Auditor's Report (continued)

To the Shareholders of Tabuk Cement Company
Saudi Joint Stock Company

Revenue recognition

Referring to Note (5) for the accounting policy of the revenue realization and Note (22) for the disclosure of contracts with customers.

Key audit matter	How the matter was addressed in our audit
During the year ended 31 December 2021, revenue from sales amounting to SR 228.5 million was recognized. Revenue from sales is recognized when a customer obtains controls of the goods and this is done upon acceptance and delivery of the goods to the customer and issuance of a sales invoice in accordance with the requirements of IFRS 15, Revenue from contracts from clients. Revenue is one of the significant indicators for measuring performance, and consequently, there are inherent risks through recognising revenue with more than its actual value in order to increase profitability. Therefore, the revenue recognition process has been considered as a key audit matter.	The auditing procedures we performed in relation to revenue from sales included, among other procedures, the following: - Evaluating the appropriateness of the Company's accounting policies related to recognition of revenue from sales, including those related to discounts and incentives, as well as assessing compliance with the requirements of applicable accounting standards. - Test the design and implementation of the internal control procedures related to revenue recognition and its operational efficiency, including anti-fraud control procedures. - Performed analytical audit of the revenue by comparing the volume of sales and prices monthly during the current year with the previous year and determine whether there are any significant trends or fluctuations that need to be further examined in the light of our understanding of current market conditions. - We examined Based on the sample base the revenues recorded with the supporting documents to verify revenues is recorded in their correct periods.

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Independent Auditor's Report (continued)

To the Shareholders of Tabuk Cement Company
Saudi Joint Stock Company

Impairment of Spare parts inventory	
With reference to Note (4) regarding the use of judgments and estimates in respect of the impairment of inventories, as well as Note (11) regarding disclosure of inventories.	
Key audit matter	**How the matter was addressed in our audit**
As at 31 December 2021, the book value of spare parts inventory amounted to SR 87.8 million, which is kept for periods that may exceed one financial year and this may impact the evaluation of the spare parts, which includes the use of judgments in estimating provisions for spare parts inventory. The use of judgments is required to assess the appropriate level of provisions for the spare parts inventory items that may be damaged or sold for less than their cost if the damaged and slow-moving quantity is determined. These judgments include the management's expectations regarding the future use of these spare parts or plans to exclude or sell them. Due to the significance of the spare parts provision and related estimates, this was considered a key audit matter.	Our audit procedures, which are related to the verification the appropriateness of the recorded provision against the spare parts inventory, included, among other procedures, the following: - Discusstion with the management the key assumptions were used in estimating the provision. - Verify the reasonableness of the assumptions used by management in calculating the provision on sample basis. - Obtain an authorised report from the financial management and technical management of the Company that includes the statement of stagnant inventory and the extent of spare parts' validity for use and the adequacy of the provision made for the stagnant inventory in the Company's books. - Observe the spare parts inventory counting works at the end of the year to monitor and understand the Company's procedures in identifying damaged spare parts stock. - Evaluate the design, implementation, and operational effectiveness of relevant controls applied in the inventory measurement process.

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Independent Auditor's Report (continued)

To Shareholders of Tabuk Cement Company
Saudi Joint Stock Company

Other matter

The financial statements of the Company for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 4 March 2021.

Other information

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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Independent Auditor's Report (continued)

To Shareholders of Tabuk Cement Company
Saudi Joint Stock Company

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

For KPMG Professional Services

كي بي إم جي للاستشارات المهنية
KPMG
KPMG Professional Services

Nasser Ahmed Al Shutairy
License No. 454

Jeddah, 27 March 2022
Corresponding to 24 Shaban 1443H

TABUK CEMENT COMPANY
(Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2021
(Expressed in Saudi Arabian Riyals)

	Note	31 December 2021	31 December 2020
Assets			
Property, plant and equipment	6	**1,007,993,279**	1,065,784,188
Investment properties	7	**72,279,440**	77,464,847
Equity investments at Fair Value through Other Comprehensive Income (FVOCI)	8	**283,140,949**	281,288,274
Intangible assets	9	**4,762,692**	5,043,683
Right-to-use asset	10	**1,705,654**	3,566,366
Non-current assets		**1,369,882,014**	1,433,147,358
Inventories	11	**292,949,241**	285,063,097
Trade receivables	12	**7,977,607**	6,042,352
Prepayments and other receivables	13	**11,240,423**	8,571,537
Cash and cash equivalents	14	**48,082,531**	40,693,362
Current assets		**360,249,802**	340,370,348
Total assets		**1,730,131,816**	1,773,517,706
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	1	**900,000,000**	900,000,000
Statutory reserve	15	**229,521,378**	227,745,646
Other reserves		**113,792,199**	111,939,524
Retained earnings		**24,133,876**	9,342,586
Total equity		**1,267,447,453**	1,249,027,756
Liabilities			
Loans	16	**210,212,689**	252,000,653
Employees' defined benefit obligation	17	**15,923,026**	14,216,404
Non-current portion of lease commitments	10	--	1,772,419
Non-current liabilities		**226,135,715**	267,989,476
Loans	16	**63,470,883**	63,470,883
Current portion of lease commitments	10	**1,772,419**	1,881,295
Accrued expenses and other payables	18	**26,892,160**	49,193,397
Trade payables		**16,376,937**	10,104,264
Dividend Obligations	19	**121,079,857**	121,694,374
Zakat provision	20	**6,956,392**	10,156,261
Current liabilities		**236,548,648**	256,500,474
Total liabilities		**462,684,363**	524,489,950
Total shareholders' equity and liabilities		**1,730,131,816**	1,773,517,706

The accompanying notes 1 to 33 of these financial statements.

