

QASSIM CEMENT COMPANY
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2021
together with the
Independent Auditor's Report

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KPMG Professional Services

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P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No. 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Qassim Cement Company

Opinion

We have audited the financial statements of Qassim Cement Company (A Saudi Joint Stock Company) ("the Company"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

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

Key Audit Matters

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

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with the paid-up capital of SAR (25,000,000). Previously known as "KPMG Al Fozan & Partners Certified Public Accountants". A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (٢٥,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، الصمغة بملف الشركة كي بي إم جي للوزان وشركاء محاسبون ومراجعون قانونيون. و هي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والأفعية ل كي بي إم جي العالمية المحدودة، شركة الإنجليزية محدودة بضمان. جميع الحقوق محفوظة.



Independent Auditor's Report

To the Shareholders of Qassim Cement Company (continued)

Revenue recognition	
With reference to Note (6) of the accounting policy related to revenue from contracts with customers, as well as Note (24) related to disclosure of contracts with customers.	
Key audit matter	How the matter was addressed in our audit
<p>The Company applies IFRS 15.</p> <p>The Company generated revenues of SR 723 million for the year ended 31 December 2021.</p> <ul style="list-style-type: none"> - Revenue is a key indicator for measuring performance, and this implies the presence of inherent risks by overstatement of revenue recognition to increase profitability. Therefore, revenue recognition was considered a key audit matter. 	<p>Our audit procedures included, among others, based on our judgment, the following:</p> <ul style="list-style-type: none"> - Assessing the appropriateness of the company's accounting policies related to revenue recognition, as well as the extent of compliance with the requirements of associated accounting standards. - Test the design and implementation of internal control procedures related to revenue recognition and their operational effectiveness, including anti-fraud control procedures. - Conducting analytical audit procedures for revenues, by comparing sales quantities and prices for the current year with the previous year, and determining whether there are any significant trends or fluctuations that need additional examination in light of our understanding of the current market conditions. - On sample basis, test revenue transactions with the supporting documents, to verify that the revenues are recorded in their correct periods.
Existence and evaluation of inventory	
With reference to Note (6) of the accounting policy related to recognition of inventories, as well as Note (13) related to disclosure of existence and evaluation of inventory.	
Key audit matter	How the matter was addressed in our audit
<p>The Company applies IAS 2.</p> <p>The stock of raw materials amounted to SR 18 million, and the work in-progress stock amounted to SR 150 million (mainly consisting of clinkers stored in the form of piles in yards built for this purpose) for the year ended 31 December 2021.</p> <p>Determining the weight of this inventory is not practically possible, therefore, the management estimates the quantities available at the end of the year by measuring the inventory piles and converting the measurements into unit volumes using the angle of repose and quantitative density. To do this, the management appoints an independent inspection expert to estimate the quantities using some practical methodological measurement calculations and apply density conversion methods applied to similar types of inventory that are used in the cement industry.</p> <p>Given the importance of the inventory balances and related estimates used in determining the quantities, the existence and valuation of inventory was considered as a key audit matter.</p>	<p>Our audit procedures included, among others, based on our judgment, the following:</p> <ul style="list-style-type: none"> - Attending the physical inventory count conducted by the Company and an independent inspection expert. - Evaluating the efficiency, qualifications, and objectivity of the independent inspection expert in this field. - Obtaining the inventory count report submitted by the independent inspection expert regarding the main inventory items and checking them on the sample basis. - Assessing the reasonableness of inventory piles measurements carried out by management during the physical count and recalculating the conversion of volumes into quantities. - On a sample basis, testing the inventory valuation at the end of the year, and assessing judgments and estimates used in estimating the damages and the net realizable value of impairment by management. - Assessing the completeness and adequacy of the disclosures related to inventory for the year ended 31 December 2021.



Independent Auditor's Report

To the Shareholders of Qassim Cement Company (continued)

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 for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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



Independent Auditor's Report

To the Shareholders of Qassim Cement Company (continued)

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current 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.

KPMG Professional Services

Fahad Mubark Aldossari
License No. 469



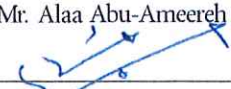
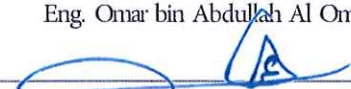
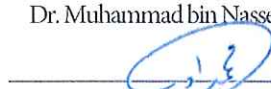
Riyadh on 13 Rajab 1443H
Corresponding to: 14 February 2022

QASSIM CEMENT COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2021
(Saudi Riyals)

	<u>Note</u>	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
<u>ASSETS</u>			
Property, plant and equipment	7	605,902,096	668,068,609
Projects in progress	8	25,903,515	9,606,587
Investment properties (lands)	9	9,516,450	9,516,450
Financial investments at FVTPL	10	69,031,049	63,865,085
Term Murabaha - non-current portion	11	100,000,000	100,000,000
Right-of-use assets	12	2,080,523	2,814,825
Non-current assets		<u>812,433,633</u>	<u>853,871,556</u>
Inventories	13	267,197,534	295,676,450
Term Murabaha - current portion	11	186,300,000	150,000,000
Financial investments at FVTPL	10	596,413,419	621,178,885
Trade receivables	14	34,739,752	41,952,913
Prepaid expenses and other receivables	15	15,476,196	85,695,032
Cash and cash equivalents	16	107,402,465	66,893,586
Current assets		<u>1,207,529,366</u>	<u>1,261,396,866</u>
Total assets		<u>2,019,962,999</u>	<u>2,115,268,422</u>
<u>EQUITY AND LIABILITIES</u>			
Equity attributable to the Company's Shareholders			
Share capital	17	900,000,000	900,000,000
Statutory reserve	18	270,000,000	270,000,000
Cumulative changes in the items of other comprehensive income		(3,863,383)	(4,081,829)
Retained earnings		569,436,355	643,170,058
Total equity		<u>1,735,572,972</u>	<u>1,809,088,229</u>
Liabilities			
Provision for rehabilitation of areas subject to franchise license	19	12,970,997	12,010,857
Employees' benefits obligation	20	41,231,316	40,054,832
Long-term lease liabilities	12	1,326,192	2,007,078
Non-current liabilities		<u>55,528,505</u>	<u>54,072,767</u>
Trade and other accounts payable	21	115,604,220	111,297,101
Dividend payable	25	64,308,690	67,507,996
Zakat provision	22	29,144,597	29,077,532
Other provisions	23	18,983,755	43,404,537
Short-term lease liabilities	12	820,260	820,260
Current liabilities		<u>228,861,522</u>	<u>252,107,426</u>
Total liabilities		<u>284,390,027</u>	<u>306,180,193</u>
Total equity and liabilities		<u>2,019,962,999</u>	<u>2,115,268,422</u>

The accompanying notes (1) through (37) form an integral part of these financial statements.

The financial statements have been approved for issuance by the Board of Directors on 8 February 2022 and signed on their behalf by:

 Mr. Alaa Abu-Ameereh Finance Director	 Eng. Omar bin Abdullah Al Omar CEO and Board Member	 Dr. Muhammad bin Nasser Al Dawood Chairman
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QASSIM CEMENT COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2021
(Saudi Riyals)

	<u>Note</u>	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Revenues	24	722,798,388	898,421,860
Cost of sales	24	(433,457,112)	(425,190,789)
Gross profit		289,341,276	473,231,071
Selling and marketing expenses	26	(10,428,691)	(10,636,441)
General and administrative expenses	27	(19,117,663)	(33,183,437)
Provision for impairment of accounts receivable	14	-	(7,132,860)
Operating profit		259,794,922	422,278,333
Unrealized gains on investments at FVTPL, net		19,951,906	4,102,391
Dividends of investments at FVTPL		5,478,783	1,901,727
Revenue from Murabaha returns		12,244,417	12,412,453
Other income	28	29,008,189	9,850,310
Finance costs		(1,099,514)	(1,019,061)
Profit before zakat and income tax		325,378,703	449,526,153
Zakat	22	(30,112,406)	(29,691,030)
Profit for the year		295,266,297	419,835,123
<u>Other comprehensive income:</u>			
<u>Items that will not be reclassified to profit or loss:</u>			
Actuarial loss on re-measurement of Employees' benefits obligation	20	218,446	(3,394,480)
Total other comprehensive income		295,484,743	416,440,643
Earning per share of net income for the year	31		
Basic		3,28	4,66
Diluted		3,28	4,66

The accompanying notes (1) to (37) form an integral part of these financial statements.

