EASTERN PROVINCE CEMENT COMPANY
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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(A Saudi Joint Stock Company)

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FOR THE YEAR ENDED DECEMBER 31, 2020

I N D E X

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Eastern Province Cement Company
(A Saudi Joint Stock Company)
Dammam – Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of Eastern Province Cement Company (a Saudi Joint Stock Company) ("the Company") which comprise the statement of financial position as at December 31, 2020 and the statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements from 1 to 39 including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA").

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the 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 its 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 for the year ended December 31, 2020. 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. The key audit matters include:

Partners: Dr. Mohamed Al-Amri (60), Jamal M. Al-Amri (331), Gihad M. Al-Amri (362), Maher T. Al-Khatib (514), Ahmed F. Al-Jumah (621)
● Riyadh: Tel. 011-278 0608, Fax: 011-278 2883 ● Jeddah: Tel. 012-283 0112, Fax: 012-661 2788
Dr. Mohamed Al-Amri & Co., a Saudi Professional Company registered under licence no. 323/11/66, C.R. 2050105822, is a member of

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Existence and valuation of inventories	
Refer to note "6-F" for the accounting policy of inventory and note 12 for related disclosures.	
Key audit matter	**How the matter was addressed in our audit**
The inventory of the Company includes raw material and work in process with total amount of SR 254 million, this mainly comprises Clinker, Bauxite, limestone, and gypsum, which are stored in stockpiles. As the weighing of these inventories is not practicable, management assesses the reasonableness of the quantities on hand by obtaining measurements of the reserve inventory and converting these measurements to unit of volumes by using angle of repose and bulk density. Due to the significance of inventory balances and related estimations involved, this is considered as a key audit matter.	Our audit procedures included, among others procedures as the following: ▪ Attended the physical inventory counts performed by the Company. ▪ Obtained the inventory count report prepared by the Company relevant to the main items of inventory and tested it on a sample basis. ▪ Assessed the reasonableness of the measurement of stockpiles performed by the management during the physical count and recalculated the conversion of the volume into quantities; ▪ Tested on sample basis the valuation of the inventory at year end; ▪ Assessed the completeness and sufficiency of disclosures relating to the inventories in the financial statements.

Revenue recognition	
Refer to note "6-O:' for the accounting policy of Revenue and note (24) for related disclosure.	
Key audit matter	**How the matter was addressed in our audit**
The Company generated revenue of SR 742 million for the year ended 31 December 2020. The Company recognize a revenue when the control transferred to the customer according to IFRS 15. Because of the company's focus on revenue as a key performance measure, and considering the revenue as a one of the significant indicators, in addition to the existence of inherent risks associated with revenue recognition, which may result in giving an incentive to recognize revenue before transferring of control. Therefore, revenue recognition is considered as a key audit matter.	Our audit procedures included, among others procedures as the following: ▪ Assessed the Company's revenue recognition policy in accordance with the requirements of IFRS 15 'Revenue from contracts with customers'. ▪ Assessed the design and implementation of internal controls relevant to revenue recognition. ▪ Tested on sample basis the revenue with the supporting documents, and verified that the revenue related to the samples is recorded when the control transferred to the customer. ▪ Tested on sample basis the revenue transactions made before and after yearend, agreed the period on which the revenue was recongnized with the supporting documents to ensure that the revenue is recognized in the correct period. ▪ Assessed the completeness and sufficiency of disclosures relating to revenue in the financial statements

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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 auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the 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 ("TCWG") for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS endorsed in the Kingdom of Saudi Arabia, other standards and pronouncements endorsed by SOCPA and Regulations of Companies requirements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those Charged with Governance 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

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

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

For Dr. Mohamed Al-Amri & Co.

M. A. AlAmri

د. محمد العمري وشركاه - محاسبون قانونيون
شركة مهنية رقم ٣٢٣/١١/٦٦
س.ت ٢٠٥٠١٠٥٨٢٢
Dammam
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

Dr. Mohamed A. Al-Amri
Certified Public Accountant
Registration No. 60

Date: Rajab 26, 1442 H
Corresponding to: March 10, 2021 G

EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020
(ALL AMOUNTS IN THOUSANDS SAUDI RIYALS UNLESS OTHERWISE STATED)

	Notes	31 December 2020	31 December 2019
ASSETS			
Non- current assets			
Property, Plant and equipment	7	**821,127**	868,611
Investments Property	8	**93,080**	94,712
Right-of-use assets	9	**365**	1,583
Investments in equity instrument at fair value through other comprehensive income	10	**576,696**	536,423
Investments in associate Company through equity method	11	**199,018**	169,991
Total non-current assets		**1,690,286**	1,671,320
Current Assets			
Inventory	12	**427,218**	505,713
Trade Receivable	13	**180,936**	197,962
Prepayments and other current assets	14	**42,947**	50,101
Cash and cash equivalents	15	**528,641**	339,838
Total current assets		**1,179,742**	1,093,614
Total Assets		**2,870,028**	2,764,934
LIABILITIES AND SHAREHOLDER'S EQUITY			
Shareholders' Equity			
Share Capital	16	**860,000**	860,000
Statutory reserve	17	**430,000**	430,000
Voluntary reserve	17	**404,639**	404,639
Retained earnings		**623,436**	535,218
Reserve for valuation of equity instruments at fair value through other comprehensive income	10	**229,908**	189,635
Actuarial (losses) reserve through other comprehensive income		**(14,495)**	(7,756)
Total shareholders' equity		**2,533,488**	2,411,736
Non- current liabilities			
Employees benefits obligations	18	**80,978**	69,811
Other provisions	19	**33,608**	32,853
Lease liabilities		**222**	430
Total Non-current Liabilities		**114,808**	103,094
Current liabilities			
Accounts payable and other current liabilities	20	**133,036**	102,843
Due to a related party	21B	**7,201**	63,090
Dividends payables	22	**57,531**	58,965
Lease liabilities		**155**	1,183
Provision for zakat	23	**23,809**	24,023
Total current liabilities		**221,732**	250,104
Total liabilities		**336,540**	353,198
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,870,028**	2,764,934

C.C/٢/٧

Finance Manager	Chief Executive Officer	Chairman

The acCompanying notes from 1 to 39 considered as an integral part of these financial statements.

EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020
(ALL AMOUNTS IN THOUSANDS SAUDI RIYALS UNLESS OTHERWISE STATED)

	Notes	31 December 2020	31 December 2019
Revenue, net	24	742,427	728,798
Cost of revenue		(482,819)	(510,838)
Gross profit		259,608	217,960
General and administrative expenses	25	(43,258)	(47,982)
Selling and marketing expenses	26	(9,099)	(8,512)
Operational profit		207,251	161,466
Investments income	27	8,830	15,202
Share of Investment in an associate Company through equity method	11	38,317	23,521
Finance charges		(3,046)	(1,361)
Other income	28	10,894	7,491
Other expenses	29	(13,273)	(9,198)
Expected credit loss allowance (reversed)		(1,362)	4,010
Losses on Foreign currency exchange		(492)	(406)
Losses on disposal of Property, plant, and equipment		(901)	(429)
Net income before zakat		246,218	200,296
Zakat provision	30,23	(29,000)	(19,600)
Net income for the year		217,218	180,696
Other comprehensive income items:			
Item that will not be reclassified to profit or loss:			
Unrealized Gains from investment in equity instruments through other comprehensive income		40,273	101,051
Actuarial losses from re-measuring the employees benefits obligations		(6,739)	(7,395)
Total other comprehensive income items		33,534	93,656
Total comprehensive income for the year		250,752	274,352
Basic and diluted earnings per share	31	2.53	2.10

Finance Manager	Chief Executive Officer	Chairman

The acCompanying notes from 1 to 39 considered as an integral part of these financial statements.

EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020
(ALL AMOUNTS IN THOUSANDS SAUDI RIYALS UNLESS OTHERWISE STATED)

	Share capital	Statutory Reserve	Voluntary reserve	Retained earnings	Reserve for valuation of equity instruments at fair value through OCI	Actuarial (losses) reserve through OCI	Total shareholder's Equity
Balance at January 1, 2019	860,000	430,000	404,639	419,022	88,584	(361)	2,201,884
Net income for the year	-	-	-	180,696	-	-	180,696
Unrealized gain from valuation of equity instruments at fair value through other comprehensive income	-	-	-	-	101,051	-	101,051
Actuarial loss through other comprehensive income	-	-	-	-	-	(7,395)	(7,395)
Total Comprehensive income	-	-	-	180,696	101,051	(7,395)	274,352
Dividends	-	-	-	(64,500)	-	-	(64,500)
Balance at December 31, 2019	860,000	430,000	404,639	535,218	189,635	(7,756)	2,411,736
Net income for the year	-	-	-	217,218	-	-	217,218
Unrealized gain from valuation of equity instruments at fair value through other comprehensive income	-	-	-	-	40,273	-	40,273
Actuarial loss through other comprehensive income	-	-	-	-	-	(6,739)	(6,739)
Total Comprehensive income	-	-	-	217,218	40,273	(6,739)	250,752
Dividends	-	-	-	(129,000)	-	-	(129,000)
Balance at December 31, 2020	860,000	430,000	404,639	623,436	229,908	(14,495)	2,533,488

Finance Manager

Chief Executive Officer

Chairman

The acCompanying notes from 1 to 39 considered as an integral part of these financial statements.

EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(ALL AMOUNTS IN THOUSANDS SAUDI RIYALS UNLESS OTHERWISE STATED)

		For the year ended	
	Notes	31 December 2020	31 December 2019
Cash flows from operating activities:			
Net income for the year		217,218	180,696
Adjustments for:			
Depreciation of property, plant and equipment	7	92,225	98,992
Amortization of investment property	8	1,632	1,632
Depreciation of right-of-use assets	9	1,279	1,645
Investments income	27	(8,830)	(15,202)
The Company's share from Investment in an associate Company	11	(38,317)	(23,521)
Loss on disposal of Property, plant and equipment		901	429
Provision of decommissioning and restoration of the factory		755	2,853
Expected credit loss allowance (reversed)		1,362	(4,010)
Provision for slow moving spare parts inventory		1,370	-
Zakat provision	23	29,000	19,600
Additions to Employees benefits obligations	18	7,707	7,769
		306,302	270,883
Changes in operating assets and liabilities:			
Trade receivable, Prepayments and other (net)		24,407	10,017
Inventory		77,125	79,211
Accounts payable and other current liabilities		30,193	(14,220)
Due to a related party		(55,889)	41,097
Employees benefits obligations paid	18	(3,356)	(7,179)
Zakat paid	23	(29,214)	(17,450)
Net cash generated from operating activities:		349,568	362,359
Cash flows from investing activities			
Addition to Property, plant and equipment	7	(45,642)	(21,214)
Purchase of investment		-	(56,770)
Proceed from investments income		7,318	13,232
Proceed from dividends		9,290	-
Net cash used in investing activities		(29,034)	(64,752)
Cash flows from financing activities			
Dividends paid		(130,434)	(65,095)
Payment of lease liability		(1,297)	(1,615)
Net cash used in financing activities		(131,731)	(66,710)
Net change in cash and cash equivalents		188,803	230,897
Cash and cash equivalent at the beginning of the year	15	339,838	108,941
Cash and cash equivalent at the end of the year	15	528,641	339,838

Finance Manager **Chief Executive Officer** **Chairman**

The acCompanying notes from 1 to 39 considered as an integral part of these financial statements.

(All amounts in thousands Saudi Riyals unless otherwise stated)

1. Organization and activities

Eastern Province Cement Company ("the Company") is a Saudi Joint Stock Company established in accordance with the royal decree No. M/11 dated 14 Rabi Alawwal, 1402- H (corresponding to January 9, 1982- G), and the resolution of His Royal Highness the Minister of Commerce No. 939 dated 3 Rabi Al Thani 1403- H (corresponding to January 17, 1983- G), and registered in Dammam under the Commercial Registration No. 2050013400 dated on 22 Jumada Alawwal 1403 -H (Corresponding to September 7, 1983- G), and the Company's head office is located in Dammam City. The main activity is represented in the wholesale and retail of cement and Gypsum, etc.
And a sub-commercial registration in Jubail City for the Eastern Cement Factory No. 2055022383 dated 16 Jumada Al-Thani 1435 -H. Its activity is represented in the production of Portland cement, salt-resistant cement, ordinary cement and other types of cements under the National Industrial License No. 1300.

The Company obtained by the Royal Decree No. M/6 dated 17 Rabi Al Thani 1405- H (Corresponding to 9 January 1985 -G) the mining franchise for exploitation of limestone and clay in Al Khorasania area for a renewable period of thirty years. The Company has completed the legal procedures to renew the Franchise license. The Ministerial Resolution No. 5334/G dated 12-7-1438 G had been issued to renew the Company's rights in utilizing the limestone and clay for its factory located in Al-Tawy site near Al-khurasania in Al-Jubail province for thirty Hijri years starting from 18-3-1436- G.

The Company also obtained by the Ministerial Resolution No. 14/G dated 24 Safar, 1433-H (corresponding to 18 January, 2012-G) the mining Franchise for the exploitation of limestone and clay in Al Najabia valley at Al Ahsa Province in the Eastern region for ten Hijri years.

The financial statements of the Company reflect the financial position, the results of operations, cash flows and the changes in the shareholders equity for the Company and its following branch:

Branch Commercial Registration No,	Date	Place of Issue	Commercial Name of the Branch
2051035184	21/07/1428- H	Al-Dammam	Prainsa Saudi Arabia – Branch of Eastern Province Cement Company.

The branch activity is the production of the production of precast concrete items under the Industrial License No. 3031328, dated Rabi` Awwal 1437 H, and this branch does not issue separate financial statements, because its assets, liabilities, operations results and cash flows are included in the financial statements issued by the company.

The Board of Directors of the Eastern Province Cement Company decided in its meeting held on December 11, 2018, to start the procedures for converting the Prainsa Saudi Arabia branch into a separate limited liability company, and the legal procedures for this have not yet been completed.

2. Basis of preparation

- Statement of compliance

These financial statements have been prepared in accordance with IFRS endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

2. Basis of preparation (continued)

- Basis of measurement

The financial statements are prepared under the historical cost convention, using the accrual basis of accounting, except for staff benefits which are measured at present value and investments in equity instruments at fair value through other comprehensive income which are measured at fair value.

- Functional and presentation currency

The financial statements are presented in Saudi Riyals which is also the functional currency of the Company.
All values presented in the financial statements are rounded to the nearest thousand (SR '000), except otherwise stated.

3. Significant accounting estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustments to the carrying amount of the assets or liabilities affected in the future. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material carrying amounts of assets and liabilities within the financial year include:

- Useful lives of property, plant, equipment and property investments
- Impairment test of non-financial assets
- Provisions
- Long-term assumptions for Employees benefits
- Going concern
- Provision for slow moving spare parts
- Verification of inventory existence

Critical judgments in applying accounting standards

The following critical judgments have the most significant effect on the amounts recognized in the financial statements:

- Component parts of property, plant and equipment
- Cash generating unit (CGU)
- Homogeneity of the inventory
- Decommissioning and restoration costs

Following are the basic assumptions related to future and other basic resources for uncertainty at the financial position date, which form significant risk that, may result in material changes in the carrying values of assets and liabilities during next financial year. The Company's assumptions and estimates are based on available standards when preparing financial statements. These assumptions and estimates of future developments may change as a result of market changes and circumstances beyond the control of the Company. Such changes to assumptions are disclosed when they occur.

3. Significant accounting estimates and assumptions (continued)

Critical judgments in applying accounting standards (continued)

A. Going Concern

The Company doesn't have any doubt about it ability to continue as a going concern, so the financial statements have been prepared as per the going concern principle.

B. Estimated useful life for property, plant, equipment and property investments

The cost of property, plant, and equipment and property investments is depreciated over the expected service life that has been estimated based on the expected use and obsolescence of the asset, the maintenance program in addition to technical obsolescence and considerations of the asset's recoverable amount.

C. Provision for slow moving goods

The goods are stated at the lowest of cost or net realizable value. Adjustments are made to reduce the cost of the goods to the net realizable value - if necessary - at the product level for an estimated increase, or obsolescence. The factors affecting these adjustments include changes in the demand for goods, technological changes, deterioration of quality, and quality matters. Accordingly, the company studies these factors and takes them into consideration to calculate the provision for slow moving inventory. Any adjustments that may result from a difference in these factors are reviewed periodically.