These financial statements were approved by the Board of Directors on 22 March 2022, corresponding to 19 Sha'ban 1443H and are signed on behalf by:

Mansour Ibrahim Al-Habdan	Ali bin Mohamed Al-Qahtani	Tariq bin Khaled Al-Anqari
Financial Manager	CEO	(Authorized) BOD Member

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

TABUK CEMENT COMPANY
(Saudi Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2021
(Expressed in Saudi Arabian Riyals)

	Note	For the year ended 31 december 2021	2020
Revenues	22	**228,529,275**	276,454,772
Cost of sales	22	**(179,919,725)**	(208,207,773)
Gross profit		**48,609,550**	68,246,999
Selling and distribution expenses	23	**(3,046,032)**	(2,951,585)
General and administrative expenses	24	**(21,652,001)**	(20,354,578)
Other income	25	**10,899,132**	8,175,384
Operating income		**34,810,649**	53,116,220
Financial charges	29	**(6,192,117)**	(11,220,803)
Effect of financial liability cash flows adjustment	16	**(5,815,199)**	17,750,601
Profit before zakat		**22,803,333**	59,646,018
Zakat	20	**(5,046,012)**	(8,070,246)
Profit for the year		**17,757,321**	51,575,772
Other Comprehensive income			
Items that will not be reclassified under profit or loss:			
Unrealized gains on investments in equity instruments at FVOCI	8	**1,852,675**	10,330,274
Remeasurement of employees' defined benefits obligation	17	**(1,190,299)**	(372,563)
Total other comprehensive income		**18,419,697**	61,533,483
Earnings per share to income for the year (SR):			
Basic and diluted	21	**0.197**	0.573

The accompanying notes 1 to 33 of these financial statements.

These financial statements were approved by the Board of Directors on 22 March 2022, corresponding to 19 Sha'ban 1443H and are signed on behalf by:

Mansour Ibrahim Al-Habdan	Ali bin Mohamed Al-Qahtani	Tariq bin Khalied Al-Anqari
Financial Manager	CEO	(Authorized) BOD Member

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TABUK CEMENT CO.

TABUK CEMENT COMPANY
(Saudi Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021
(Expressed in Saudi Arabian Riyals)

	Note	Share Capital	Statutory reserve	Other reserves	Retained earnings / (Accumulated losses)	Total
Balance at 1 January 2020		900,000,000	222,588,069	101,609,250	(36,703,046)	1,187,494,273
Profit for the year		--	--	--	51,575,772	51,575,772
Other comprehensive income		--	--	10,330,274	(372,563)	9,957,711
Total comprehensive income for the year		--	--	10,330,274	51,203,209	61,533,483
Transferred to statutory reserve	15	--	5,157,577	--	(5,157,577)	--
Balance at 31 December 2020		900,000,000	227,745,646	111,939,524	9,342,586	1,249,027,756
Balance at 1 January 2021		**900,000,000**	**227,745,646**	**111,939,524**	**9,342,586**	**1,249,027,756**
Profit for the year		--	--	--	**17,757,321**	**17,757,321**
Other comprehensive income		--	--	**1,852,675**	**(1,190,299)**	**662,376**
Total comprehensive income for the year		--	--	**1,852,675**	**16,567,022**	**18,419,697**
Transferred to statutory reserve	15	--	**1,775,732**	--	**(1,775,732)**	--
Balance at 31 December 2021		**900,000,000**	**229,521,378**	**113,792,199**	**24,133,876**	**1,267,447,453**

The accompanying notes 1 to 33 of these financial statements.

These financial statements were approved by the Board of Directors on 22 March 2022, corresponding to 19 Sha'ban 1443H and are signed on behalf by:

Mansour Ibrahim Al-Habdan Financial Manager	Ali bin Mohamed Al-Qahtani CEO	Tariq bin Khaled Al-Anqari (Authorized) BOD Member

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CR 3550012090 س.ت
TABUK CEMENT CO.

TABUK CEMENT COMPANY
(Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2021
(Expressed in Saudi Arabian Riyals)

	Note	For the year ended 31 december 2021	2020
Profit for the year before zakat		**22,803,333**	59,646,018
Adjustments:			
Depreciation on property, plant and equipment	6	**58,194,221**	70,108,144
Amortization on intangibles assets	9	**556,295**	556,295
Allowance for slow moving inventory items	11	**604,915**	--
Depreciation of right-of-use	10	**1,860,712**	1,690,464
Effect of financial liability cash flows adjustment	16	**5,815,199**	(17,750,601)
Gain on disposal of real estate investments	25	**(10,014,593)**	(7,679,759)
Financial charges	29	**6,192,117**	11,220,803
Reverse of impairment of trade receivables	12	**(57,448)**	(128,322)
Employee defined benefit obligation charge for the year	17	**1,920,546**	1,453,385
		87,875,297	119,116,427
Changes in working capital:			
Trade receivables		**(1,877,807)**	1,976,086
Prepayments and other debit balances		**(2,668,886)**	(3,849,100)
Inventories		**(8,491,059)**	14,598,220
Trade payables		**16,943,084**	(3,790,450)
Accrued expenses and other current		**(22,301,237)**	(7,956,059)
Zakat paid	20	**(8,245,881)**	(1,932,915)
Employees defined benefit obligations - paid	17	**(1,404,223)**	(4,461,589)
Net cash provided by operating activities		**59,829,288**	113,700,620
INVESTING ACTIVITIES			
Additions of property, plant and equipment	6	**(11,073,723)**	(8,649,194)
Additions to intangible assets	9	**(275,304)**	(1,394,544)
Proceeds from sale of investment properties		**15,200,000**	10,096,049
Net cash provided by investing activities		**3,850,973**	52,311
FINANCING ACTIVITIES			
Paid from loans	16	**(47,603,163)**	(71,404,744)
Payment of lease obligations		**(1,881,295)**	(1,928,423)
Financial charges paid		**(6,192,117)**	(10,888,932)
Dividends distributed	19	**(614,517)**	(2,942,171)
Net cash used in financing activities		**(56,291,092)**	(87,164,270)
Change in cash and cash equivalents during the year		**7,389,169**	26,588,661
Cash and cash equivalents at beginning of the year		**40,693,362**	14,104,701
Cash and cash equivalents at the end of the year		**48,082,531**	40,693,362
Supplemental non-cash information:			
Property, plant and equipment settled	6 e	**10,670,411**	--
Change in investment reserves in equity instruments at FVOCI		**1,852,675**	10,330,274

The accompanying notes 1 to 33 of these financial statements.