The financial statements have been approved for issuance by the Board of Directors on 8 February 2022 and signed on their behalf by:

Mr. Alaa Abu-Ameerah

Finance Director

Eng. Omar bin Abdullah Al Omar

CEO and Board Member

Dr. Muhammad bin Nasser Al Dawood

Chairman

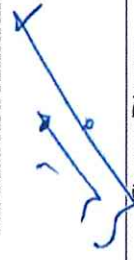
QASSIM CEMENT COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021
(Saudi Riyals)

Note	Share capital	Statutory reserve	Cumulative changes in the items of other comprehensive income	Retained earnings	Total equity
Balance as at 1 January 2020	900,000,000	270,000,000	(687,3492)	614,834,935	1,784,147,586
Profit for the year	-	-	-	419,835,123	419,835,123
Other comprehensive income	-	-	(3,394,480)	-	(3,394,480)
Total comprehensive income	-	-	(3,394,480)	419,835,123	416,440,643
Dividends	-	-	-	(391,500,000)	(391,500,000)
Balance at 31 December 2020	900,000,000	270,000,000	(4,081,829)	643,170,058	1,809,088,229
Balance as at 1 January 2021	900,000,000	270,000,000	(4,081,829)	643,170,058	1,809,088,229
Profit for the year	-	-	-	295,266,297	295,266,297
Other comprehensive income	-	-	218,446	-	218,446
Total comprehensive income	-	-	218,446	295,266,297	295,484,743
Dividends	-	-	-	(369,000,000)	(369,000,000)
Balance as at 31 December 2021	900,000,000	270,000,000	(3,863,383)	569,436,355	1,735,572,972

The accompanying notes (1) to (37) form an integral part of these financial statements.

The financial statements have been approved for issuance by the Board of Directors on 8 February 2022 and signed on their behalf by:

Mr. Alaa Abu-Ameereh



Finance Director

Eng. Omar bin Abdullah Al Omar



CEO and Board Member

Dr. Muhammad bin Nasser Al Dawood



Chairman

QASSIM CEMENT COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2021
(Saudi Riyals)

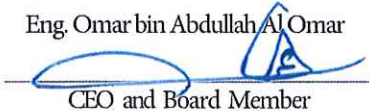
	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Profit for the year	295,266,297	419,835,123
Adjustments:		
Zakat charge	30,112,406	29,691,030
Depreciation of property, plant and equipment	72,985,543	74,182,624
Depreciation of right-of-use assets	734,302	122,384
Allowance for expected credit losses for customers	(7,428,206)	7,132,860
Allowance for expected credit losses of accounts receivables	-	357,951
Provision for obsolete and slow-moving inventory	3,737,846	12,101,753
Other provisions	(21,563,660)	856,163
Reconciliation of outstanding expenses	(2,544,282)	-
Unrealized gains on investments at FVTPL	(25,499,309)	(5,923,296)
Revenue from Murabaha returns	(12,244,417)	(12,412,453)
Employees' benefits obligation	4,472,512	4,311,093
Adjustment of projects in progress within expenses	229,452	30,060
Finance costs for rehabilitation of areas subject to franchise license	960,140	992,221
Finance costs from leases	139,374	26,839
Loss on disposal of property, plant and equipment	-	257,519
	<u>339,357,998</u>	<u>531,561,871</u>
Changes in working capital:		
Inventories	24,741,070	30,332,099
Trade receivables	14,641,367	(16,649,106)
Prepaid expenses and other receivables	72,517,501	(26,953,867)
Accrued expenses and other payables	(1,377,086)	16,697,972
Trade payables	8,228,487	1,873,902
Other Payables	(2,857,122)	(1,733,490)
Employees' benefits obligation paid	(3,077,582)	(3,194,802)
Zakat paid	(30,045,341)	(25,895,940)
Net cash generated from operating activities	<u>422,129,292</u>	<u>506,038,639</u>
Investing activities		
Payment for purchase property, plant and equipment	(27,345,410)	(16,800,417)
Proceeds from disposal of property, plant and equipment	-	92,100
Payment for purchase of investments at FVTPL	(240,414,694)	(555,245,761)
Proceeds from sale of investments at FVTPL	283,604,701	364,602,984
Proceeds from term Murabaha	285,000,000	305,129,199
Paid to purchase term Murabaha	(321,300,000)	(225,000,000)
Proceeds from income on term Murabaha	11,854,556	13,431,656
Net cash used in investing activities	<u>(8,600,847)</u>	<u>(113,790,239)</u>
Financing Activities		
Lease payments	(820,260)	(136,710)
Dividends distributed	(372,199,306)	(387,266,204)
Net cash used in financing activities	<u>(373,019,566)</u>	<u>(387,799,914)</u>
Change in cash and cash equivalents during the year	40,508,879	4,448,486
Cash and cash equivalents at the beginning of the year	66,893,586	62,445,100
Cash and cash equivalents as at the end of the year	<u>107,402,465</u>	<u>66,893,586</u>

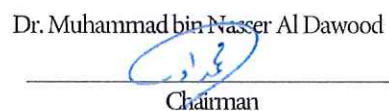
Non-cash transactions are disclosed in Note (34).

The accompanying notes (1) to (37) form an integral part of these financial statements.
The financial statements have been approved for issuance by the Board of Directors on 8 February 2022 and signed on their behalf by:

Mr. Alaa Abu-Ameereh

Finance Director

Eng. Omar bin Abdullah Al Omar

CEO and Board Member

Dr. Muhammad bin Nasser Al Dawood

Chairman

QASSIM CEMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2021
(Saudi Riyals)

1- COMPANY INFORMATION

Qassim Cement Company (the "Company") is a Saudi joint stock company listed on the financial market in the Kingdom of Saudi Arabia and operates under the Commercial Registration No. (1131001224) issued in the city of Buraydah on 28 Sha'aban 1398H (corresponding to 02 August 1978). The Company was incorporated in accordance with the Regulations for Companies by the Royal Decree No. M/62 dated 15 Sha'aban 1396H (corresponding to 11 August 1976).

The Company is engaged in manufacturing and producing cement, its derivatives and supplements, the trade of these products, and carrying out all works directly and indirectly related to this purpose. The Company carries out its activities through its factory located in Buraydah - Qassim, which is registered at the address (4266, unit No. 1 - Buraydah 52271 - 6735).

The Company's fiscal year shall begin on 1st January and end on the 31 December of each Gregorian year.

2- PREPARATION OF THE FINANCIAL STATEMENTS

2-1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in Saudi Arabia and other standards and pronouncements as endorsed by the Saudi Organization for Chartered and Professional Accountants SOCPA.

2-2 Basis of measurement

The financial statements have been prepared under the historical cost convention except for the following material items mentioned in the statement of financial position:

- Financial investments at FVTPL are measured at fair value.
- Defined benefit financial obligation receivables for future liabilities are recognized based on the projected unit credit method.

Certain comparative figures have been adjusted to conform to the current year's presentation.

3- FUNCTIONAL AND PRESENTATION CURRENCY

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

4- USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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 adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. These changes are reflected in the assumptions when they occur.

In particular, information about significant areas of estimated uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

QASSIM CEMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2021
(Saudi Riyals)

4 USE OF JUDGMENTS AND ESTIMATES (CONTINUED)

Measurement of employees' benefits obligations

The Company's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods and discounting that amount to arrive at present value. The calculation is performed annually by an independent actuary using the projected unit credit method. Judgments have been used in the estimation of actuarial assumptions. Key assumptions are disclosed in Note (20).

Impairment of inventories

The management estimates the impairment in the inventory to reach the net realizable value if its cost is not recoverable or it becomes damaged as a whole or a part of it, or if its selling price is less than its cost or if there are any other factors that may lead to a decrease in its realizable value for less than its cost. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the financial statements date to the extent that such events confirm conditions existing at the end of period.

Impairment of non-financial assets

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

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are cash inflows resulting from continuous use that are largely independent from other assets and cash-generating units.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and value in use. Value of use is based on future cash flows deducted from its current value using a discount rate reflects the current market assessments of current value of money and risks related to an asset or cash-generating unit.