D. Provision for Expected Credit Losses

The provision for doubtful debts is determined by reference to a set of factors to ensure that receivables are not overvalued as a result of the possibility of non-collection, including the total quality and aging of receivables, continuous credit evaluation of customers' financial status and guarantees required from customers in certain circumstances. Also, specific provisions for individual accounts are recorded when there is objective evidence that the receivables will could not be collected.

E. Actuarial valuation of employees' end of service liabilities

The cost of the employees' end of service benefits is determined according to the Saudi Labor Law and then measured using the actuarial valuation. An actuarial valuation includes many assumptions that may differ from actual developments in the future. These assumptions include determining the discount rate, future salary increases, employees' behavior, and employee's turnover rate. Due to the complexity of the valuation and its long-term nature, the unfunded defined benefits obligation is highly sensitive to changes in these assumptions. Therefore all assumptions are reviewed at least annually when necessary.

F. Measuring of fair value

Fair value is the amount to be received for the sale of an asset or the payment to convert any of the liabilities in a regular transaction between the market participants at the measurement date under prevailing market conditions (such as the present price for example) regardless of whether this price is directly observable or estimated using another valuation technique. The fair value measurement is based on the assumption that the sale of the assets or the transfer of the liabilities will be either:

- Through the main market of the assets or liabilities,
- Through the most advantageous market to the assets or liabilities in the absence of the main market.

The main or most advantageous market must be available to the Company to reach it.

The fair value of an asset or liability is measured using the assumptions used by market participants when pricing an asset or liability on the assumption that market participants are working to the best of their economic interests.

The measurement of the fair value of a non-financial asset takes into account the ability of market participants to provide economic benefits by using the asset in the best interest of the asset or by selling it to another party in the market for use in the best interest. The Company uses valuation techniques that are appropriate to the circumstances and have adequate data available to measure fair value, maximize the use of relevant observable data, and minimize the use of non-observable data as possible.

3. Significant accounting estimates and assumptions (continued)

F. Measuring of fair value (continued)

All assets and liabilities that are measured at fair value or its fair value is disclosed in the financial statements are classified according to the hierarchy of the fair values as shown below:

- Level 1: Quoted prices (unadjusted) traded in active markets for assets or liabilities corresponding to those measured.
- Level 2: Inputs that are observable or monitored for an asset or liability, directly or indirectly, other than quoted prices included in Level 1.
- Level 3: inputs that cannot be monitored or observed for an asset or liability.

4. The new and amended IFRS Standards that are issued but not yet effective in the current year

The Company has not early adopted any new standard, interpretation or amendment that have been issued but which are not yet effective. Those standards and interpretations or amendments are not disclosed in this financial statements as the management did not consider it relevant to the company's operations or it will have a material impact on the financial statements of the Company in future periods.

5. The new and amended IFRS standards that become effective in the current year

A number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any significant impact on the disclosures or on the amounts reported in these financial statements:

6. Summary of significant accounting policies

The followings are significant accounting policies, the Company used in preparing the accompanying financial statements:

A. Classification of current and non-current items

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

The asset is classified as current when:

- It is expected to be realized, intended to be sold or consumed in a normal operating cycle.
- Held primarily for trading purposes.
- When expected to be achieved within twelve months after the financial period disclosed. Or
- Cash or cash equivalent, when there is no any restriction on disbursement or use to settle an obligation for at least twelve months after the disclosed financial year.

All other assets are classified as non-current assets.

The liability is classified as current when:

- It was expected to be settled in a regular operating cycle.
- Held primarily for trading.
- was settled within twelve months after the disclosed financial period.
- If there is an unconditional right to defer payment of the liability for a period of at least twelve months after the financial period disclosed.

The Company classifies all other liabilities as non-current liabilities.

6. Summary of significant accounting policies

B. Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and impairment loss, if any, Cost includes expenditures incurred directly to acquire the asset.
Subsequent expenditures are capitalized when such expenditures increases the future economic benefits in the item of plant and equipment.
All other expenses are recognized to maintain current production capacity in the statement of profit or loss and other comprehensive income as incurred.
Depreciation is charged to the statement of profit or loss and comprehensive income using the straight-line method over the estimated useful life of the asset.
Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal of the fixed asset with the net book value of that asset and including it in the statement of profit or loss and other comprehensive income.

The estimated useful lives of the main items of property, plant and equipment are as follows:

	Years
Buildings	40
Thermal bricks, Ball mill	1 – 5
Plant and equipment	15 – 20
Furniture, fixtures and tools	5

C. Critical Spare parts

Critical spare parts are the necessary and required parts for the operational process and without them the operational process will be affected. It is recognized as fixed assets in accordance with the following:

- The critical spare parts are classified into two categories as follows:
  - First category includes spare parts of production line equipment.
  - Second category includes heavy equipment spare parts for the quarry.
- The spare parts of the vital production line equipment with value exceeding SR 5,000 per piece have been considered as strategic spare parts.
- The spare parts of the vital hheavy equipment have been considered as critical spare parts with neglecting the value because the parts linked to each other in sets with each equipment.
- The critical spare parts are amortized over 10 years on a straight-line basis after deducting 3% as a residual value.

D. Investment properties

Investment properties consist of land held by the Company for the purpose of earning rental income or for the purpose of capital development, through an increase in value, or for both purposes and does not include land and buildings used for the production or supply of goods or services or for administrative purposes or for the purposes of normal sale.
Investment properties are stated at cost less accumulated depreciation (if any) and impairment losses (reduction) in accumulated value (if any), bearing in mind that land is not depreciated. The cost includes the purchase price plus all costs directly related to the construction or acquisition of the property investment in the condition necessary to be available for use for the intended purpose. The significant parts of the investment property are depreciated separately from other parts.
The notes for the fair value of the investment properties that have been evaluated by a qualified and independent expert are disclosed in accordance with the disclosure requirements in accordance with the international financial reporting standards endorsed in the Kingdom of Saudi Arabia.

6. Summary of significant accounting policies (continued)

D. Investment properties (continued)

The carrying amount of the investment property is derecognized when it is disposed of (either through sale or through entering into a finance lease) or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between, the net proceeds from the disposal of the investment property and the carrying amount of the investment property, is recognized in the statement of profit or loss and other comprehensive income in the year in which the asset is derecognized or written off.
If the use of the investment property changes to a property used in the Company's operation, it is reclassified to the property, plant and equipment item.

The estimated life of the buildings item is as follows:

	Years
Buildings	40

E. Impairment of non-financial assets;

At the date of each statement of financial position, it will be seen whether there are indications of impairment of non-financial assets. In the event that indications exist, the recoverable amount of that asset is estimated in order to determine the size of this loss. In cases where it is not possible to estimate the recoverable value of that single asset, the company estimates the recoverable amount of the cash-generating unit to which that asset belongs.
In cases where the recoverable amount of the asset or cash-generating unit is estimated at less than its book value, then the cost of that asset or cash-generating unit is reduced to its recoverable value, and the impairment losses in the value of the asset is recognized as expenses in the statement of profit or loss and other comprehensive income for the Financial year in which it occurs.

And if subsequently the impairment loss is reversed, then the cost of the asset or cash-generating unit is increased to its adjusted recoverable value, provided that its increased cost does not exceed the original cost that was supposed to be determined had the impairment loss in the value of that asset or cash generating unit not been recognized in previous years. A reversal of an impairment loss is recognized as revenue in the statement of profit or loss and other comprehensive income for the financial year in which it occurs.

F. Leases

The Company as a lessee

The company evaluates whether the contract contains a lease at the beginning of the contract. The company establishes the principal of the right-of-use and the corresponding lease liability in respect of all lease agreements in which the company is the lessee, except for short-term leases (which are recognized as leases of 12 months or less) and leases for low-value assets. For these leases, the company recognizes lease payments as operating expenses on a straight-line basis over the term of the contract unless there is another regular basis that is more representative of unthe time pattern in which the economic benefits from the leased asset are exhausted. The lease liability is initially measured at the present value of the lease payments not paid on the commencement date, discounted using the rate implicit in the lease agreement. If this rate cannot be easily determined, the company uses an implicit rate of interest.

6. Summary of significant accounting policies (continued)

F. Leases (Continued)

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives ;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date ;
- The amount expected to be payable by the lessee under residual value guarantees ;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.
The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.
The Company re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.
Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset. If a lease transfer ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.
The Company applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired.