These financial statements were approved by the Board of Directors on 22 March 2022, corresponding to 19 Sha'ban 1443H and are signed on behalf by:

Mansour Ibrahim Al-Habdan Financial Manager	Ali bin Mohamed Al-Qahtani CEO	Tariq bin Khaled Al-Anqari (Authorized) BOD Member

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CR 3550012690 س.ت
TABUK CEMENT CO.

1. CORPORATE INFORMATION

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

The main activity of the Company is as follows:

1. manufacture of ordinary and sulfur-resistant Portland cement and Portland cement for industrial purposes and cement derivatives and accessories, trading of such products and performing all related and complementary works for such purposes.

2. establish factories and laboratories related to sub and complementary industries of cement production like building materials and others that would achieve its purposes, after obtaining the necessary licenses from the concerned authorities.

3. import and export of cement and related products.

   In order to achieve its objectives, the Company may own real estate, land, and scientific research laboratories to improve products and their new types. The Company practices its activities in accordance with the applicable regulations and after obtaining the necessary licenses from the concerned authorities, if any.

The Company operates under industrial license No. 421102107153 issued on 14 Muharram 1442H (corresponding to 1 October 2020) which expires on 16 Rabi' Al-Awwal 1445H (corresponding to 1 October 2023).

As at 31 December 2021, the authorized, subscribed and fully paid up share capital 900 million (2020: SR 900 million) divided into 90 million ordinary shares (2020: 90 million shares) of SR 10 each (2020: SR 10).

The registered address of the Company is:
TCC Building, Al-Dhabab area, north of Dhaba city
Beside Dhaba port, near Duba sea port, PO Box 122
Tabuk 71451, Kingdom of Saudi Arabia

The Company's shares are listed in the Capital Market Authority in the Kingdom of Saudi Arabia. The Parent Company is owned by 12.37% to major shareholders, while 87.63% is owned by other shareholders as at 31 December 2021 (31 December 2020: 15.72% by major shareholders and 84.28% by other shareholders).

2. BASIS OF PREPERATION

a) Statement of compliance

The accompanying Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") (hereafter referred to as "IFRS as endorsed in KSA").

b) Basis of measurement

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

Certain comparative amounts have been reclassified to conform to current period presentation.

3. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements have been presented in Saudi Arabian Riyals (SR) which is also the Company's presentation and functional currency. All amounts have been rounded off to the nearest Riyal.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

Measurement of employee benefits obligation

The Company's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in current and prior periods and discounting that amount to arrive at present value. The calculation is performed annually by a qualified actuary using the projected unit credit method. Judgments are used in estimating the actuarial assumptions. Key assumptions are disclosed in Note (17).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment for inventory

Management estimates the impairment to reduce the inventory to its net realizable value if the cost of the inventory is not recoverable or the inventory is damaged or become an obsolete in whole or in part, or if the selling price is lower than cost or any other factors that cause the net realizable value to become less than the carrying amount. Management valuation of net realizable value is based on the most reliable evidence at the time the estimates are used.

These estimates take into account fluctuations in prices or costs directly attributable to events occurring after the date of the financial statements to the extent that they confirm that the circumstances of such events exist as at end of the financial period.

Going Concern

At the beginning of the financial year 2020, the Corona pandemic (Covid - 19) swept the world, causing disturbances in the economic and commercial sectors in general, and the Company's management has proactively assessed its impacts on its operations and has taken a series of preventive measures to ensure the health and safety of its employees and workers. Despite these challenges, the Company's business and operations are currently still largely unaffected. The primary demand from customers for the Company's products has not been affected to a large extent, although there is a decrease in demand in certain periods during the year. Based on these factors, the Company's management believes that the Covid-19 pandemic did not have a material impact on the financial results that were reported for the period ending 31 December 2021. The Company continues to closely monitor the development of the pandemic even though the management at this time is not aware of any expected factors that may change the impact of the pandemic on the Company's operations during or after 2022. The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Company continues to prepare the financial statements on the going concern basis. The Company's management is currently monitoring the situation and the extent of its impact on the Company's operations, cash flows and financial position. The management believes, based on its assessment, that the Company has sufficient liquidity available to continue fulfilling its financial obligations in the foreseeable future as and when they fall due.
Accounting policies applied by the Company are set out in note (5).

Impairment of trade receivables

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of non-financial assets

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

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

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

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

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

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

Useful lives of property, plant and equipment

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

The depreciation rates of plant and equipment have been adjusted as of 1 January 2021, where the change in the depreciation method has been accounted for as a variable in an accounting estimate and the remaining book value of plant and equipment will be depreciated according to the new depreciation rates. The impact of this amendment amounted to SR 12.2 million as an impairment of depreciation during the year ended 31 December 2021 Compared to previous depreciation rates and the impact of this on the next five years as follows:

	Estimated				
	2022	2023	2024	2025	2026
Decrease in depreciation expense	12,209,318	12,209,318	12,209,318	12,209,318	12,209,318

5. SIGNIFICANT ACCOUNTING POLICIES

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

Foreign currencies

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

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

Revenues from contracts with customers

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

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

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

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

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

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

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

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

5. SIGNFICANT ACCOUNTING POLICIES (continued)

Revenues from contracts with customers (continued)

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

Sales of goods

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

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

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

Employee benefits

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

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

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

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

5. SIGNFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Defined benefit costs are classified as follows:
- cost of service (including current service costs, past service cost, as well as gains and losses resulting from the scaling up and reimbursement of staff benefits);
- Interest cost, and
- Remeasurement.

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

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

Finance income and finance costs

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

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in statement of profit or loss using the effective interest method. The financing charges resulting from leasing operations are classified within the operating activities in the statement of cash flows.

Zakat

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

Zakat is provided for the period ratably and charged separately in the statement of profit or loss. Zakat liabilities, if any, related to prior years' assessments are accounted for in the period in which the final assessments are finalized.