Impairment loss is recognized when the book value of an asset or cash-generating unit exceeds its recoverable amount.

Impairment losses are recognized in the statement of profit or loss. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed its carrying amount, net of depreciation or amortization, which would have been determined if the impairment losses had not been recognized.

Useful life of property, plant and equipment

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

Impairment of accounts receivable

These are disclosed in Note (6) - Financial Instruments.

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4- USE OF JUDGMENTS AND ESTIMATES (CONTINUED)

Fair value of assets and liabilities

Fair value is the selling price received to sell an asset or paid to transfer a liability within an orderly transaction between market participants on the measurement date or in the absence of that market, the best market available at that date. The fair value of a liability reflects its non-performance risk.

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

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

If the inputs used to measure the fair value of an asset or liability are at different levels of the fair value hierarchy, the entire measurement is categorized under the lowest level of inputs that is significant to the measurement as a whole.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period in which the change occurred. As at 31 December 2021 and 31 December 2020, there were no transfers between levels.

The carrying amounts and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy have been disclosed in Note 33. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable equivalent to the fair value.

Going concern

The management of the Company has assessed the Company's ability to continue as a going concern, and concluded that the Company has sufficient resources to continue its business in the foreseeable future. In addition, the management does not have any material doubts about the Company's ability to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

5- NEW STANDARDS ISSUED

5-1 New standards, interpretations and amendments adopted by the Company

The accounting policies applied by the Company in preparing the financial statements are consistent with those followed in preparing the annual financial statements of the Company for the year ended 31 December 2020, except for the adoption of the new standards that effective on 1 January 2021 and have no material effect on these financial statements.

Effective from	New standards and amendments
1 June 2020	(Covid-19) rental concessions (amendment to IFRS 16)
1 January 2021	Interest Rate Measurement Correction Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Following are the standards and amendments that were issued but not yet effective. The Company does not expect to have a material impact on the financial statements if the below standards and amendments are adopted.

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5. NEW STANDARDS ISSUED (CONTINUED)

5-2. Standards issued but not adopted

1 April 2021	(Covid-19) rental concessions after June 30, 2021 (amendment to IFRS 16)
1 January 2022	Unprofitable Contracts - Cost of Completing a Contract (Amendments to IAS 37)
	Annual Improvements to International Financial Reporting Standards 2018-2020
	Property, plant and equipment: proceeds before intended use (Amendments to IAS 16)
	Refer to the Conceptual Framework (Amendments to IFRS 3)
1 January 2023	Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
	Insurance Contracts and Amendments to IFRS 17/IFRS Contracts"
	Disclosure of Accounting Policies (Amendments to International Accounting Standards No. 1 Practice Statement IFRS No. 2
	Definition of Accounting Estimates (Amendments to IAS 8)
	Deferred Taxes Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
Available for optional adoption / effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

6- SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been consistently applied the following accounting policies to all periods presented in these financial statements, except for what is indicated in Note (5).

Revenue from contracts with customers

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

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

Step 2 - Identify 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 a customer, excluding amounts collected on behalf of third parties.

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

Step 5 - Recognize revenue when 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.

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6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (continued)

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 and packaged cement, where the sale is made according to sales invoices and / or independent specific contracts concluded with the clients.

(a) Sale of goods

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 point in time, which is usually upon delivery.

The Company recognizes revenue at the point in time at which the customer obtains control of a promised asset and the entity satisfies the performance obligations. The Company takes into account the below-mentioned indicators in assessing the transfer of control over the promised asset:

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

Leases

a) Definition of a lease

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

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

b) As a lessee

Lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at the date of the lease. Right-to-use assets are measured using an amount equal to the lease liability adjusted for prepayments or accrued leases. The Company has applied this method to all leases.

The Company used the permissible exemption in not recognizing right-of-use assets and lease liabilities for leases of less than 12 months.

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

Employee benefits

Defined employee benefit plans

According to the Saudi Labor Law in the Kingdom of Saudi Arabia, the Company is required to pay end-of-service benefits (a defined benefit plan), which are calculated based on the half of the last month's salary of each year of the first five years of service, including the fractions of the year plus the full last month's salary for each year of the next or remaining service includes fractions of the year. End-of-service benefit plan is unfunded.

Valuation technique and key assumptions for the actuarial study

Under requirements of IAS 19 "Employees' benefits", end-of-service benefit obligations are calculated using the actuarial valuation and using the projected unit credit method at the end of each fiscal year. Gains or losses arising from the actuarial revaluation are recorded in the statement of comprehensive income for the period in which the revaluation occurred. The recognized remeasurement in OCI is immediately included under retained earnings and is not included under profit or loss. Past service cost is calculated in profit or loss during the plan amendment period. The interest is calculated using the discount rate at the beginning of the period, on the employees' defined benefits obligations.

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6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The current service cost of the defined benefit plan is recognized in the statement of profit or loss under employee's benefits expense, to reflect the increase in the liability resulting from employee services for the current year and cases of change, curtail or settlement of benefits. The cost of services for previous years is included immediately in the statement of profit or loss.

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

Employee benefits

Defined benefit costs are classified as follows:

- Service cost (including current service costs and past service costs, in addition to gains and losses resulting from employees' promotions and reimbursements);
- Interest cost, and
- Re-measurement.

Short-term employees' benefits

The liability is recognized and measured for benefits related to wages, salaries, annual leave and sick-leave in the period in which the service is provided on the undiscounted amounts of the benefits expected to be paid in exchange for those services.

Finance income

Finance income consists of Islamic Murabaha income on the amounts invested, which are recognized in profit or loss. Revenues from Islamic Murabaha are recognized as they become due in profit or loss, using the effective interest method.

Zakat

Zakat provision is calculated in accordance with the regulations of the General Authority for Zakat and Income ("GAZI") in the Kingdom of Saudi Arabia. Zakat is calculated for the period in an estimate, and the provision for Zakat is charged in a separate item in the statement of profit or loss. Additional Zakat liabilities, if any, related to prior years' assessments are accounted for in the period in which the final assessments are finalized.

Inventories

Inventories are held at the lower of cost or net realizable value. The cost of inventory is calculated according to the weighted average method, which includes the expenditures incurred in bringing the inventory to the location in its current condition. In the case of manufactured inventory and in-progress inventory, inventory is charged with its appropriate share of indirect costs based on the Company's normal operating capacity. Net realizable value is the estimated selling price in the Company's ordinary course of business less estimated costs to complete the sale.

Foreign currencies

Foreign currency transactions

Transactions denominated in foreign currencies are translated to the functional currency of the Company at the exchange rates ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the reporting date. For non-financial assets and liabilities that are measured at fair value in a foreign currency, they are retranslated into the functional currency according to the exchange rates prevailing on the date of determining the fair value. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate ruling on the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss.

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6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Provision for rehabilitation of areas subject to franchise license

The provision for the rehabilitation of areas subject to a franchise license is measured at the present value of the expected cost of re-settlement of the Company's franchise site, using the discount rate as at the start date of the franchise license contract.

Recognition and measurement

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. For internally constructed assets, the cost of the asset includes the cost of materials, direct labor and other direct costs that are required to prepare them to the condition in which they are operated at their location and for the purpose for which they were acquired.

Major or essential components of an item of property, plant and equipment that have different useful lives are accounted for as separate items (major components) within property, plant and equipment.

Profits or losses arising from the disposal of an item of property, plant and equipment are determined on the basis of the difference between the net proceeds of sale and the book value of the disposed items of property, plant and equipment, and are included in the statement of profit or loss in the period in which the disposal is made.

Subsequent costs

The costs of replacing a part of an item of property, plant and equipment are recognized in the carrying cost of this item if it is probable that the future economic benefits inherent in that part will flow to the Company, in addition to the possibility of measuring this cost reliably. The carrying value of the replaced part is eliminated. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit as loss as incurred.

Major inspections and maintenance are accounted for as a separate component if they are used in more than one financial period. The carrying value of these components is determined by reference to the current market price of these repairs.

Depreciation

Depreciation is the systematic allocation of the depreciable value of items of property, plant and equipment (the cost of the asset less the residual value of the asset) over its useful life.

Depreciation charge is recognized in the statement of profit or loss on the straight-line method over the estimated useful life of each item of property, plant and equipment. Leased assets are depreciated over the lower of lease term or the useful lives of the assets. Unless there is reasonable assurance that the Company will acquire ownership of these assets at the end of the lease term. Freehold land of the Company is not depreciated.