Variable lease payments

In case of leases which contain variable payment related to the usage or performance of the leased assets, such payments are recognized in the statement of profit or loss and other comprehensive income.

Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within control.

6. Summary of significant accounting policies (continued)

G. Investment in Associate Company

Associates are those entities in which the company has significant influence but not control over the financial and operating policies. The company has a significant influence when it owns a stake in the other entity that ranges between 20 to 50 percent of the capital of which the owner is entitled to vote. Associates are accounted for using the equity method and are initially recorded at cost. They are subsequently adjusted for changes that occur after purchase in the equity of the associate. In relation to the share of the Company from the net income (loss) of the company in which it invested in, is reflected in the list of profit or loss and other comprehensive income.

F. Inventory

Inventories are valued at the lower of cost or net realizable value, except for the inventory of spare parts and raw materials carried at cost. Cost is determined using the weighted average method.
The cost of finished products include the cost of raw materials, labor, manufacture overhead and other expenses incurred by the Company to bring the inventory to its current location and condition.
Net realizable value is the estimated selling price in the ordinary course of business, after deducting estimated costs of completion and sale expenses . Inventory is reduced by the value of obsolete and slow moving items according to management estimates and inventory movement.

Consumable spare parts

Consumables are ancillary materials which are consumed in the production of semi-finished and finished products. Consumables may include engineering materials, one-time packaging materials and certain catalysts.
Spare parts are the interchangeable parts of property, plant and equipment, which are considered to be essential to support routine maintenance, repair and overhaul of plant and equipment or to be used in emergency situations for repairs. The Company maintains the following different types of spare parts:

- Stand-by equipment items acquired together with the plant/production line or purchased subsequently that are not related to a particular plant or production line and will rarely be required are critical to plant operation and must be available at stand-by at all times. These are capitalized as part of property, plant and equipment and depreciated from purchase date over a period which is shorter of the component's useful life or the remaining useful life of the plant in which it is to be utilized. These do not form part of inventory provided capitalization criteria under property, plant and equipment is met.
- General capital spare parts and other consumable items that are not of a sensitive nature and which are considered of a general nature, i.e. not for a specific factory and can be used in multiple factories or production lines and any other items that may be required at any time to facilitate the factory operations. They are generally classified as "consumables and spare parts" within inventory, unless they exceed the level of capitalization and have a useful life of more than one year, in which case they are recorded under property, plant and equipment. The items recorded within inventory are subject to the assessment of the provision for limitation and are charged to the statement of profit or loss and other comprehensive income when installed or used. When these items meet the capitalization criteria, the method of their depreciation is similar to the salvageable items as mentioned above.

G. Trade receivable

Trade receivables are carried at original invoice amount less provision made for expected credit loss. A provision for doubtful accounts is established when there is a significant doubt that the Company will not be able to collect all amounts due according to the original terms of invoice. Such provision is charged to the statement of profit and loss and other comprehensive income. Bad debts are written off when identified and approved by the Board of Directors. When accounts receivable are uncollectible, it is written-off against the provision for doubtful debts (if any). Any subsequent proceeds of amounts previously written-off are included under "other income" in the Statement of Profit or loss and other comprehensive income.

6. Summary of significant accounting policies (continued)

H. Financial instruments

- Financial assets and liabilities are recognized when the Company has contractual rights.
- Basically the financial assets are de-recognized when the contractual rights to cash flows from the financial assets expired. Or when the Company has transferred its contractual rights to receive cash flows or undertake to repay cash flows received in full and without delay to another party under immediate arrangements (a) the Company has substantially transferred all the risks and rewards of such assets, Or (b) the Company has neither transferred nor substantially retained all the risks and rewards of such assets, but has transferred its right to control such assets.
- Financial liabilities are derecognized when the obligation specified in the contract has been canceled, expired or finally settled.
- When a financial asset or financial liability is derecognized, the difference between the carrying amount and the consideration received or paid is recognized in the statement of profit and loss and other comprehensive income.

a. Financial assets

Initial recognition and measurement

Management determines the classification of financial assets at initial recognition; financial assets are classified at initial recognition as financial assets either:

- Investments in financial instruments at fair value through profit or loss
- Investments in financial instruments at fair value through comprehensive income
- At amortized cost

Subsequent measurement

After initial recognition, the Company measure the financial assets as financial assets at amortized cost or financial assets at fair value through other comprehensive income, or financial assets at fair value through profit or loss based on each of:

- The entity bbusiness model to manage the financial assets.
- The characteristics of contractual Cash flow of the financial asset.

All investments in equity instruments are measured at fair value, however, in limited cases, the cost may be a reasonable estimate of the fair value, this may be the case if the most recent available information is insufficient to measure the fair value, or if there is a wide range of probable fair value measurements and that the cost reflects the best estimate of fair value within that range.

- Investments in financial instruments are classified at amortized cost, if they are acquired for the purpose of collecting periodic contractual cash flows from the original amount and the fixed return on investment.
- Investments in financial instruments classified at fair value through profit or loss if they are held for trading purposes and are held by the Company mainly to meet its daily liquidity needs, through which it reduces the costs of managing its liquidity needs and therefore manages - actively - the return on the portfolio.
- Financial investments are classified for acquisition purposes through the comprehensive income whenever the business model is applied to it to obtain cash flows from it, and the collection of the financial return with the possibility of selling it to achieve capital gains and they are recorded at cost at the date of acquisition with re-measuring it at market value, there investments are classified as non-current assets and changes in their fair value are recognized in comprehensive income, and the changes in its fair value to be recognized in the comprehensive income while recognizing any returns from it in the statement of profit or loss.

Revenue recognition

For all financial assets at amortized cost and financial assets that are bearing a return, returns revenue is recognized using the effective rate of return, the rate which reduces the estimated future cash receipts over the expected life of the financial instrument or for a short period, to the net carrying value of the financial asset. Net gains and losses are recognized in profit or loss.

6. Summary of significant accounting policies (continued)

H. Financial instruments (continued)

Impairment of financial assets and their non-recoverability

The Company applies the expected credit loss model (ECL) for measurement and recognition of the impairment loss of the financial assets and credit risk exposure of the debt instrument and are measured at amortized cost, such as loans, deposits and trade receivables.

Expected credit losses are computed as a weighted estimate of the probability of credit losses (that is, the present value of all cash deficits) divided by the expected life of the financial asset. The cash deficit is the difference between the cash flows due according to the contract and the cash flows that the company expects to receive. Expected credit losses take into account the amount and timing of payments and thus credit losses arise even if the company expects to receive payments in full, but at a specified maturity in the contract. The ECL method requires an assessment of the credit risk of default and the timing of collection since initial recognition. This requires recognition of an expected credit loss provision in profit or loss as well as for newly constructed or acquired receivables
Impairment of financial assets is measured as either 12-month credit losses or expected credit losses over the life of the asset, depending on whether there has been a material increase in credit risk since the inception of the asset. The 12-month ECL represents post-financial credit losses. Life expectancy of credit losses represent any expected credit losses that would arise from all possible events of delinquency over the expected life of the financial asset.

Trade receivables are short-term, usually less than 12 months, and therefore the allowance for credit losses is calculated in a manner that does not differ from the method of expected credit losses within 12 months. The Company uses the simplified entry in IFRS 9 to measure expected credit losses on receivables using a matrix based on the ages of receivables.

The company also uses past and historical experiences and loss rates based on the past twelve months, whereby historical loss rates are adjusted to reflect information on current conditions and future expectations of future economic conditions. The loss rates vary based on the age of the amounts owed.

b. Financial Liabilities

Initial Recognition and Measurement

- The current financial liabilities are classified at fair value through comprehensive income, the Company determines the classification of the financial liabilities at its initial recognition.
- All financial liabilities are recognized initially at fair value after deducting directly attributable transaction costs.
- The Company's financial liabilities include trade payables and other.

Subsequent measurement

The measurement of financial liabilities based on their classification as financial liabilities at fair value through profit or loss or as other financial liabilities. Considering that, the Company does not have any liabilities as liabilities at fair value through profit or loss.

De-recognition of financial Liabilities

Financial liabilities are derecognized when the obligation is discharged, canceled or expired. When a current financial liability is replaced by another from the same lender on substantially different terms or substantially modify the terms of the existing obligations, This change or modification is treated as a de-recognition of the original liability and a new liability is recognized. The difference in the relevant carrying amount is recognized in the statement of profit or loss and other comprehensive income.