The Company withholds taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZATCA regulations.

5. SIGNFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Property, plant and equipment

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

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

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

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

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

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

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

Depreciation cost is charged to statement of profit or loss on a straight-line basis over the estimated useful lives of the individual items of property, plant and equipment. Leased assets are depreciated on the lower of lease period or the useful life Unless there is a reasonable certainty that the asset's ownership will be transferred to the Company by the end of the lease term. Freehold lands are not depreciated.

5. SIGNFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation (continued)

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

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

Item	Years
Buildings and constructions	50-7
Plant and equipment	3-25
Furniture and office equipment	5-20
Vehicles and heavy equipment	4-8

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

Projects in progress

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

Intangible assets

Intangibles acquired separately are measured on initial recognition at cost. Cost of intangible assets acquired based on business combinations represents the fair value at the acquisition date. Following initial recognition, intangibles are carried at cost less any accumulated amortization and any accumulated impairment losses, if any. Intangible assets internally developed (except for capitalized development costs) are not capitalized and included as expenses in the statement of profit or loss at the date of their maturity.

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

The estimated useful lives of intangible asset are as follows:

Asset	Useful lives (Years)
Software licenses	3

5. SIGNFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

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

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

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

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

Reversal of impairment losses recognised in the prior years is recorded when there is an indication that the impairment losses recognised for the investment property no longer exist or have reduced.

Fair value measurement

The Company discloses the fair value of the non-financial assets such as investment properties as part of its financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

5. SIGNFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

A fair value measurement of a non-financial asset takes into account 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.

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

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.
- Level 2: Inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for assets and liabilities that are not based on observable market data (unobservable inputs).

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

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. As at 31 December 2021 and 31 December 2020, there are no transfers between levels.

The carrying values and fair values of financial assets and liabilities including their fair value hierarchy are disclosed. It doesn't include information about fair value of financial assets and financial liabilities not measured at fair value if book value reasonably equals fair value in note (32).

Leases

a) Definition of a lease

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

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

5. SIGNFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

b) As a lessee

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

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

Lease liabilities are re-measured when there is a change in future lease payments.

Financial instruments

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

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

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

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

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

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

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

5. SIGNFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Non-derivative financial instruments (continued)

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

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

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

Financial assets are measured through other comprehensive income (investment in debt instruments) if the following two conditions are met:

- The asset is held within a business model whose objective is achieved through both collecting contractual cash flows and selling financial assets, and
- The contractual terms of the financial asset arise on specified dates to cash flows that are merely payments of principal and interest on the amount of the asset outstanding.

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

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

Financial assets- subsequent measurement - profits or losses:

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

5. SIGNFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Non-derivative financial instruments (continued)

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

Offsetting financial instruments

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

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

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

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

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

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

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

5. SIGNFICANT ACCOUNTING POLICIES (continued)

Loans and receivables

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

For trade receivables, which are reported net; such provisions are recorded in a separate allowance account with the loss being recognized within the statement of profit or loss and other comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Cash and cash equivalents

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

Trade payables and accruals

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

Share capital

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

Impairment

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

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

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

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

5. SIGNFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

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

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

The carrying amount of financial asset is reduced through the use of an allowance account and the amount of the loss is recognized in the profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write - off is later recovered, it is recognized in profit or loss in the period of recovery.

Impairment of non-financial assets

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

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

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

5. SIGNFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

An assessment is conducted at each reporting date to determine whether there is an evidence of impairment loss previously recorded or curtailed. If such indication exists, the Company estimates the asset's or CGU's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognised in the statement of profit or loss and other comprehensive income.

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

Provisions

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

Expenses

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

Current / non-current classification

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

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

All other assets are classified as non-current.

5. SIGNFICANT ACCOUNTING POLICIES (continued)

Current / non-current classification (continued)

A liability is classified as current when:

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

The Company classifies all other liabilities as non-current.

Segment information

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

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

Dividends

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

Contingent liabilities and contingent assets

Contingent liabilities
All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly with the control of the Company; or all present obligations arising from past events but not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability; all should be assessed at each statement of financial position date and disclosed in the Company's financial statements under contingent liabilities.

Contingent assets
All possible assets arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company should be assessed at each balance sheet date and are disclosed in the financial statements under contingent assets.

5. SIGNFICANT ACCOUNTING POLICIES (continued)

Statutory reserve

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

According to the Company's articles of association, the general assembly may decide to form another reserve to the extent that it is in the interest of the Company.

New standards, interpretations and amendments adopted by the Company

The accounting policies adopted by the Company in preparing the financial statements are consistent with those followed in preparing the annual financial statements of the Company for the year ended 31 December 2020, and there are no new standards that were issued, however, there are a number of amendments to the standards which are effective as of 1 January 2021. which did not have a material impact on the financial statements.

Effective as of	Amendments to Standards
1 January 2021	Amendments to IFRS 9, IAS 39 and IFRS 16 and IFRS 4 - Phase II (Interest Rate Correction)
1 June 2020	COVID-19 Related Lease Concessions (amendment to IFRS 16)

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

Effective for annual periods Starting from or after	New standards or amendments
1 April 2021	COVID-19 Related Lease Concessions after June 30, 2021 (amendment to IFRS 16)
1 January 2022	Onerous contracts - Cost of contact completion (Amendments to IAS 37)
	Annual improvements to IFRS Standards 2018-2020
	Property, plant and equipment: Proceeds before Intended Use (Amendments to IAS 16)
	Reference to the conceptual framework (amendment to IFRS 3)
1 January 2023	Amendments to IAS 1 "Presentation of Financial Statements" on the classification of liabilities
	IFRS 17 - Insurance contracts and amendment to IFRS 17 - Insurance contracts
Available for optional adoption / effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