When the useful life of an item of property, plant and equipment differs it is accounted for as separate items.

The estimated useful lives of main items of property, plant and equipment for current and comparative periods are as follows:

Asset	Useful lives (Years)
Buildings	20-33
Plant and equipment	20-30
Tools and instruments	5-20
Furniture and fixtures	5-10
Vehicles	5

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6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation (continued)

Depreciation methods, useful lives and residual values of property, plant and equipment are reviewed by the Company at each financial year-end. In the event that there is a difference, it is treated as changes in the accounting estimates (in the year of change and subsequent years).

Projects in progress

The cost of projects in progress is calculated on the basis of the actual cost and is presented separately from the item of property, plant and equipment until they are ready for use, and then transferred to property, plant and equipment and the calculation of their depreciation is performed according to their estimated useful lives.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses, if any. For intangible assets developed internally (except for capitalized development costs), they are not capitalized and the expenses are recognized in the statement of profit or loss at the time in which these expenses are accrued.

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

The estimated useful lives of intangible assets are as follows:

<u>Asset</u>	<u>Useful lives (Years)</u>
Computer and intangible assets	3-5

Investment properties

Investment properties are properties or lands held either to earn rental income or for capital appreciation or both, and they are not used in production or the supply of goods or services or for administrative purposes. Investment properties are initially carried at cost, and transaction costs are recognized in the initial measurement, and are subsequently measured according to the cost model (at historical cost less accumulated depreciation - except for lands, which are carried at its cost - and the accumulated impairment losses, if any).

Financial instruments

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

Recognition of financial instruments

The financial asset and liability are recognized when the Company becomes a party to the contractual obligations of the instrument, and this generally occurs on the trade date. The Company derecognizes the financial assets when the contractual cash flows of those assets expire or when the Company transfers the right to obtain contractual cash flows from the financial asset in a transaction in which all the risks and rewards of ownership of the financial assets are substantially transferred. Any interest arising from the transferred financial assets that the Company creates or retains is recognized as a separate asset or liability.

Derecognition

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

The financial liability is derecognized from the statement of financial position when the Company pays the obligation arising, the contract is canceled or expired.

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6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Classification of financial instruments

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

- 1) Assets to be measured at amortized cost; or
- 2) Fair value through profit or loss (FVTPL).
- 3) Fair value through other comprehensive income (FVOCI).

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

Financial assets are not reclassified after initial recognition, unless the Company changes its business model to manage the financial assets. In this case, all financial assets that will be affected are reclassified on the first day of the first financial period following the change of the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

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

On initial measurement of investments in financial instruments that the Company does not hold for the trading purposes, the Company may elect to present any subsequent changes in the fair value of those investments in the statement of other comprehensive income. This election is made on an investment-by-investment basis.

Any other financial assets not classified and measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Financial assets – Subsequent measurement and gains and losses:

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. Amortized value is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividends, are recognized in statement of profit or loss.

Accounts receivable

Account receivable are non-derivative financial assets with fixed or determinable payments that are not listed in an active market, and arise primarily by providing goods and services to customers (such as trade receivables). It also includes other types of contractual financial assets that are initially recognized at fair value plus direct costs associated with obtaining it, and they are subsequently recognized at amortized cost using the effective interest method less provision for impairment.

Trade receivables are shown net less the provision that is recorded in a separate account against the loss that is recorded in the statement of profit or loss. When it is certain that the trade receivables are uncollectable, their total carrying value is written off against the related provision.

Reclassification

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

Offsetting financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is an enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

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6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities

Financial liabilities are classified as measured at amortized cost or at FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Trade and other payables

Trade payables and other payables are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method. The Company derecognizes a financial liability (or part of the financial liability) from its statement of financial position when, and only when its contractual obligations are discharged or cancelled, or expired.

Share capital

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

Impairment

Impairment of financial assets

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

ECLs shall be measured for financial assets measured at amortized cost or FVOCI.

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

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

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. The Company may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; the Company may choose to apply this policy also for trade receivables and contract assets with no significant financing component. The Company has elected to measure loss allowances for trade receivables at an amount equal to 12-month ECLs.

The carrying amount of financial asset is reduced through the use of an allowance account and the amount of the loss is recognized in the profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is reversed at a later time, it is recorded in profit or loss in the period in which it is recovered.

Impairment of non-financial assets

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

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6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment (continued)

An impairment exists when the carrying value of the asset or cash-generating unit exceeds the recoverable value, which is the higher of the fair value of the asset less costs to sell or the value in use. The recoverable value of an asset is determined unless the asset is generating cash flows that are largely independent of the cash flows from other assets or groups of assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered to be impaired and reduced to the recoverable amount. In determining fair value less costs to sell, the most recent market transactions are taken into consideration. If no such transactions can be identified, an appropriate valuation model is used. Value in use is based on a discounted cash flow model, whereby the expected future cash flows are discounted using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

At each reporting date, an assessment is made to determine whether there is evidence that previously recognized impairment losses have no or decreased. If such evidence exists, the Company estimates the recoverable amount of the asset or cash-generating unit. An impairment loss recognized previously is reversed only if there has been a change in the assumptions used to determine the recoverable amount since the date of recognition of last impairment loss. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

Any impaired non-financial assets - other than goodwill, if any - are examined for possible reversal of this impairment at the end of each financial reporting period.

Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) at the statement of financial position date arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to that liability.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

The discount rate used to determine the present value is a pre-zakat rate that reflects current market assessments of the time value of money and the risks specific to liability.

The increase in the provision due to the passage of time is recognized as interest expense.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits with banks, and other short-term, highly liquid investments whose maturity dates are within three months or less of the original investment date and available to the company without restrictions, and the cash flow statement is prepared according to the indirect method.

Expenses

Selling and marketing expenses are those arising from the Company's efforts underlying the marketing and selling functions. All other expenses, excluding cost of sales and financial charges, are classified as administrative expenses. Allocations of common expenses between cost of sales and selling, marketing and administrative expenses, when required, are made reasonably based on the nature and function of expenses.

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6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current/non-current classification

The Company classifies assets and liabilities in the statement of financial position as current/non-current. An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

Segment information

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

The Company mainly operates in an operating sector, which is the manufacturing and selling of cement (packed/ bulk) and it is mainly sold to local customers and an investing sector.

The Company conducts most of its activities inside the Kingdom of Saudi Arabia, and therefore the financial information is not separated into geographical sectors.

Dividends

Dividends are approved by the general assembly of shareholders and interim dividends are distributed according to the authorization from the general assembly of shareholders to the board of directors in accordance with the Companies Law.

Statutory reserve

The Company's Bylaws require that 10% of the net annual income be transferred to the statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when said reserve totals (30%) of paid-up capital.

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7- PROPERTY, PLANT AND EQUIPMENT

7-1 The movement in property, plant and equipment during the year ended 31 December 2021 is as follows:

	Land	Buildings	Plant and equipment	Vehicles	Computer and intangible assets	Furniture and fixtures	Tools and instruments	Total
Cost:								
Balance at 1 January 2021	10,507,750	713,955,898	1,610,579,368	911,800	11,954,470	11,527,450	11,603,193	2,371,039,929
Additions	-	25,000	6,044,414	11,478	778,559	351,498	827,280	8,038,229
Transferred from projects in progress	-	2,029,964	750,838	-	-	-	-	2,780,802
Adjustments and reclassification	-	-	239,942	(294,100)	48,350	10,228	(4,420)	-
Transferred from inventories	-	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	(165)	(17,945)	-	(18,110)
Balance at 31 December 2021	10,507,750	716,010,862	1,617,614,562	629,178	12,781,214	11,871,231	12,426,053	2,381,840,850
Accumulated depreciation:								
Balance at 1 January 2021	-	(466,172,220)	(1,206,719,828)	(290,740)	(10,371,964)	(10,951,323)	(8,465,245)	(1,702,971,320)
Depreciation charged for the year	-	(14,608,674)	(56,569,932)	(101,848)	(847,599)	(183,749)	(673,741)	(72,985,543)
Adjustments and reclassification	-	-	(28,066)	28,860	(709)	(85)	-	-
Disposal	-	-	-	-	165	17,944	-	18,109
Balance at 31 December 2021	-	(480,780,894)	(1,263,317,826)	(363,728)	(11,220,107)	(11,117,213)	(9,138,986)	(1,775,938,754)
Net book value:								
At 31 December 2021	10,507,750	235,229,968	354,296,736	265,450	1,561,107	754,018	3,287,067	605,902,096