6. Summary of significant accounting policies (continued)

H. Financial instruments (continued)

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is recognized in the statement of financial position when there is a legally binding right to settle the recognized amounts, and there is an intention to settle the net value of assets/liabilities simultaneously. The enforceable legal right should not be subject to future events, it should be enforceable in the ordinary course of business and in case of default, insolvency or bankruptcy of the Company or counterparty.

I. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, banks balances, and other high liquid short term investments with a maturity periods of three months or less from the date of purchasing.

J. The statutory reserve

In accordance with the requirements of the Companies Law in Saudi Arabia and the Company's articles of Association, the Company established a statutory reserve by appropriation of 10% of net income or loss. This reserve has been discontinued after the statutory reserve reaches the maximum limit.

K. Accounts payable and accrued expenses

Liabilities are recognized for amounts to be paid for goods received and services rendered, whether or not billed to the Company.

L. Zakat and Tax

The Company is subject to the regulations of the General Authority of Zakat and Tax in the Kingdom of Saudi Arabia. Zakat is provided for on accrual basis and the provision for zakat and tax is calculated on the basis of the higher of zakat and tax base, or the adjusted net income. Any difference in the estimates between the calculated zakat and tax and the final assessment (if any) is to be recorded in the income statement of the year in which the assessment is finalized.

M. Foreign currencies

The Company maintains its records in Saudi Riyals. Foreign currency transactions denominated in foreign currencies are translated to Saudi Riyals at exchange rates prevailing on the date of such transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Saudi Riyals at exchange rate prevailing at that date. Gains or losses from settlement and translation of foreign currency transactions are included in the statement of profit or loss and other comprehensive income.

N. Employees benefits obligations

The end of service gratuity is measured and recorded for the employees' accumulated and earned service periods according to the Saudi labor law and according to the years of service of each employee.

6. Summary of significant accounting policies (continued)

O. Revenue recognition

- The company recognizes revenue from contracts with customers based on a five-step model as set in IFRS 15 "Revenue from Contracts with customers":

- Step 1: Identify contract(s) or contracts with customers: 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 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 company expects to be entitled in exchange for transferring promised goods or services to 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 the entity satisfies a performance obligation.

If the amount to be paid in the contract includes a variable amount, the company estimates the amount to which the company is entitled in exchange for transferring the goods or services promised to provide to the customer.

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

The company sells clinker and bulk where the sale is made according to sales invoices and / or specific independent contracts concluded with the clients.

For contracts with customers in which the sale of cement is generally expected to be the only performance obligation, revenue from the sale is recognized at the time that control of the asset is transferred to the customer at a specific point in time, which is usually upon delivery.

The company does not expect the existence of any contracts that exceed the period between the delivery of the products agreed to be sold to the customer and the payment by the customer for one year, so the company does not adjust any of the transaction prices with the time value of money.

P. Dividends income

Dividend income is recognized only when:

- The Company's right to receive paid dividends is confirmed,
- The economic benefits associated with the dividend are likely to flow to the Company,
- It is possible to measure the amount of dividends in a reliable way.

Q. Rental income

The rental revenues are recognized according to the straight-line method over the life of the lease agreement and the terms of the lease.

R. Finance income

The revenue is recognized when the return matures using the effective rate of return method, and the return revenue is included in the profit or loss.

6. Summary of significant accounting policies (continued)

S. Other income

Other income is recognized when it accrues in the statement of profit or loss and other comprehensive income

T. Expenses

Selling, marketing, general and administrative expenses include costs which are not specifically part of cost of sales. Allocations between cost of sales and selling, marketing, general and administrative expense are made on a consistent basis.

U. Segmental reports

An operating segment is an element of a company that relates to its activities through which it earns revenue and incurs expenses including revenues and expenses related to transactions with any other elements of the company.

V. Earnings per share

Basic earnings per share and reduced earnings per share (if any) are presented for ordinary shares, where basic earnings per share is calculated by dividing the profit or loss of ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period, adjusted for the number of ordinary shares repurchased or issued during the period. Period. Reduced earnings per share is calculated by adjusting the profit or loss of the ordinary shareholders of the company and the weighted average number of shares outstanding during the period for the effects of all the reduced ordinary shares that are likely to be issued.

W. Dividends

Interim dividends are recorded as liability in the period in which these are approved by the Board of directors. Final dividends are recorded in the financial statements in the period in which these are approved by the shareholders

(All amounts in thousands Saudi Riyals unless otherwise stated)

7. Property, plant and equipment

2020	**Land**	**Buildings**	**Thermal Bricks, Grinding Balls and Other**	**Machinery and equipment**	**Spare parts**	**Furniture, Fixtures & Tools**	**Construction-in-Progress**	**TOTAL**
Balance at January 1, 2020	7,016	871,852	31,453	2,191,590	68,632	16,174	23,751	3,210,468
Additions during the year	-	5,130	761	6,584	385	346	32,436	45,642
Disposals during the year	-	(4,401)	-	(47,549)	-	(4,218)	-	(56,168)
Transfers	-	1,933	3,645	38,143	(3,266)	-	(40,455)	-
Balance at December 31, 2020	7,016	874,514	35,859	2,188,768	65,751	12,302	15,732	3,199,942
Accumulated depreciation:								
Balance at January 1, 2020	-	615,703	25,349	1,635,024	51,416	14,365	-	2,341,857
Charges during the year	-	17,062	4,103	68,654	1,543	863	-	92,225
Disposals during the year	-	(4,076)	-	(47,063)	-	(4,128)	-	(55,267)
Transfers	-	(553)	-	2,276	(1,723)	-	-	-
Balance at December 31, 2020	-	628,136	29,452	1,658,891	51,236	11,100	-	2,378,815
Net Book Value								
At December 31, 2020	**7,016**	**246,378**	**6,407**	**529877**	**14,515**	**1,202**	**15,732**	**821,127**
At December 31, 2019	7,016	256,149	6,104	556,566	17,216	1,809	23,751	868,611

20% approximately of the administrative building in Dammam is used for the purposes of the Company's main office and other administrative purposes.
The remaining part of the building (80%) approximately, is to be rented to various lessors for periods ranging from one year to five years. Rented part is classified as investment property.

(All amounts in thousands Saudi Riyals unless otherwise stated)

7. Property, plant and equipment (continued)

2019	Land	Buildings	Thermal Bricks, Grinding Balls and Other	Machinery and equipment	Spare parts	Furniture, Fixtures & Tools	Construction-in-Progress	TOTAL
Balance at January 1, 2019	7,016	859,246	14,044	2,220,341	72,793	20,437	21,368	3,215,245
Additions during the year	-	183	-	224	226	295	20,286	21,214
Disposals during the year	-	(738)	-	(19,114)	(1,581)	(4,558)	-	(25,991)
Transfers	-	13,161	17,409	(9,861)	(2,806)	-	(17,903)	-
Balance at December 31, 2019	7,016	871,852	31,453	2,191,590	68,632	16,174	23,751	3,210,468
Accumulated depreciation:								
Balance at January 1, 2019	-	602,321	7,419	1,589,464	52,033	17,190	-	2,268,427
Charges during the year	-	15,133	7,271	72,503	2,739	1,346	-	98,992
Disposals during the year	-	(712)	-	(19,102)	(1,577)	(4,171)	-	(25,562)
Transfers	-	(1,039)	10,659	(7,841)	(1,779))	-	-	-
Balance at December 31, 2019	-	615,703	25,349	1,635,024	51,416	14,365	-	2,341,857
Net Book Value								
At December 31, 2019	**7,016**	**256,149**	**6,104**	**556,566**	**17,216**	**1,809**	**23,751**	**868,611**
At December 31, 2018	7,016	256,925	6,625	630,877	20,760	3,247	21,368	946,818

- **The yearly depreciation is allocated as follows:**

	31 December 2020	31 December 2019
Charged to cost of sales	**90,211**	96,556
Charged to general and administrative expenses (Note No.25)	**1,990**	2,412
Charged to selling and marketing expenses (Note No.26)	**24**	24
	92,225	98,992

(All amounts in thousands Saudi Riyals unless otherwise stated)

8. Investment property

	Land	Buildings	Total
Balance at 1 January 2020	51,934	70,786	122,720
Balance at 31 December 2020	51,934	70,786	122,720
Accumulated Amortization			
Balance at 1 January 2019	-	26,376	26,376
Depreciation charge during 2019	-	1,632	1,632
Balance at 31 December 2019	-	28,008	28,008
Depreciation charge during 2020	-	1,632	1,632
Balance at 31 December 2020	-	29,640	29,640
Net book value			
At 31 December 2020	**51,934**	**41,146**	**93,080**
At 31 December 2019	51,934	42,778	94,712

- Fulfilling the requirements of disclosure in accordance with the International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia property investments were assessed by a qualified and independent expert, Ahmed Al-Naeem establishment for Real Estate assessment approved by the Saudi Authority for Accredited Valuator with membership number 11000090
- The fair value of the investment properties as of December 31, 2020 was estimated at SR 198 million , of which SR 128 million for land and SR 70 million for buildings (31 December 2019 amounted to SR 210 million , of which SR 132 million for land and SR 78 million for Buildings).