6. PROPERTY, PLANT AND EQUIPMENT

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

	Note	Buildings and constructions	Vehicles and heavy equipment	Plant and equipment	Furniture and office equipment	Projects in progress	Total
Cost:							
Balance at 1 January 2021		492,252,195	63,951,359	1,800,672,151	35,142,172	4,412,689	2,396,430,566
Additions		--	1,884,626	5,093,115	1,866,308	2,229,674	11,073,723
Settlements	6-e	--	--	(10,670,411)	--	--	(10,670,411)
Balance at 31 December 2021		492,252,195	65,835,985	1,795,094,855	37,008,480	6,642,363	2,396,833,878
Accumulated depreciation and impairment:							
Balance at 1 January 2021		251,886,938	63,411,285	984,948,215	30,399,940	--	1,330,646,378
Depreciation charged during the year	6-c	6,540,733	587,061	49,663,214	1,403,213	--	58,194,221
Balance at 31 December 2021		258,427,671	63,998,346	1,034,611,429	31,803,153	--	1,388,840,599
Net book value:							
At 31 December 2021		**233,824,524**	**1,837,639**	**760,483,426**	**5,205,327**	**6,642,363**	**1,007,993,279**

6. PROPERTY, PLANT AND EQUIPMENT (continued)

b) Movement in property, plant and equipment for the year ended 31 December 2020 are as follows:

	Note	Buildings and constructions	Vehicles and heavy equipment	Plant and equipment	Furniture and office equipment	Projects in progress	Total
Cost:							
Balance at 1 January 2020		491,784,195	63,951,359	1,801,179,124	34,455,544	186,551	2,391,556,773
Additions		468,000	--	3,268,428	686,628	4,226,138	8,649,194
Balance at 31 December 2020		492,252,195	63,951,359	1,804,447,552	35,142,172	4,412,689	2,400,205,967
Accumulated depreciation and impairment:							
Balance at 1 January 2020		245,537,197	63,110,416	926,889,111	28,776,911	--	1,264,313,635
Depreciation charged during the year	6-c	6,349,741	300,869	61,834,505	1,623,029	--	70,108,144
Balance at 31 December 2020		251,886,938	63,411,285	988,723,616	30,399,940	--	1,334,421,779
Net book value:							
At 31 December 2020		240,365,257	540,074	815,723,936	4,742,232	4,412,689	1,065,784,188

6. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Note	31 December 2021	31 December 2020
Cost of sales		**56,660,218**	68,306,459
General and administrative expenses	24	**1,409,166**	1,690,464
Selling and distribution expenses	23	**124,837**	111,221
		58,194,221	70,108,144

The buildings are built on a 30-year concession land from the Ministry of Petroleum and Mineral Resources, expiring on September 4, 2027.

d) The projects under implementation item represent the export cement warehouse project, the fire system maintenance project, and others.

e) On November 17, 2021, it was agreed to reduce the amount paid to the second line supplier related to the production process, and the impact of the reduction of assets on plant and equipment was SR 10.67 million.

7. INVESTMENT PROPERTIES

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

	31 December 2021	31 December 2020
Balance at 1 January	**77,464,847**	79,881,137
Disposals	**(5,185,407)**	(2,416,290)
Balance at 31 December	**72,279,440**	77,464,847

The fair value of real estate investments represented in lands owned by the Company amounted to SR 86.7 million as at 31 December 2021 (31 December 2020: (SR 98.9 million). It has been determined based on the evaluation provided by Nojoum Al Salam Group, a certified independent real estate valuation expert (license number 1210000480). The fair value of the properties was determined based on the prevailing market prices for similar properties. These lands are held for a currently undetermined future use, therefore, they are classified as investment properties.

7.1 The fair value has been determined primarily on the basis of market practice, which reflects recent transaction prices for similar properties.

7. INVESTMENT PROPERTIES (continued)

7.2 The company uses the following hierarchy for determining and disclosing the fair values of its investment properties by valuation techniques:

	Level 1	Level 2	Level 3	Total
31 December 2021	--	**86,719,007**	--	**86,719,007**
31 December 2020	--	98,909,922	--	98,909,922

During the year ended 31 December 2021, the Company sold a land owned by it in the district of government departments in Tabuk, with a value of SR 15.2 million, and a book value of SR 5.2 million (note 25).

8. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

At 31 December 2021, the Company owns 16,934,875 shares in the Industrialization and Energy Services Company (a closed Saudi joint stock company), equivalent to 3.387% of the total share capital (31 December 2020: 16,934,875 shares).

The nature of this Company's business is power generation, and the investment was recorded at fair value according to the market value method. The investment is pledged against the loan granted to the Company (Note 16).

	31 December 2021	31 December 2020
Balance at beginning of the year	**281,288,274**	270,958,000
Unrealized gains on investment revaluation at fair value through other comprehensive income	**1,852,675**	10,330,274
	283,140,949	281,288,274

9. INTANGIBLE ASSETS

The balance of intangible assets represents the Oracle licenses and programs, and their statement is as follows:

	2021	2020
Cost		
Balance at 1 January	**5,924,484**	4,529,940
Additions during the year	**275,304**	1,394,544
Balance at 31 December	**6,199,788**	5,924,484
Accumulated amortisation		
Balance at 1 January	**880,801**	324,506
Amortisation during the year	**556,295**	556,295
Balance at 31 December	**1,437,096**	880,801
Net book value	**4,762,692**	5,043,683

10. LEASES

a) The right to use leased cars for the Company is presented in the statement of financial position as follows:

	2021	2020
Balance at 1 January	**3,566,366**	5,256,830
Depreciation during the year	**(1,860,712)**	(1,690,464)
Balance at 31 December	**1,705,654**	3,566,366

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

	31 December 2021	31 December 2020
Short-term obligation	**1,772,419**	1,881,295
Long term obligation	**--**	1,772,419
	1,772,419	3,653,714

The financing charges charged to the statement of profit or loss and other comprehensive income amounted to SR 171,321 during the financial year ended 31 December 2021 (31 December 2020: SR 169,764).