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7- PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The movement in property, plant and equipment during the year ended 31 December 2020 is as follows:

	Land	Buildings	Plant and equipment	Vehicles	Computer and intangible assets	Furniture and fixtures	Tools and instruments	Total
Cost:								
Balance at 1 January 2020	10,507,750	712,482,335	1,601,563,432	469,783	12,735,865	11,548,046	11,529,789	2,360,837,000
Additions	-	-	4,284,237	725,600	173,377	177,785	161,408	5,522,407
Transferred from projects in progress	-	1,675,776	6,977,571	-	174,231	-	-	8,827,578
Adjustments and reclassification	-	(202,213)	1,273,156	-	-	14,050	-	1,084,993
Transferred from inventories	-	-	1,044,520	-	-	-	-	1,044,520
Disposals during the year	-	-	(4,563,548)	(283,583)	(1,129,003)	(212,431)	(88,004)	(6,276,569)
Balance at 31 December 2020	10,507,750	713,955,898	1,610,579,368	911,800	11,954,470	11,527,450	11,603,193	2,371,039,929
Accumulated depreciation:								
Balance at 1 January 2020	-	(450,307,144)	(1,153,391,087)	(463,257)	(10,738,331)	(10,997,319)	(7,733,515)	(1,633,630,653)
Depreciation charged for the year	-	(15,865,076)	(56,475,988)	(111,064)	(762,565)	(165,972)	(801,959)	(74,182,624)
Adjustments and reclassification	-	-	(1,084,999)	-	-	-	-	(1,084,999)
Disposal	-	-	4,232,246	283,581	1,128,932	211,968	70,229	5,926,956
Balance at 31 December 2020	-	(466,172,220)	(1,206,719,828)	(290,740)	(10,371,964)	(10,951,323)	(8,465,245)	(1,702,971,320)
Net book value:								
At 31 December 2020	10,507,750	247,783,678	403,859,540	621,060	1,582,506	576,127	3,137,948	668,068,609

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7- PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

7-1 The Company obtained a mining concession in the Jabal Al-Quwaiter area, north of Buraidah, on which the Company's buildings, machines and facilities were built, according to Royal Decree No. M/9, dated 4/3/1398H, for a period of (30) Hijri years, renewable if the Company so desired in return for an annual fee. The license to exploit the limestone was renewed according to Ministerial Resolution No. 93 / s dated 10/17/1428, which is valid for 30 years, starting from 03/03/1428.

7-2 Depreciation for the year was allocated as follows:

	<u>Note</u>	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Costs of sales		72,501,663	73,698,791
General and administrative expenses	27	294,273	294,336
Selling and marketing expenses	26	189,607	189,497
		<u>72,985,543</u>	<u>74,182,624</u>

7-3 There are no mortgages on the property, plant and equipment owned by the Company as at 31 December 2021.

8- PROJECTS IN PROGRESS

As at 31 December 2021, the balance of projects in progress amounted to SR 25,9 million (2020: SR 9.6 million), which mainly represent projects of improvement of production lines and civil works.

9- INVESTMENT PROPERTIES (LANDS)

Investments properties represent plots of lands owned by the Company for the purpose of leasing or reselling them in the future. As at 31 December 2021, the fair value of these lands amounted to SR 20,141,212 according to an approved valuer (Qeima Aqaria), who is an independent expert certified and licensed by the Saudi Authority for Accredited Valuers (License number 1210000338). The valuation techniques used were in the second level of fair value based on the prevailing market prices of similar investments.

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Carrying value	9,516,450	9,516,450
Fair value	<u>20,141,212</u>	<u>20,947,980</u>

10- FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Investments at FVTPL - non-current (10-1)	69,031,049	63,865,085
Financial investments at FVTPL - current (10-2)	596,413,419	621,178,885

10-1 Financial investments at FVTPL - non-current

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Balance at the beginning of the year	63,865,085	67,027,500
Additions during the year	-	4,654,940
Unrealized losses from investments	5,165,964	(7,817,355)
	<u>69,031,049</u>	<u>63,865,085</u>

The above investments are represented in shares of real estate funds, and these investments are valued by funds managers at their fair value.

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10- FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

10-2 Financial investments at FVTPL - current

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Balance at the beginning of the year	621,178,885	468,075,993
Additions during the year	240,414,694	550,590,821
Disposals during the year	(285,513,505)	(411,228,580)
Unrealized gains on investments at FVTPL	20,333,345	13,740,651
	<u>596,413,419</u>	<u>621,178,885</u>

- The above investments represent shares of commodity trading funds and trading finance funds with financial companies, and they are valued at fair value.
- The above investments included transactions with related parties that represent an investment in Ijara funds for the benefit of NBK Wealth Management. The type of relationship is the participation of the Chairman of the Company in chairing the Board of Directors of NBK Wealth Management. As at 31 December 2021, the balance amounted to SR 22 million (31 December 2020: SR 32 million) and unrealized gains year ended 31 December 2021 amounted to SR 1.97 million (31 December 2020: SR 1.2 million).

11- TERM MURABAHA

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Balance at the beginning of the year	250,000,000	330,129,199
Additions during the year	321,300,000	225,000,000
Disposals during the year	(285,000,000)	(305,129,199)
	<u>286,300,000</u>	<u>250,000,000</u>

Term Murabaha as at the end of the year was classified as follows:

Non-current portion of term Murabaha (*)	100,000,000	100,000,000
Current portion of term Murabaha	186,300,000	150,000,000

The above investments are represented in Murabaha compliant with the provisions of Sharia', and a return is due. The average commission is %4.57 annually (2020: 4.64%). During the year ended 31 December 2021, total Murabaha revenue amounted to SR 12.2 million has been charged to the statement of profit or loss (31 December 2020: SR 12,4 million).

(*) Non-current portion of term Sukuk due on June 2026.

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12- LEASES

a) Right-of-use assets

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Balance at the beginning of the year	2,814,825	-
Additions during the year	-	2,937,209
Depreciation during the year	<u>(734,302)</u>	<u>(122,384)</u>
	<u>2,080,523</u>	<u>2,814,825</u>

Right-of-use assets represent the present value of the discounted payments of a long-term car rental contract signed with Al-Jomaih Company on 07/09/2021, which is extended for a period of four years, with a total value of SR 3,281,040. The discount rate used is 5.5%.

b) Lease liabilities

Lease liabilities have been presented in statement of financial position as follows:

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Long-term lease liabilities	1,326,192	2,007,078
Short-term lease liabilities	<u>820,260</u>	<u>820,260</u>
	<u>2,146,452</u>	<u>2,827,338</u>

13- INVENTORIES

Inventories as at December 31 comprise the following:

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Spare parts	112,791,435	111,134,367
Raw materials	17,506,100	19,130,220
Work in progress	150,065,043	183,515,635
Finished goods	7,160,999	3,680,467
Packing materials	2,637,392	3,333,593
Consumables and supplies	3,358,800	3,465,919
Goods-in-transit	<u>661,579</u>	<u>2,445,689</u>
	294,181,348	326,705,890
Less: Provision for obsolete and slow-moving inventories	<u>(26,983,814)</u>	<u>(31,029,440)</u>
	<u>267,197,534</u>	<u>295,676,450</u>

Movement in provisions for obsolete and slow-moving inventories is as follows:

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Balance at the beginning of the year	31,029,440	21,800,733
Provided during the year (*)	3,737,846	12,101,753
Utilized during the year	<u>(7,783,472)</u>	<u>(2,873,046)</u>
	<u>26,983,814</u>	<u>31,029,440</u>

During the year ended 31 December 2021, the Company established an allowance for inventory of slow moving spare parts and raw materials in the amount of SR 3,74 million (31 December 2020: SR 7.25 million), in addition to a provision for impairment of clinker inventory during the year ended 31 December 2021 in the amount of SR Nil million (31 December 2020: SR 4,85 million).