9. The Right-of-use assets

	2020	2019
	Vehicles	Vehicles
Cost		
Balance at 1 January,	**3,228**	2,762
Additions during the year	**61**	466
Balance at 31 December,	**3,289**	3,228
Accumulated depreciation		
Balance at 1 January,	**1,645**	-
Depreciation charged during the year	**1,279**	1,645
Balance at 31 December,	**2,924**	1,645
Net book value at the end of the year	**365**	1,583

10. Investments in equity instruments at fair value through other comprehensive income

	31 December 2020		31 December 2019	
	Number of shares	**value**	Number of shares	value
Saudi Industrial Investment Group *	**2,300**	**63,020**	2,300	55,200
Industrialization & Energy Services Company **	**27,187**	**451,584**	27,187	418,687
Saudi Arabian Oil Co. (Aramco) ***	**1,774**	**62,092**	1,774	62,536
		576,696		536,423

(All amounts in thousands Saudi Riyals unless otherwise stated)

10. Investments in equity instruments at fair value through other comprehensive income (Continued)

* The Saudi Industrial Investment Group (a Saudi joint stock company listed on the financial market) (Tadawul) in which the company owns 0.51%, and the company made a re-evaluation of the balance of that investment at fair value according to the market price as on December 31, 2020, where the share price reached on that date, SR 27.4 per share (on December 31, 2019, at SR 24 per share).
** The Industrialization and Energy Services Company is a closed Saudi joint stock company, in which the company owns 5.44%, as the fair value of the share on December 31, 2020 is SR 16.61 (as of December 31, 2019, the fair value of the share is 15.40). The company's management has determined the value of the investments in the Industrialization and Energy Services Company, based on a report from an independent evaluator.
*** The company bought 1.8 million shares in the shares of the Saudi Arabian Oil Company (Aramco) at a price of SR 32 per share when offering the shares of the Saudi Arabian Oil Company (Aramco) for subscription, and the share price on December 31, 2020 amounted to SR 35 per share (on December 31 2019, at SR 35.25 per share).

Investments in equity instruments at fair value through other comprehensive income include the following:

	31 December 2020	31 December 2019
Quoted:		
Saudi Group for Industrial Investment	**63,020**	55,200
Saudi Arabian Oil Co. (Aramco)	**62,092**	62,536
Unquoted:		
Industrialization & Energy Services Company	**451,584**	418,687

The Company has recorded unrealized gains from valuing investments in equity instruments at fair value through other comprehensive income as follows:

	31 December 2020	31 December 2019
Opening year balance	**189,635**	88,584
Unrealized Gain from valuation of equity instruments at fair value through OCI	**40,273**	101,051
The balance at year end	**229,908**	189,635

(All amounts in thousands Saudi Riyals unless otherwise stated)

11. Investments in associate Company through equity method

The company has an investment of 31.58% in the Arab Yemen Cement Company ("the associate"), a limited liability company registered in the Republic of Yemen. The associate company was established to engage in cement production and started production in 2009, and the movement during the year is as follows:

	31 December 2020	31 December 2019
Balance at January 1	**236,987**	213,466
Share in the result of the Associate Company	**38,317**	23,521
Dividends	**(9,290)**	-
	266,014	236,987
Less: impairment of investment	**(66,996)**	(66,996)
Balance at the end of year	**199,018**	169,991

Summary of financial information about the associate Company:

	31 December 2020	31 December 2019
Current assets	**539,842**	479,717
Non-current assets	**573,870**	602,485
Current liabilities	**(208,284)**	(229,559)
No-current liabilities	**(63,079)**	(102,209)
Net assets	**842,349**	750,434
The company's share of net assets	**266,014**	236,987
Sales	**663,172**	463,438
Net operation profit	**267,613**	98,644
Total comprehensive income	**123,352**	76,298
Dividends received from associate	**(9,290)**	-

12. Inventory

	31 December 2020	31 December 2019
Spare Parts and maintenance supplies	**140,665**	147,787
Raw Material	**28,520**	29,827
Work in progress	**225,327**	293,261
Finished goods	**42,076**	37,371
Goods in-transit	**-**	5,467
	436,588	513,713
Provision for slow moving stock of spare parts	**(9,370)**	(8,000)
	427,218	505,713

(All amounts in thousands Saudi Riyals unless otherwise stated)

13. Trade receivable

	31 December 2020	31 December 2019
Trade receivable	**216,195**	233,221
Provision for Expected credit losses	**(35,259)**	(35,259)
	180,936	197,962

As of 31 December, The aging of trade receivables are as follows:

	31 December 2020	31 December 2019
Not yet due	**106,413**	96,961
Overdue 1 – 90 Days	**56,787**	69,779
Overdue 91 – 180 Days	**8,175**	21,994
Overdue 181 – 270 Days	**8,617**	7,230
Overdue 271 days and more	**36,203**	37,257
	216,195	233,221
Provision for expected credit losses	**(35,259)**	(35,259)
	180,936	197,962

14. Prepayments and other current assets:

	31 December 2020	31 December 2019
Retentions receivables– Debit	**38,180**	38,908
Debit balances for tower lessors	**4,951**	2,599
Advance payment to suppliers	**6,395**	13,610
Employees advances	**10,891**	11,247
Prepaid expenses	**8,563**	7,964
Accrued interest	**1,512**	1,970
Others	**262**	248
	70,754	76,546
Provision of expected credit losses	**(27,807)**	(26,445)
	42,947	50,101

15. Cash and cash equivalent

	31 December 2020	31 December 2019
Cash at bank	**58,641**	99,838
Short term Murabaha deposits (*)	**470,000**	240,000
	528,641	339,838

(*) The company invests part of the cash surplus in term deposits with a maturity period of three months or less with local commercial banks. The average annual commission rates on these deposits during the year 2020 amounted to 1.63% (December 31, 2019: an average return of 2.28%)

(All amounts in thousands Saudi Riyals unless otherwise stated)

16. Share capital

The issued and paid up share capital is SR 860 million, which is divided into 86 million shares (31 December 2019: 86 million shares) at SR 10 per share.

17. Reserves

- **Statutory reserve**
  As per the Company's Articles of association and regulations for companies, 10% of the net income is required to be set aside to form a statutory reserve. The transferring to statutory reserve is stopped after reaching to its maximum limit. This reserve is not available for distribution to shareholders.

- **Voluntary reserve**
  The general assembly of the company, during its meeting No. 35 held on Rabi` Al-Akhir 13, 1431 -H (corresponding to March 29, 2010), approved the formation of voluntary reserve in the amount of SR 404.6 million by allocating an amount of SR 120 million from the capital expansions reserve and an amount of SR 284.6 million from the retained earnings.

18. Employees benefits obligations

A- Employees benefits obligations movement:

	31 December 2020	31 December 2019
Beginning Balance	**69,811**	61,826
Current service cost	**5,490**	5,211
Interest cost	**2,217**	2,396
Paid during the year	**(3,356)**	(7,179)
Actuarial Losses	**6,816**	7,557
Ending Balance	**80,978**	69,811

B -The main actuarial assumptions are as follows:

	31 December 2020	31 December 2019
A discount rate used to calculate interest cost per year	**2,20%**	3,08%
Annual salary increase rate	**3,50%**	3,50%

C -Sensitivity of the defined benefit obligations to changes in the weighted key assumptions for the year ended December 31, 2020 are as follows:

	31 December 2020	31 December 2019
Discount rate + 1%	**75,242**	65,024
Discount rate - 1%	**87,544**	75,267
Salary increase rate + 1%	**87,779**	57,519
Salary increase rate - 1%	**74,919**	64,711

19. Other provisions

The other provisions are the provision for the rehabilitation of areas subject to the company's franchise license and the removal of the factory, at the present value of the expected cost of re-settlement of the company's concession sites, and the balance on December 31, 2020 amounted to SR 33.61 million (December 31, 2019, amounting to SR 32.85 million).