11. INVENTORIES

a) Inventories as at 31 December comprise the following:

	Note	31 December 2021	31 December 2020
Production under processing		**167,146,302**	178,228,989
Spare parts		**87,805,156**	82,088,111
Raw, filling and packaging materials		**25,920,685**	15,297,073
Finished goods		**6,673,413**	6,862,460
Goods in transit		**6,008,599**	2,586,464
		293,554,156	285,063,097
Less: Allowance for slow moving inventory items	11(a)	**(604,915)**	--
		292,949,241	285,063,097

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

	31 December 2021	31 December 2020
Balance at beginning of the year	**--**	--
Provided during the year	**604,915**	--
Balance at the end of the year	**604,915**	--

12. TRADE RECEIVABLES

a) Trade receivables comprise the following:

	Note	31 December 2021	31 December 2020
Trade receivables		**8,112,621**	6,234,814
Expected credit loss allowance	12(b)	**(135,014)**	(192,462)
		7,977,607	6,042,352

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

	31 December 2021	31 December 2020
Balance at beginning of the year	**192,462**	320,783
Reverse of provisions during the year	**(57,448)**	(128,321)
Balance at the end of the year	**135,014**	192,462

c) Additional information related to the Company's exposure to credit and market risk is disclosed in note (30).

13. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments and other receivables comprise of the following:

	31 December 2021	31 December 2020
Payments to suppliers	**4,845,099**	4,684,631
Refundable insurance fee	**1,395,027**	1,235,661
Value added tax	**1,050,374**	668,632
Prepaid expenses	**1,351,321**	174,583
Other debit balances	**2,598,602**	1,608,020
	11,240,423	8,571,537

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	Note	31 December 2021	31 December 2020
Islamic deposits	14(a)	**25,200,000**	20,000,000
Cash at banks - current accounts		**22,882,531**	20,693,362
		48,082,531	40,693,362

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

15. STATUTORY RESERVE

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

16. LOANS

The Company has bank loan with a local bank with a total amount of SR 273.6 million as at 31 December 2021 (31 December 2020: SR 315.5 million). The loan agreement with the bank contains some covenants, which among other things, that the leverage ratio shall not be more than 1:1 and the debt coverage ratio shall not be less than 3:1 based on the annual audited financial statements and it also requires maintaining some financial ratios and indicators.

A breach of these covenants in the future may lead to renegotiation. The management monitors the covenants on a monthly basis, and in case of the existence of a breach that is expected to occur in the future, the management takes the necessary measures to ensure compliance. The Company has fulfilled these covenants as at 31 December 2021.

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

The Company has pledged investments in equity instruments at fair value through other comprehensive income (note 7).

On 15 March 2020, the Company signed an agreement to reschedule the loan to be subject to an interest rate of six-months SIBOR and a fixed rate of 1.25% annually instead of 2.5%, and it is payable on quarterly installments of SR 15.9 million and the last installment will be paid on 13 March 2026 instead of February 2024.

As a result of rescheduling the loan and modifying the terms, the Company performed a 10% test of the loan commitment in accordance with the requirements of IFRS 9 "Financial Instruments" and this test resulted in a gain of SR 22,758,671. This amount represents the difference between the present value of the loan under the terms before the modification and the present value of future cash payments under the terms of the loan being renegotiated and modified, discounted at the original effective interest rate of the loan. Since the difference is less than 10%, the amendment in the terms is not considered essential, and it is not accounted for as the disposal of the loan obligation and establishment of a new financial obligation. Accordingly, the present value of future cash payments is recognized in accordance with the terms of the modification using the original effective interest rate of the loan, and the difference is recognized as gains from the effect of the modification during the year 2020.

It was agreed to reschedule the loan installments starting from January 3, 2022, to be paid in an equal quarterly installment of SR 15.87 million for each installment, with the last installment being on January 4, 2026.

16. LOANS (continued)

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

	31 December 2021	31 December 2020
Current portion under current liabilities	**63,470,883**	63,470,883
Non-current portion under non-current liabilities	**210,212,689**	252,000,653
	273,683,572	315,471,536

The financing movement during the year is as follows:

	31 December 2021	31 December 2020
Balance at beginning of the year	**315,471,536**	404,626,881
Effect of financial liability cash flows adjustment	**5,815,199**	(17.750.601)
Payment	**(47.603.163)**	(71.404.744)
	273,683,572	315,471,536

17. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS

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

- As at 31 December 2021, the discount rate was 2.7% for the Company annually (31 December 2020: Discount rate is 2.45% for the Company annually).
- As at 31 December 2021, the salary increase rate was 1.5% for the Company annually (31 December 2020: 1.5% for the Company annually).

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

	31 December 2021	31 December 2020
Present value of the obligation as at the beginning of the year	**14.216.404**	16,852,045
Components of cost charged on year in statement of profit or loss:		
Current service cost	**1,587,614**	970,403
Interest cost	**332,932**	482,982
Total expenses charged to the statement of profit or loss	**1,920,546**	1,453,385
Items within statement of other comprehensive income:		
Re-assessment of employee benefit obligations	**1,190,299**	372,563
Actual benefits paid during the year	**(1,404,223)**	(4,461,589)
Current value of the obligation at the end of the year	**15,923,026**	14,216,404

17. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS (continued)

c) Defined benefit liability sensitivity

		31 December 2021	31 December 2020
	Base		
Rate of change in salaries	Increase by 1%	**17,459,437**	15,630,039
	Decrease by 1%	**14,578,455**	12,980,135
	Base		
Discount rate	Increase by 1%	**14,605,189**	13,003,800
	Decrease by 1%	**17,456,206**	15,628,564
Assumption of a statistical study of employees			
Membership data			
Average age of employees (years)		41.26	41.32
Average years of past experience		9.68	9.27

18. ACCRUED EXPENSE AND OTHER PAYABLES

Accrued expenses and other payables are as follows:

	31 December 2021	31 December 2020
Prepayments customers	**4,114,621**	1,814,820
Guarantee of good performance	**5,073,439**	31,773,148
Accrued fees for the exploitation of raw materials	**8,619,219**	9,323,027
Employees' accruals and benefits	**4,199,934**	2,566,547
Accrued finance costs	**1,487,880**	364,878
Value added tax	**2,729,760**	2,722,349
Other	**667,307**	628,628
	26,892,160	49,193,397