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14- TRADE RECEIVABLES, NET

a) Trade receivables comprise the following:

	<u>Note</u>	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Trade receivables		37,688,301	52,363,670
Less: Allowance for expected credit losses		(2,948,549)	(10,410,757)
		<u>34,739,752</u>	<u>41,952,913</u>

b) Movement in provision for expected credit losses on trade receivables is as follows:

	<u>Note</u>	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Balance at the beginning of the year		10,410,757	3,277,897
Provided during the year		(7,428,206)	7,132,860
Used during the year		(34,002)	-
		<u>2,948,549</u>	<u>10,410,757</u>

Additional information related to credit and market risk exposures is disclosed in Note (33).

15- PREPAID EXPENSES AND OTHER RECEIVABLES

Prepaid expenses and other receivables comprise the following:

	<u>Note</u>	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Accrued recoverable investments (*)		1,908,804	46,625,595
Advance payments under an investment account		-	25,250,000
Advances to suppliers		4,776,174	6,501,448
Pre-paid expenses		3,741,283	3,494,095
Revenue receivable		2,389,381	2,068,140
Employees' receivables		1,062,494	1,058,940
Refundable customs deposits		1,405,401	757,582
Other debit balances		563,045	567,016
		<u>15,846,582</u>	<u>86,322,816</u>
Less: Allowance for expected credit losses		(370,386)	(627,784)
		<u>15,476,196</u>	<u>85,695,032</u>

Movement in provision for expected credit losses on other receivables is as follows:

	<u>Note</u>	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Balance at the beginning of the year		627,784	311,031
Provided during the year		-	357,951
Utilized during the year		(257,398)	(41,198)
		<u>370,386</u>	<u>627,784</u>

(*) The accrued recoverable investments represent the remaining amounts from the disposal of financial investments at FVTPL and have not yet been collected.

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16- CASH AND CASH EQUIVALENTS

	Note	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Cash in hand		139,775	20,996
Cash at banks in local currency		65,967,041	65,407,526
Cash at banks in foreign currencies		<u>41,295,649</u>	<u>1,465,064</u>
		<u>107,402,465</u>	<u>66,893,586</u>

17- SHARE CAPITAL

The authorized and paid up share capital of the Company is SR 900 million divided into 90 million shares of SR 10 each.

18- STATUTORY RESERVE

In accordance with the requirements of the Regulations for Companies and the Bylaws, the Company set aside (10%) of the annual net income until the forty extraordinary general assembly decided to amend the Company's Bylaws on 30 Rabi' I 1438H (corresponding to 29 December 2016) in accordance with the new Regulations for Companies 1437/2015.

It also decided to transfer an amount of SR 150,148,023 from the statutory reserve to retained earnings and to stop setting aside a percentage of the net income to the statutory reserve. Thus, the balance of the statutory reserve as at 31 December 2021 represents (30%) of the paid-up capital. This balance is not distributed as dividends.

19- PROVISION FOR REHABILITATION OF AREAS SUBJECT TO FRANCHISE LICENSE

The provision for the rehabilitation of areas subject to a franchise license represents the present value of the expected cost of re-settlement of the Company's franchise site. Movement in provision for rehabilitation of areas subject to franchise license is as follows:

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Balance at the beginning of the year	12,010,857	11,018,636
Finance costs for rehabilitation of areas subject to franchise license	<u>960,140</u>	<u>992,221</u>
	<u>12,970,997</u>	<u>12,010,857</u>

20- EMPLOYEES' BENEFITS OBLIGATIONS

a) Movement in the employees' benefits obligation is as follows:

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Balance at beginning of the year	40,054,832	35,544,061
Additions during the year (*)	4,472,512	4,311,093
Payments made during the year	<u>(3,077,582)</u>	<u>(3,194,802)</u>
Actuarial losses from re-measurement of employees' benefits obligations	<u>(218,446)</u>	<u>3,394,480</u>
	<u>41,231,316</u>	<u>40,054,832</u>

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20- EMPLOYEES' BENEFITS OBLIGATIONS (CONTINUED)

(*) The additions (current service cost and interest expense) were distributed as follows:

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Cost of sales	3,265,795	3,270,360
General and administrative expenses	828,484	679,393
Selling and marketing expenses	378,233	361,340
	<u>4,472,512</u>	<u>4,311,093</u>

b) The significant actuarial assumptions used by an independent external actuary are as follows:

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Discount rate	2.65%	2.21%
Salary increase rate	3.5%	3.5%
Employees' turnover rate	Medium	Medium

c) Sensitivity in defined benefit obligation

		<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Change in salary rate	Base		
	1% increase	43,959,165	42,903,324
	1% Decrease	38,773,675	37,492,213
Discount rate	Base		
	1% increase	38,914,877	37,618,896
	1% Decrease	43,850,499	42,814,438
Assumption of a statistical study of employees			
Membership data			
Employees average entry age (years)		40	41
Average years of past service		8.4	8.8

21- TRADE AND OTHER ACCOUNTS PAYABLES

Trade and other payables comprise the following:

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Trade payables	26,529,892	18,301,405
Accrued expenses	36,972,061	39,140,347
Accrued quarry fees	27,818,988	26,847,297
Advances from customers	11,290,893	8,639,625
Retention payable	10,772,782	6,630,834
VAT payable	1,704,208	8,019,313
Accrued withholding tax	190,387	2,328
Other payables	325,009	3,715,952
	<u>115,604,220</u>	<u>111,297,101</u>

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22- ZAKAT PROVISION

a) Zakat base of the Company comprises the following:

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Equity at beginning of the year	1,813,170,058	1,784,834,935
Additions	210,073,118	183,746,969
Deductions	(1,179,513,719)	(1,285,923,640)
Basis for calculation of Zakat	843,729,457	682,658,264
Adjusted net income for the year subject to Zakat	334,549,201	483,770,395
	<u>1,178,278,658</u>	<u>1,166,428,659</u>
Zakat base (equity method) (a)	1,178,278,658	1,166,428,659
Zakat base (adjusted net income) (b)	334,549,201	483,770,395
Zakat payable, higher of (a) or (b)	30,112,406	29,691,030
Less: carried forward balance from previous periods	-	-
Zakat charge made during the year	<u>30,112,406</u>	<u>29,691,030</u>

b) Movement in Zakat Provision during the year is as follows:

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Balance at beginning of the year	29,077,532	25,282,442
Provided during the year	30,112,406	29,691,030
Repayments during the year	(30,045,341)	(25,895,940)
	<u>29,144,597</u>	<u>29,077,532</u>

c) Zakat status:

The Company obtained the Zakat certificate for the year 2020 from the Zakat, Tax and Customs Authority (ZATCA). The Company has filed all due zakat declarations up to the year ended 31 December 2020. On 17 Ramadan 1442H (corresponding to 29 April 2021), the Company has obtained a final certificate for the year ended 31 December 2020 to enable it to complete all its transactions, including the payment of its final accruals for contracts.

23- OTHER PROVISIONS

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Provision for incentive program for dedicated customers	-	14,554,011
Provision for legal claims and objections	18,983,755	23,850,526
Provision for donations and social responsibility	-	5,000,000
	<u>18,983,755</u>	<u>43,404,537</u>

Movement in other provisions during the year is as follows:

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Balance at beginning of the year	43,404,537	44,281,864
Utilized during the year	(2,857,122)	(1,733,490)
Reversal during the year	(21,563,660)	(4,143,837)
Provided during the year	-	5,000,000
	<u>18,983,755</u>	<u>43,404,537</u>

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24- REVENUES AND COST OF SALES

- No other revenue classifications have been disclosed as the entire amount of revenue is a result of cement sales within the Kingdom of Saudi Arabia and there are no other products for the Company, and there is no key difference between the selling prices or the production cost of the two types of bulk or packed cement.

The Company also sells its entire products through distributors. The sale takes place at a point in time and not over time.

- The cost of sales represents mainly the cost of raw materials, electricity, spare parts and consumables.

25- DIVIDENDS

During the year ending December 31, 2021

On February 3, 2021, the Board of Directors decided, based on a mandate from the General Assembly of shareholders, to distribute dividends in the amount of 108 million Saudi riyals, at a rate of 1.20 Saudi riyals per share for the profits of the fourth quarter of the year 2020.

On March 17, 2021, the general assembly of the company's shareholders approved the dividends distributed to shareholders in the amount of 400.5 million riyals, at the rate of (4.45) riyals per share for the first, second, third and fourth quarters of 2020.