(All amounts in thousands Saudi Riyals unless otherwise stated)

20. Account payable and other current liabilities

	31 December 2020	31 December 2019
Accounts payable	**64,146**	40,270
Accrued expenses	**42,544**	39,625
Advance payments from customers	**13,131**	13,174
Retention Payable – Credit	**4,669**	4,540
Unearned revenues for the Tower	**4,104**	1,636
Value Added Tax	**4,372**	1,901
Other current liabilities	**70**	1,697
	133,036	102,843

21. Related parties

The related parties are represented in each of the associates and companies that are controlled or subject to joint control or influential influence by those related parties, and the terms and pricing policies for transactions with the related parties are approved by the Board of Directors.

A- The transactions with related parties during the year were as follows:

- Remuneration payments for members of the Board of Directors and for attending Board meetings and committee meetings (Note No. 25).

- Transactions with Al-Dawaa Medical Services Company Ltd.
  The company has leased administrative offices to Al-Dawaa Medical Services Ltd. for a period of five Hijri years, at an amount of SR 1,649,830 annually. This has been considered within the transactions with related parties where the chairman of the board of directors occupies one of the executive positions of Al-Dawaa Medical Services Ltd.as well as the presence of the member of the company's board of directors as a member of the board of directors of Al-Dawaa Co.
  The balances, as at December 31, 2020, represent 1.65 million unearned revenues for the tower and 165,000 credit retentions (within accounts payable and other current liabilities).

- The transactions with Arabian Yemen Cement Company Ltd were as follows:
  Transactions represent amounts received by the company from the account of the Arab Yemeni Cement Company (an associate company) in a bank in the State of Oman and from its clients until they are paid to the suppliers and creditors of the associate on its behalf, as the associate faces difficulties in bank transfers to and from the Republic of Yemen.

The transactions with the Yemeni company were as follows:

	31 December 2020	**31 December 2019**
Amounts received from the Yemeni Company	28,415	26,235
Amounts received from the clients of the Yemeni Company	104	106,268
Amounts transferred to the account of the Yemeni Company in Amman	(4,328)	(18,746)
IFC installments payments	(42,100)	(30,734)
Payments to members of the Board of Directors of the Yemeni Company	(1,795)	(1,537)
Payments to Yemeni Company suppliers	(26,895)	(40,389)
Eastern Province Cement dividends payments	(9,290)	-

(All amounts in thousands Saudi Riyals unless otherwise stated)

21. Related parties (Continued)

B- Due to related party

The balance due to a related party as of 31 December 2020 is as follows:

	Relation ship	Nature of transaction	31 December 2020	31 December 2019
Arabian Yemeni Cement Company	Associate Company	Current account	**7,201**	63,090

22. Dividends payable

The balance of the dividend payable at December 31, 2020 is amounted to SR 57.53 million, which represent non received dividends from some shareholders for the years from 1991 to 2019 (December 31, 2019: SR 58.97 million).

23. Accrued zakat

According to the regulations of the General Authority for Zakat and Income, Saudi shareholders are subject to zakat at the rate of 2.5% of the zakat base or the adjusted net profit, whichever is more, and the zakat provision has been charged to the statement of profit or loss, and the credit account against the corresponding zakat obligations has been classified within the current liabilities in the statement of the financial position.

The zakat provision is estimated at the end of each financial period, and the zakat difference is recorded in the period in which the final assessment of the company is made.

A) The significant components of the Zakat for the current year as at 31 December 2020 are as follows:

	31 December 2020	31 December 2019
Non-Current assets	**(1,690,286)**	**(1,671,320)**
Non-Current liabilities	**114,808**	**103,094**
Opening balance of shareholders' equity	**2,411,736**	**2,201,884**
Net income before zakat	**246,218**	**200,296**

B) Movement of zakat provision

	31 December 2020	31 December 2019
The balance at the beginning of the year	**24,023**	21,873
Paid for the year	**(21,150)**	(15,450)
Zakat charge (note 30)	**29,000**	19,600
Payment specific to zakat assessment	**(8,064)**	(2,000)
The balance at the end of the year	**23,809**	24,023

C) Status of Zakat assessment

The company has submitted zakat returns for the years up to 2019 to the General Authority for Zakat and Income.

The company received the zakat assessment for the years 2017 and 2018 from the General Authority for Zakat and Income at an amount of SR 8 million, and the company settled these differences with the Zakat Authority during the first quarter of 2021 against payment of SR 7,325.

(All amounts in thousands Saudi Riyals unless otherwise stated)

24. Revenue

	For the Year ended	
	31 December 2020	**31 December 2019**
Revenues	**742,427**	**728,798**

Revenue classification:

a) Classified by product:

	For the Year ended	
	31 December 2020	31 December 2019
Cement	**654,402**	589,747
Clinker	**-**	19,973
Pre-cast Concrete	**88,025**	119,078
	742,427	728,798

b) **Classified by geographical region**:

	For the Year ended	
	31 December 2020	31 December 2019
Local	**724,641**	684,121
Export	**17,786**	44,677
	742,427	728,798

25. General and administrative expenses

	For the Year ended	
	31 December 2020	31 December 2019
Salaries, wages and allowances	**31,380**	34,341
Amortization	**1,990**	2,412
Materials, supporting tools, Licenses and Programs	**4,327**	5,390
Board of Directors' remuneration	**2,359**	2,598
Others	**3,202**	3,241
	43,258	47,982

26. Selling and marketing expenses

	For the Year ended	
	31 December 2020	31 December 2019
Salaries, wages and allowances	**8,690**	7,825
Depreciation	**24**	24
Other	**385**	663
	9,099	8,512

(All amounts in thousands Saudi Riyals unless otherwise stated)

27. Investment income

	For the Year ended	
	31 December 2020	31 December 2019
Dividends income from investments at FVOCI	**4,303**	11,606
Short term Murabaha Gains and investment in mutual funds	**4,527**	3,596
	8,830	15,202

28. Other income

	For the Year ended	
	31 December 2020	31 December 2019
Rent income	**3,438**	4,553
Scrape sales	**420**	1,014
Other	**7,036**	1,924
	10,894	7,491

29. Other expenses

	For the Year ended	
	31 December 2020	31 December 2019
Expenses of administrative Tower of the Company	**5,664**	5,239
Miscellaneous expenses	**7,609**	3,959
	13,273	9,198

30. Zakat expenses

	For the Year ended	
	31 December 2020	31 December 2019
Provision of zakat for the year	**22,200**	19,600
Provision of zakat assessment	**5,905**	-
Differences from zakat assessment	**895**	-
	29,000	19,600

31. Earnings per share

The basic profit per share is calculated by dividing the net income for the year attributable to the ordinary shareholders of the company by the weighted average of the number of the outstanding ordinary shares during the year. The following is the income statement and stock data used in computing basic and diluted earnings per share:

	For the Year ended	
	31 December 2020	31 December 2019
Net profit for the year (in thousands of Saudi riyals)	**217,218**	180,696
Number of outstanding shares (in thousands of shares)	**86,000**	86,000
Earnings per share (SR)	**2.53**	2,10

There was no reduction item affecting the weighted average number of ordinary shares.

32. Capital commitments

The Company's management has approved future capital projects as at 31 December 2020 for the amount of SR 7.2 million (31 December 2019: SR 10.34 million).

33. Contingent liabilities

As at December, 31 2020, the Company's contingent liabilities against letters of credit and letters of guarantees amounting to SR 100.6 million (31 December 2019: SR 101.69 million).

34. Dividends

The general assembly of the company, in its meeting held on April 30, 2020, approved the distribution of cash dividends to the shareholders of the company for the financial year 2019, with a total amount of SR 129 million, the share of one share is SR 1.5, and the number of shares eligible for dividends is 86 million shares to the shareholders of the company registered with the Securities Depository Center by the end of the second trading day following the day of the company's general assembly.