19. DIVIDENDS OBLIGATIONS

The balance represents dividends for previous years that have not been paid to shareholders as follows:

	31 December 2021	31 December 2020
Balance at 1 January	**121,694,374**	124,636,454
Dividend payments during the year	**(614,517)**	(2,942,171)
	121,079,857	121,694,374

20. ZAKAT

a) Charge for the year

	31 December 2021	30 September 2020
Provision for current year	**5,046,012**	5,533,529
Provision for prior years	--	2,536,717
	5,046,012	8,070,246

b) Provision for zakat

The movement in Zakat payable represented as follows:

	31 December 2021	31 December 2020
Balance at beginning of the year	**10,156,261**	4,018,930
Add: Charge for the Year	**5,046,012**	8,070,246
Less: Payments during the year	**(8,245,881)**	(1,932,915)
Balance at the end of the year	**6,956,392**	10,156,261

c) Components of zakat base

	2021	2020
Shareholders' equity at the beginning of the year	**1,249,027,756**	1,122,588,069
Adjusted zakat net profit	**25,344,447**	61,099,403
Provisions at beginning of year	**12,812,181**	12,582,918
Debts and debts equivalents	**273,683,572**	253,947,447
Other additions	**5,535,474**	235,719,913
Less:		
Net fixed assets and the equivalents	**(1,007,993,279)**	(1,065,784,188)
Investments in a non-trading facility inside the Kingdom and are subject to levy of zakat	**(283,140,949)**	--
Other discounts	**(78,747,786)**	(404,066,216)
Zakat base	**196,521,416**	216,087,346
Accrued zakat	**5,046,012**	5,533,529

20. ZAKAT (continued)

d) Zakat Status

The Company has submitted its Zakat returns to the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia for all years up to the financial year ended 31 December 2020. The Company has a zakat certificate valid until 30 April 2022.

The Company received the zakat assessment for the financial years from the year ended 31 December 2014 until the year ended 31 December 2017, with a total zakat difference of SR 557,949. The Company objected the full assessment value, so the Zakat, Tax and Customs Authority issued an adjusted assessment with a total value of SR 202,995. The Company paid the full value of the adjusted assessment and ended the zakat status for these years.

The Company received the Zakat assessment for the financial year ended 31 December 2018, with a total zakat difference of SR 2,669,475. The Company agreed on all the terms of the assessment and paid the due zakat in full. Then the Company objected one item of the same assessment, which is the difference in revaluation of investments with a value of SR 2,540,231 at the General Committees for Zakat and Tax Objections, and the Company's objection is still under study by the General Secretariat of Tax and Zakat Committees.

Zakat assessment has not been received for the financial years ended 31 December 2019 until 31 December 2020.

21. EARNINGS PER SHARE

a) Basic earnings per share

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

	31 December 2021	31 December 2020
Profit for the year	**17,757,321**	51,575,772
Number of shares (weighted average)	**90,000,000**	90,000,000
Basic earnings per share (SR)	**0.197**	0.573

b) Diluted EPS

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

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

22. REVENUE AND COST OF SALES

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

	2021	2020
Kingdom of Saudi Arabia	**221,123,835**	250,341,048
Republic of Yemen and Republic of Sudan	**7,405,440**	26,113,724
Total revenue from contracts with customers	**228,529,275**	276,454,772

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

23. SELLING AND DISTRIBUTION EXPENSES

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

	Note	Year ended 31 December 2021	Year ended 31 December 2020
Salaries, wages and equivalents		**2,481,437**	2,294,741
Depreciation	6-c	**124,837**	111,221
Other		**439,758**	545,623
		3,046,032	2,951,585

24. GENERAL AND ADMINISTRATIVE EXPENSES

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

	Note	Year ended 31 December 2021	Year ended 31 December 2020
Salaries, wages and equivalents		**9,394,858**	8,742,537
Consultancy fees		**2,907,907**	1,965,267
BOD's remunerations and allowances		**2,034,519**	1,987,580
Depreciation	6-c	**1,409,166**	1,690,464
Donations and aids		**640,152**	1,139,313
Cleaning expenses		**630,363**	385,225
Rental expenses		**622,723**	64,807
Postage and telephone charges		**523,519**	592,079
Subscriptions		**127,805**	197,311
Other		**3,360,989**	3,589,995
		21,652,001	20,354,578

25. OTHER INCOME

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

	Note	Year ended 31 December 2021	Year ended 31 December 2020
Gain on disposal of real estate investments	7	**10,014,593**	7,679,759
Provisions no longer required		**57,448**	128,321
Other		**827,091**	367,303
		10,899,132	8,175,384

26. CONTINGENCIES AND CAPITAL COMMITMENTS

a) As at 31 December 2021, the capital contingencies related to projects in progress (note 6) amounted to SR 6,642,363 (2020: SR 4,226,138).

b) As at 31 December 2021, the contingent liabilities against issued banking letters of guarantee amounted to SR 5,195,074 (2020: SR 3.625,000).

27. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related party transactions mainly represent Salaries, allowances and bonuses of senior executives. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Directors and shareholders (whether executive or otherwise).