On May 2, 2021, the Board of Directors decided, based on a mandate from the General Assembly of shareholders, to distribute dividends in the amount of 99 million Saudi riyals, at a rate of 1.10 Saudi riyals per share for the profits of the first quarter of 2021.

On August 18, 2021, the Board of Directors decided, based on a mandate from the General Assembly of shareholders, to distribute a dividend of 90 million Saudi riyals, at the rate of 1 Saudi riyal per share for the profits of the second quarter of 2021.

On November 23, 2021, the Board of Directors decided, based on a mandate from the General Assembly of shareholders, to distribute dividends of 72 million Saudi riyals, at 0.80 Saudi riyals per share for the profits of the third quarter of 2021.

During the year ending December 31, 2020

On January 29, 2020, the Board of Directors decided, based on a mandate from the General Assembly of shareholders, to distribute dividends in the amount of 99 million Saudi riyals, at the rate of 1.10 Saudi riyals per share for the profits of the fourth quarter of 2019.

On March 4, 2020, the company's shareholders' general assembly approved the dividends distributed to shareholders in the amount of 310.5 million riyals, at 3.45 riyals per share for the first, second, third and fourth quarters of 2019.

On May 4, 2020, the Board of Directors decided, based on a mandate from the General Assembly of shareholders, to distribute profits of 90 million Saudi riyals, at the rate of 1 Saudi riyals per share for the profits of the first quarter of 2020.

On August 23, 2020, the Board of Directors decided, based on a mandate from the General Assembly of shareholders, to distribute profits of 90 million Saudi riyals, at the rate of 1 Saudi riyals per share for the profits of the second quarter of 2020.

On November 1, 2020, the Board of Directors decided, based on a mandate from the General Assembly of shareholders, to distribute dividends in the amount of 112.5 million Saudi riyals, at a rate of 1.25 Saudi riyals per share for the profits of the third quarter of 2020.

Movement in dividends payable during the year is as follows:

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Balance at beginning of the year	67,507,996	63,671,200
Announced during the year	369,000,000	391,500,000
Payment made during the year	<u>(372,199,306)</u>	<u>(387,663,204)</u>
	<u>64,308,690</u>	<u>67,507,996</u>

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26- SELLING AND MARKETING EXPENSES

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

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Salaries, wages and equivalents	6,121,175	6,044,240
Other employees' benefits and medical insurance	489,443	529,338
Assignments and business trips costs	158,092	160,885
Maintenance and fuel	172,257	285,654
Depreciations	189,607	189,497
Stationery and publications	167,087	145,071
Other charges	168,305	74,640
Communications	5,689	8,609
Expenses charged from cost of common service centers	2,957,036	3,198,507
	<u>10,428,691</u>	<u>10,636,441</u>

27- GENERAL AND ADMINISTRATIVE EXPENSES

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

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Salaries, wages and equivalents	14,499,203	15,834,397
Other employees' benefits and medical insurance	457,149	525,715
Training, assignments and business trips costs	77,037	110,840
Board of Directors' remuneration	2,824,110	2,701,918
Remuneration of committee members from outside the board of Directors	400,000	398,356
Allowance to attend meeting of the Board of Directors and Committees	473,000	367,000
Maintenance, fuel and electricity	152,492	139,284
Listing and deposit center fees	844,046	739,255
Depreciations	294,273	294,336
Legal and financial consultancy	1,016,982	2,838,052
Donations and social responsibility	123,122	260,705
Telecommunication and postage	44,702	39,214
Bank commissions	221,502	188,232
Stationery and publications	96,793	108,662
Insurance expense	22,718	41,328
Out-of-pocket expenses	160,219	79,981
Expenses charged from cost of common service centers	2,410,315	3,158,211
Allowance for expected credit losses of accounts receivables	-	357,951
Expenses		
Donation allowance	(5,000,000)	5,000,000
	<u>19,117,663</u>	<u>33,183,437</u>

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28- OTHER INCOME, NET

Other income, net for the year ended 31 December comprises the following:

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Compensations	407,836	239,617
Revenue from sale of cement dust	176,651	324,951
Rental income	749,417	819,886
Other income	1,138,137	4,322,018
Reversal of provisions and expenses reimbursements	26,536,148	4,143,838
	<u>29,008,189</u>	<u>9,850,310</u>

29- CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 31 December 2021, the Company has bank facilities in the form of letters of guarantee and letters of credit from commercial banks of SR 23,5 million (31 December 2020: SR 20.2 million).

Furthermore, the capital commitments of the Company as at 31 December 2021 amounted to SR 177,7 million (31 December 2020: SR 4,2 million). As at 31 December 2021, the total value of existing project contracts amounted to SR 203,4 million (31 December 2020: SR 13.8 million).

30- SEGMENT INFORMATION

The Company's activities mainly represent two operating sectors: the first one is the manufacturing and selling of cement and it is mainly sold to local customers, and the second is the investing sector. The Company's segment information is divided into units as follows:

a) Financial information for revenues and profits for sectors for the year ended 31 December 2021 and 2020 is as follows:

	<u>Operating segment</u>		<u>Investment sector</u>	
	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Revenue from contracts with customer	722,798,388	898,421,860	-	-
Income for the period before Zakat	287,703,597	431,109,582	37,675,106	18,416,571

b) Financial information for revenues and profits for sectors for the year ended 31 December 2021 and 2020 is as follows:

	<u>Operating segment</u>		<u>Investment sector</u>	
	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Total assets	1,068,218,531	1,180,224,452	951,744,468	935,043,970
Total liabilities	284,390,027	306,180,193	-	-

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31- BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share was calculated by dividing the distributable income for the year among the shareholders who own the ordinary shares of the Company by the weighted average number of ordinary shares outstanding during the year.

The diluted earnings per share are the same as the basic earnings per share as the company has no diluted instruments.

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Net income for the year	295,266,297	419,835,123
Weighted average number of shares	90,000,000	90,000,000
Basic and diluted earnings per share	<u>3.28</u>	<u>4.66</u>

32- DISCLOSURES OF RELATED PARTY PARTIES

Related parties represent major shareholders, members of the Board of Directors of the Company, key management personnel of the Company, and entities managed or a significant influence is exercised over them by these parties.

Key management personnel remuneration

The remuneration of the board of directors and other key management personnel charged during the year are as follows:

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Salaries and short-term benefits - KMP	12,634,309	11,490,130
Post-employment benefits - KMP	735,228	675,279
Board of Directors and committees' remuneration and allowances	3,838,754	3,467,274
	<u>17,208,291</u>	<u>15,632,683</u>

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33- FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

a) Fair value measurement of financial instruments

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximate of fair value.

	31 December 2021				
	Carrying value		Fair value		
	Fair value	Amortized cost	Other financial liabilities	Total	
					Level 1
					Level 2
					Level 3
					Total
Financial assets at fair value:					
FVTPL	665,444,468	-	-	665,444,468	121,570,706
	665,444,468	-	-	665,444,468	121,570,706
					452,805,258
					91,068,504
					665,444,468
Financial assets at amortized cost:					
Term Murabaha	-	286,300,000	-	286,300,000	-
Accounts and other receivable	-	34,739,752	-	34,739,752	-
Cash and cash equivalents	-	107,402,465	-	107,402,465	-
	-	428,442,217	-	428,442,217	-
Financial liabilities not measured at fair value:					
Trade payables	-	-	26,529,892	26,529,892	-
Accrued expenses and other payables	-	-	89,074,328	89,074,328	-
	-	-	115,604,220	115,604,220	-

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33- FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

a) Fair value measurement of financial instruments (continued)

There were no transfers between the levels of fair value hierarchies during the year.

Level 1 consists of investments in local portfolios, as they are traded in a recognized financial market at their most recent quoted prices.

Level 2 consists of investments in both local and international portfolios. Investments in unlisted mutual funds are valued using unadjusted net asset value or when units in the fund are redeemable on the basis of net asset value, at the measurement date, as appropriate.

Level 3 consists of investments in both local and international funds. Investments in local and international mutual funds and real estate funds, managed by the Company, are valued at fair value based on the latest net asset values reported by the fund managers.

b) Risk management

The Company's overall risk management program focuses on the unpredictable fluctuations in financial markets and aims to minimize potential negative impacts on the Company's financial performance.

Financial risk management framework

Risk management policy is carried out by the senior management under policies approved by the Board of Directors.