35. Segment information

The financial information summarized, according to the main activities as follows:

31 December 2020	**Cement**	**Precast**	**Total**
Trade receivable (net)	**121,378**	**59,558**	**180,936**
Revenues	**654,402**	**88,025**	**742,427**
Costs and expenses	**(450,331)**	**(84,845)**	**(535,176)**
Income from main Operations	**204,071**	**3,180**	**207,251**
31 December 2019			
Trade receivable (net)	144,676	53,286	197,962
Revenues	609,720	119,078	728,798
Costs and expenses	(446,311)	(121,021)	(567,332)
Income from main Operations	163,409	(1,943)	161,466

(All amounts in thousands Saudi Riyals unless otherwise stated)

35. Segment information (continued)

The financial information's are summarized according to the geographical areas as follows:

	Local Sector	Export sector	Total
31 December 2020			
Trade receivable (net)	**175,456**	**5,480**	**180,936**
Revenue	**724,641**	**17,786**	**742,427**
Costs and expenses	**(521,996)**	**(13,180)**	**(535,176)**
Income from main Operations	**202,645**	**4,606**	**207,251**
31 December 2019			
Trade receivable (net)	192,222	5,740	197,962
Revenues	684,121	44,677	728,798
Costs and expenses	(529,930)	(37,402)	(567,332)
Income from main Operations	154,191	7,275	161,466

The financial information's are summarized according to the assets and liabilities of each sector as follows:

31 December 2020	**Cement**	**Precast**	**Total**
Total assets	**2,674,966**	**195,062**	**2,870,028**
Total liabilities	**289,310**	**47,230**	**336,540**
31 December 2019			
Total assets	2,580,058	184,876	2,764,934
Total liabilities	32,322	320,876	353,198

36. Financial instruments

a) Financial assets

	For the Year ended	
	31 December 2020	31 December 2019
Investment in equity instruments at fair value through OCI	**576,696**	536,423
Investments in associate by equity method	**199,018**	169,991
Trade receivables	**180,936**	197,962
Other current assets	**34,384**	42,137
Cash and cash equivalent	**528,641**	339,838
	1,519,675	1,286,351

b) Financial liabilities

	For the Year ended	
	31 December 2020	31 December 2019
Lease liabilities	**377**	1,613
Accounts payable and other current liabilities	**133,036**	102,843
Due to a related party	**7,201**	63,090
	140,614	167,546

(All amounts in thousands Saudi Riyals unless otherwise stated)

36. Financial instruments (continued)

c) Risk management

Financial instruments reported in financial position mainly consists of investments in Murabhat and for trading, cash at banks, accounts receivables, accounts payable and other liabilities.

Market risk

Market risk is the risk of the potential impact of changes in market prices, such as foreign exchange rates and commission rates. The objective of market risk management is to manage and control the market risk exposure within acceptable limits while achieving the highest possible return.

- **Foreign exchange price risk**

Foreign exchange rate risk arises from changes and fluctuations in the value of financial instruments as a result of changes in foreign exchange rates.

The company did not carry out any operations of relative importance in currencies other than the Saudi riyal, the US dollar. The company’s management monitors the foreign exchange rates, and believes that the foreign exchange rate risk is not material as the change in the exchange rate of the Saudi riyal against the US dollar does not represent a significant currency risk.

- **Commission rate risk**

Commission risk arises from possible changes and fluctuations in commission rates that affect future profit or fair values of financial instruments. The company monitors commission rate fluctuations and believes that the impact of commission rate risk is not significant.

- **Credit risk**

Credit risk is the risk that a party in a financial instrument will fail to fulfill an obligation and cause the company to incur a financial loss.

The Company's financial instruments that are subject to credit risk include mainly bank cash and customer receivables. The company deposits its funds in financial expenses with reliability and high credit capacity. The company also has a policy regarding the volume of funds deposited in each bank, and the management does not expect the existence of significant credit risks resulting from this. The management also does not expect to be exposed to significant credit risk from clients' accounts because it has a broad base of clients working in different activities and multiple locations. It also monitors outstanding receivables periodically in addition to having guarantees presented by clients to cover any expected un-collectable debts. Credit risk in the company on the following balances:

	For the Year ended	
	31 December 2020	31 December 2019
Cash and cash equivalent	**528,641**	339,838
Trade receivables	**180,936**	197,962

- **Liquidity risk**

Liquidity risk is the inability of the company to meet its liabilities related to financial liabilities as they fall due. Liquidity needs are monitored on a monthly basis and the management works to ensure that sufficient funds are available to meet any commitments when they are due.

The company's financial liabilities consist of accounts payable, accruals and other credit balances. The company works to reduce liquidity risk by ensuring the availability of bank facilities, in addition to making a harmonization between the periods of collecting clients ’balances and the periods of repayment of suppliers’ balances and other credit balances. All payables and accruals do not bear any finance charges and are expected to be paid within 12 months from the date of the financial statements.

(All amounts in thousands Saudi Riyals unless otherwise stated)

36. Financial instruments (continued)

c) Risk management (Continued)

- **Liquidity risk (Continued)**

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

As at 31 December,2020	Less than 1 year	From 1 year to 5 years	More than 5 years	Total
Lease liabilities	**229**	**151**	**-**	**380**
Accounts payable and other current liabilities	**133,036**	**-**	**-**	**133,036**
Due to a related party	**7,201**	**-**	**-**	**7,201**
	140,466	**151**	**-**	**140,617**
As at 31 December ,2019				
Lease liabilities	1,338	333	-	1,671
Accounts payable and other current liabilities	102,843	-	-	102,843
Due to a related party	63,090	-	-	63,090
	167,271	333	-	167,604

d) Fair value of the financial instruments

For the purposes of financial reporting, the company used the fair value hierarchy classified at levels 1, 2 and 3 based on the degree of observance of the inputs in the fair value measurement and the importance of these inputs in measuring the fair value in its entirety, as shown below:

- Level 1: Quoted prices in an active market for similar assets or liabilities that the company can value at the measurement date.
- Level 2: Inputs other than quoted prices in Level 1 that can be taken as a value for the assets or liabilities, either directly or indirectly.
- Level 3: inputs for assets and liabilities that are not based on observable market information.

Investments in quoted equity instruments are valued according to the market closing price on the date of the financial statements and those instruments have been classified under Level 1.

Investments in unquoted equity instruments are evaluated based on approved valuation methods that depend on income approach and market approach, and those instruments are classified under level 3.

Details of financial instruments at fair value are as follows:

	Book value	Fair Value			
		Level-1	Level-2	Level -3	Total
As at 31 December 2020					
Investments in equity instruments through OCI	**576,696**	**125,112**	**-**	**451,584**	**576,696**
As at 31 December 2019					
Investments in equity instruments through OCI	536,423	117,736	-	418,687	536,423

The fair value of financial instruments carried at amortized cost

Management believes that the carrying value of financial assets and financial liabilities stated at cost amortized in the financial statements approximates their fair value.

37. Significant events

The existence of novel coronavirus (COVID-19) was confirmed during the first quarter of 2020 and has spread across multiple geographies, causing disruptions to businesses and economic activities. As a result, the Company management has taken preventive measures to ensure the health and safety of its employees, customers and environment to ensure the continuity of its operations. In light of COVID-19, the Company has considered whether any adjustments and changes in judgments, key sources of estimation uncertainty and risk management are required to be considered and reported in these financial statements. For the Company, the peak of COVID-19 impact was during April 2020 and May 2020, when sales have been dropped as compared to the same periods in 2019. However, in May 2020, the Government has reorganized some of the rules and regulations related to the curfew that impacted the industry and accordingly, there was a significant recovery in terms of sales in the second and third quarters of 2020. Since then, there is stability in the Company's operations and as such management did not observe any significant impact on the operations of the Company till 31 December 2020. The Company's management continues to monitor the situation closely based on prospective developments.

38. Comparative figures

Some of the selling and marketing expenses have been reclassified to cost of revenue with amount of SR 5 million, in order to match the presentation and disclosure for the current year, and the reclassification did not result in any adjustment to the net profit before zakat or the total comprehensive income for the comparative year.

39. Approval of the financial statements

These financial statements were approved by the members of the Board of Directors of the company on Rajab 23, 1442 -H, corresponding to March 7, 2021.