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

Transactions with	Nature of transaction	31 December 2021	31 December 2020
Key management personnel	Salaries, wages and equivalents	**1,920,000**	1,980,576
BOD members	BOD's remunerations and allowances	**2,034,519**	1,987,580

28. SEGMENT INFORMATION

The Company has one main product, which is packed and unpackaged cement. The main sectors of the Company are presented according to geographical sectors. These segments are organized and managed separately according to the geographical location, each forming a separate unit. The geographical segments set out below are determined by distinguishing business activities from which the Company generates revenues and incurs costs. The economic characteristics are reviewed and the method of determining the geographical sectors is reconsidered in light of the evaluation made by the Chief Operating Decision Maker at least every quarter, provided that they are approved by the Company's Board of Directors. The Company operates in the Kingdom of Saudi Arabia and exports cement to some Arab countries, where payment is made in advance to all export customers before completing the sale process according to the data shown below:

28. SEGMENT INFORMATION (continued)

For the year ended 31 December 2021

	Inside KSA	Outside KSA	Total
Revenue from Contracts with Customers	**221,123,835**	**7,405,440**	**228,529,275**

For the year ended 31 December 2020

	Inside KSA	Outside KSA	Total
Revenue from Contracts with Customers	250,341,048	26,113,724	276,454,772

29. FINANCE COSTS

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

	31 December 2021	31 December 2020
Finance cost charged on the statement of profit or loss under borrowings	**6,340,428**	11,274,890
Less: Murabaha interests	**(148,311)**	(54,087)
	6,192,117	11,220,803

30. FINANCIAL RISK MANAGEMENT

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

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

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

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

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

30. FINANCIAL RISK MANAGEMENT (continued)

Financial risk management framework (continued)

The risk committee oversees compliance by management with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

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

Market risk

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

Interest rate risk cost

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

	31 December 2021	31 December 2020
Variable rate instruments		
Loans	**273,683,572**	315,471,536

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

	Profit / (loss) 2021		Profit / (loss) 2020	
	Decrease in basis points of related commission rates 100 bps	Increase in basis points of related to commission rates 100 bps	Decrease in basis points of related commission rates 100 bps	Increase in basis points of related to commission rates 100 bps
Loans	**2,736,835**	**(2,736,835)**	3,154,714	(3,154,714)

Foreign currency risk

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

30. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

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

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

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

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

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

	31 December 2021	31 December 2020
Financial assets		
Trade receivables	**7,977,607**	6,042,352
Bank Balances	**48,082,531**	40,693,362
	56,060,138	46,735,714

	31 December 2021	31 December 2020
Financial assets		
Secured	**3,800,000**	4,100,000
	3,800,000	4,100,000

30. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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

Term	31 December 2021 Balance SR	31 December 2021 Impairment in value SR	31 December 2020 Balance SR	31 December 2020 Impairment in value SR
Neither past due nor impaired	7,205,294	--	4,626,315	--
From 0 to 60 days	437,891	--	911,721	--
From 61 to 90 days	428,011	93,590	685,719	181,403
More than 90 days	41,424	41,424	11,059	11,059
	8,112,621	135,014	6,234,814	192,462

Liquidity risk

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

	Undiscounted contractual cash flows					
31 December 2021	Less than a year	1 year to 3 years	Over 3 years	Interest accruals for future periods	Total contractual maturity	Total Carrying amount
Loans	63,470,883	126,941,767	83,270,922	14,397,574	288,081,146	273,683,572
Trade receivables, accrued expense and other payables	43,269,097	--	--	--	--	43,269,097
Dividend payable	121,079,857	--	--	--	--	121,079,857
	227,819,837	126,941,767	83,270,922	14,397,574	288,081,146	438,032,526

30. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

	Undiscounted contractual cash flows					
31 December 2020	Less than a year	1 year to 3 years	Over 3 years	Interest accruals for future periods	Total contractual maturity	Total Carrying amount
Loans	63,470,883	126,941,767	98,165,369	46,426,712	308,111,213	315,471,536
Trade receivables, accrued expense and other payables	59,297,661	--	--	--	--	59,297,661
Dividend payable	121,694,374	--	--	--	--	121,694,374
	244,462,918	126,941,767	98,165,369	19,533,195	308,111,213	469,570,053

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

31. CAPITAL MANAGEMENT

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

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

	31 December 2021	31 December 2020
Total liabilities	**462,684,363**	524,489,950
Less: Cash at banks	**48,082,531**	40,693,362
Net liabilities	**414,601,832**	483,796,588
Total shareholders' equity	**1,267,447,453**	1,249,027,756
Net liabilities to equity	**0.327**	0.387

In order to achieve this general objective, the Company, through its capital management, aims to ensure, among other things, that it fulfills the financial covenants associated with the loans that specify capital structure requirements. Failure to comply with the associated financial covenants will allow the Bank to demand immediate repayment of the loans. There were no cases of breach of financial covenants for any loans, as well as no changes in the objectives, policies or procedures of the Company for capital management during the year ended 31 December 2021.

32. FAIR VALUE OF ASSETS AND LIABILITIES

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

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

	31 December 2021					
	Carrying value		**Fair value**			
Financial assets	**Amortized cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Trade receivables	7,977,607	7,977,607	--	--	--	--
Cash and cash equivalents	48,082,531	48,082,531	--	--	--	--
Investment properties	72,279,440	72,279,440	--	72,279,440	--	72,279,440
	128,339,578	128,339,578	--	72,279,440	--	72,279,440
Financial liabilities						
Loans and facilities	273,683,572	273,683,572	--	--	--	--
Trade receivables, accrued expense and other payables	43,269,097	43,269,097	--	--	--	--
	316,952,669	316,952,669	--	--	--	--

	31 December 2020					
	Carrying amount		Fair value			
Financial assets	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
Trade receivables	6,042,352	6,042,352	--	--	--	--
Cash and cash equivalents	40,693,362	40,693,362	--	--	--	--
Investment properties	77,464,847	77,464,847	--	77,464,847	--	77,464,847
	124,200,561	124,200,561	--	77,464,847	--	77,464,847
Financial liabilities						
Loans and facilities	315,471,536	315,471,536	--	--	--	--
Trade receivables, accrued expense and other payables	59,297,661	59,297,661	--	--	--	--
	374,769,197	374,769,197	--	--	--	--

33. SUBSEQUENT EVENTS

The Board of Directors, at its meeting held on Shaban 23, 1443H, corresponding to 26 March 2022, recommended a cash dividend of SR22.5 million for SR 1.25 per share. The dividends are attributable to the shareholders of the Company who own shares by the end of the next General Assembly and registered in the registry of the Company's shareholders in the Securities Depository Center (Edaa) at the end of the second trading day following the due date. The date of the Company's General Assembly meeting will be announced later, after taking the necessary approvals

34. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 22 March 2022, corresponding to 19 Sha'aban 1443H.