Senior management identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units.

The most important types of risk are credit risk, currency risk and fair value and cash flow interest rate risks.

The Board of Directors has an overall responsibility for the establishment and oversight of the Company's risk management framework.

The executive management team is responsible for developing and monitoring the Company's risk management policies.

The teamwork conducts meetings on a regular basis, and any changes or matters related to compliance with policies are reported to the Board of Directors through the Audit Committee.

The risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Company's activities.

Through training, management standards and procedures, the Company aims to develop a responsible and constructive control environment so that all employees are aware of their roles and responsibilities.

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

Financial instruments included in the statement of financial position include cash and cash equivalents, trade and other receivables, financial assets, trade and other payables.

The recognition methods used are disclosed in the individual policy statement for each item.

The Company has exposure to the following risks from its use of financial instruments:

- a) Credit risk
- b) Liquidity risk
- c) Market risk

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33- FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

a) Credit risk (continued)

Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet its contractual obligations and arises principally from the Company's trade receivables and cash and cash equivalents.

The carrying amount of financial assets represents the maximum credit exposure.

Bank balances and trade receivables

The cash and cash equivalents of the Company are deposited in public accounts with local banks with good credit ratings.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each individual customer.

However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry.

The management also continues to monitor the credit risk of its customers and creates a provision for doubtful balances.

The existing customer balances are continuously monitored.

Cash and cash equivalents are placed with national banks with sound credit ratings.

Trade and other receivables are due mainly from customers in the local market.

Most customer balances are secured by valid bank letters of guarantee at local banks with high credit ratings.

Trade and other receivables have been shown at their estimated recoverable value.

Management takes into account available and supportive forward-looking information such as:

- a) Significant actual or anticipated changes in the business.
- b) Significant actual or anticipated changes in the operating results of the counterparty.
- c) Financial or economic conditions that are expected to cause a significant change in the counterparty's ability to fulfill its obligations.
- d) Significant increase in the credit risk of other financial instruments of the same counterparty.
- e) Significant changes in the value of the collateral in support of the obligation or in the quality of counterparty guarantees or credit improvements.

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33- FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

a) Credit risk (continued)

The Company establishes an allowance for expected credit losses, which amounted to SR 10,410,757 as at 31 December 2021.

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

Period	31 December 2021		31 December 2020	
	Balance	Impairment	Balance	Impairment
Not past due and not impaired	18,531,805	-	25,240,695	-
0 - 90 days	13,347,384	173,287	18,589,901	7,134,266
90-180 days	275,115	4,802	4,931,528	604,304
180-360 days	-	-	1,681,022	751,663
360-720 days	4,000,000	1,236,462	-	-
More than 720 days	1,533,998	1,533,998	1,920,524	1,920,524
	<u>37,688,302</u>	<u>2,948,549</u>	<u>52,363,670</u>	<u>10,410,757</u>

Management believes that the impaired amounts that are past due by more than 90 days are still collectible in full, based on historical payments behavior and extensive analysis of customers credit risk, including underlying customers' credit ratings if they are available. The company also makes a full provision for all overdue balances of more than 720 days (2020: 720 days). The balance of the allowance for expected credit losses amounted to 2,948,549 Saudi riyals as of December 31, 2021 (2020: 10,410,757 Saudi riyals).

b) Liquidity risk

Liquidity risk is the difficulties that an entity will encounter in raising funds to meet commitments related to financial instruments.

Liquidity risk may result from the inability to sell financial assets quickly at an amount close to its fair value.

Liquidity risk is managed by monitoring liquidity on an ongoing basis and ensuring that sufficient financial resources are in place.

Concentration in liquidity risk may arise from terms of repayment of financial obligations, sources of financing, or reliance on a specific market to obtain liquid assets.

The following are the contractual maturities of the financial liabilities at the end of the period, presented in gross and undiscounted amounts.

2021	Total carrying amount	Less than 3 months	3-12 months	1-5 Years	Accrued interests for future periods	Total contractual maturity
Accounts payable	26,529,892	26,529,892	-	-	-	26,529,892
Accrued expenses and other payables	89,074,328	-	89,074,328	-	-	89,074,328
Dividend payable	64,308,690	-	64,308,690	-	-	64,308,690
Lease liabilities	2,146,452	176,177	543,362	1,426,913	177,619	2,324,071
Other provisions	18,983,755	-	18,983,755	-	-	18,983,755
	<u>201,043,117</u>	<u>26,706,069</u>	<u>172,910,135</u>	<u>1,426,913</u>	<u>177,619</u>	<u>201,220,736</u>

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33- FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

b) Liquidity risk (continued)

2020	Total carrying amount	Less than 3 months	3-12 months	1-5 Years	Accrued interests for future periods	Total contractual maturity
Accounts payable	18,301,405	18,301,405	-	-	-	18,301,405
Accrued expenses and other payables	92,995,696	-	92,995,696	-	-	92,995,696
Dividend payable	67,507,996	-	67,507,996	-	-	67,507,996
Lease liabilities	2,827,338	166,713	514,173	2,146,452	316,992	3,144,330
Other provisions	43,404,537	-	43,404,537	-	-	43,404,537
	225,036,972	18,468,118	204,422,402	2,146,452	316,992	225,353,964

As at 31 December 2021, the Company maintains cash and cash equivalents of SR 107,4 million (31 December 2020: SR 66,9 million).

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Capital management

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

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

	31 December 2021	31 December 2020
Total liabilities	284,390,027	306,180,193
Less: cash and cash equivalents	(107,402,465)	(66,893,586)
Net liabilities	176,987,562	239,286,607
Total equity	1,735,572,972	1,809,088,229
Net liabilities to equity	0.10	0.13

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33- FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

c) Market risk

Market risk is the risk of possible 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 market risk exposures within acceptable parameters, while optimizing the return.

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in currency foreign exchange rates.

Since the Saudi Riyal is pegged against the US Dollar, there are no significant currency risks.

The Company's management monitors the changes in foreign currency exchange rates and believes that foreign currency risks are insignificant.

Commission rate risk

Commission rate risk arises from the possibility that changes in market commission rates will affect future profitability or the fair value of the financial instruments.

The Company monitors the fluctuations in commission rates and believes that the effect of the commission rate risk is not material.

34- NON-CASH TRANSACTIONS

The most important non-cash transactions for the purposes of preparing the statement of cash flows are as follows:

	<u>31 December</u> <u>2021</u>	31 December <u>2020</u>
Significant non-cash transactions		
Transferred from projects in progress to property, plant and equipment	2,780,802	8,827,578
Transfers of spare parts for machines from spare parts inventories	-	1,044,520
Adjustment of projects in progress within expenses	229,452	30,060
Amendment of projects in progress within payable balances	(21,563,660)	5,000,000
Settlement of refund expenses	(2,544,282)	(4,143,837)
Due from sale of investments at FVTPL	1,908,804	46,625,595
Additions of right-of-use assets against lease liabilities	-	2,937,209
Actuarial loss on employee benefits	218,446	(3,394,480)

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35- SIGNIFICANT EVENTS

The existence of novel coronavirus (COVID-19) was confirmed in early 2020 and has spread globally including the Kingdom of Saudi Arabia, causing disruptions to many businesses and economic activities.

However, the Company continued to operate while considering the health and safety of its workforce.

The Company's management has assessed its ability to continue as a going concern, and it believes that the Company has sufficient resources to continue its business in the foreseen future.

Moreover, the management does not have any significant doubts on the ability of the Company to continue as a going concern.

Accordingly, the Company is still preparing the financial statements on the going concern basis.

The management of the Company is currently monitoring the situation and its impact on the Company's operation, cash flows and financial position.

Management believes, based on their assessment, that the Company has sufficient liquidity available to continue to meet its financial commitments as and when they become due.

36- Subsequent Events

The Board of Directors of Qassim Cement Company, in its meeting held on February 8, 2022 AD corresponding to Rajab 7, 1443 AH, recommended the distribution of cash dividends to the company's shareholders for the fourth quarter of 2021 AD amounting to 54 million Saudi riyals at 0.60 Saudi riyals per share, provided that the eligibility is for the shareholders who own the shares on the day The entitlements registered in the company's shareholders register at the Depository Center at the end of the second trading day following the maturity date.

37- APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of directors on 7 Rajab 1443H (corresponding to 8 February 2022).