RSM Allied Accountants
Dr. Abdelgadir Bannaga & Partners Co.

UMM AL-QURA CEMENT COMPANY
(SAUDI JOINT STOCK COMPANY)

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

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(SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
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INDEPENDENT AUDITOR'S REPORT

To\ the Shareholders
UMM AL-QURA CEMENT COMPANY
(Saudi Joint Stock Company)

Opinion

We have audited the financial statements of **Umm Al-Qura Cement Company**, a Saudi joint stock company, ("the Company"), which comprise the statement of financial position as at 31 December 2020, and the statements of profit or loss and other comprehensive income, statement of changes in Shareholders equity and statement of cash flows for the year then ended, and the notes accompanying to the financial statements and summary of the significant accounting policies.

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

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing that endorsed in the Kingdom of Saudi Arabia. Our responsibilities under these 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 Kingdom of Saudi Arabia that are relevant to our audit of the Company's financial statements and we have fulfilled our 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 (KAM) are defined as "Those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and forming our opinion thereon, and we do not provide a separate opinion on these matters. Below is an explanation of each key audit matters how to address it:

Key Audit Matter	How we addressed the matter during our audit
Existence and evaluation of inventory As stated in the financial statements, the inventory balance of the Company as of December 31, 2020 amounted to SR 224.7 million which comprise purchased raw and basic materials. They mainly include limestone, gypsum, iron and bauxite amounted to SAR 10 million, fuels amounted to SAR 2.8 million, spare parts amounted to SAR 15.2 million, finished goods inventory amounted to SAR 5 million, goods in process inventory (clinker and other materials) amounted to SAR 190.7 million. Clinker is stored as piles yards and hangers prepared for this purpose. Determining the weight of this inventory is not in practicably feasible. The management estimates the quantities available at the end of the year by measuring piles and converting measurements into unit sizes using the angle of stability and quantity density. To perform this, the management appoints an independent inspection expert to estimate the quantities using some practical methodological measurements and applying density conversion methods applied to similar types of inventory which is used in final form of cement production.	We have performed the following procedures regarding inventory verification and inventory assessment: • Attending the physical inventory count performed by the Company and the independent inspection expert • Assessing the objectivity, independence and expertise of the Surveyor , reviewing the assumptions used and evaluating the methodology used by the expert. • Obtain physical inventory count report submitted by the independent inspection expert related to raw materials inventory, specifically clinker. • Evaluate the appropriateness and adequacy of the inventory disclosures in the financial statements. • We performed tests to verify if internal controls addressed the evaluation of provision for slow-moving items. • Verify weighted average cost calculation. • Verify correctness of inventory measurement at lower of cost or net realizable value.

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INDEPENDENT AUDITOR'S REPORT(CONTINUED)
To\ the Shareholders
UMM AL-QURA CEMENT COMPANY
(Saudi Joint Stock Company)

Key Audit Matters (Continued)

Key Audit Matter	How we addressed the matter during our audit
Existence and evaluation of inventory (continued) Further, the management calculates costs of sales and inventory value based on costs incurred, quantities produced, and inventory balance at end of the year. Therefore, the existence and evaluation of inventory, and cost of sales are affected by the inventory count as described above at end of the year. Due to the significance of inventory balances, valuations and related assumptions used, this was considered a key audit matter. Refer to note (4) the accounting policies and note (8) for the related disclosures about the accompanying financial statements.	
Revenues Revenue is an important component of a Company's performance and profitability. Auditing standards state the importance of assessing risks of overriding internal controls by the management in revenues recognition. Such overriding could lead to inherent risks by recognizing overstated revenues to increase profitability. Given the importance of revenue amount and risks inherent in overstating revenue more than its actual value, revenues recognition is considered a key audit matter. Refer to note No. (4) the accounting policies for the related disclosures about the accompanying financial statements.	Our audit procedures included, among other things, based on our judgment: • Test the control procedures and their operational effectiveness related to revenue recognition and accounts receivable. In addition, cut-of procedures to ensure revenues are recorded in the correct period. • Sample testing of products sold, and verification of proper implementation of the revenue recognition policy. • Conducting some analytical procedures to verify the validity of the proven revenues. • The appropriateness of accounting policies related to revenue recognition of the Company and assess level of compliance of those policies with the IFRS 15.

Other Information
Management is responsible for other information. Other information includes the information included in the Company's annual report, but not included the financial statements and our audit report thereon. The annual report is expected to be available to us after the date of this report. Our opinion on the financial statements does not cover other information, and we do not express any form of assurance about it.
Regarding our audit of the financial statements, our responsibility is to read the other specific information above when it becomes available. In doing so, consider whether that other information is materially inconsistent with the financial statements or the knowledge we acquired during the course of our audit or if it contains material misstatements. If, while reading the annual report, we found fundamental misstatement in the information, we are required to report this fact to those charged with governance.

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RSM Allied Accountants
Dr. Abdelgadir Bannaga & Partners Co.

INDEPENDENT AUDITOR'S REPORT(CONTINUED)
To\ the Shareholders
UMM AL-QURA CEMENT COMPANY
(Saudi Joint Stock Company)

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 and Regulations for Companies and the Company's bylaws 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 which BOD are responsible for overseeing the company`s financial reporting process.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 internal control of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

INDEPENDENT AUDITOR'S REPORT(CONTINUED)
To\ the Shareholders
UMM AL-QURA CEMENT COMPANY
(Saudi Joint Stock Company)

Auditor's Responsibility for the Audit of the Financial Statements(Continued)

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 controls that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of financial statements of the current year and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine the 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 communications.

Allied Accountants
Dr Abdelgadir Bannaga & Partners Co.

Mohammed Bin Farhan Bin Nader
License No. 435

Riyadh, Saudi Arabia
26 Rajab 1442 H (10 March 2021)

UMM AL-QURA CEMENT COMPANY
(SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2020

	Note	31 December 2020 SAR	31 December 2019 SAR
Assets			
Non current assets			
Property, plant and equipment, net	5	**875,628,544**	928,939,870
Intangible assets , net	6	**656,787**	770,211
Right-of-use asset, net	7 A	**2,016,748**	2,322,820
Total non current assets		**878,302,079**	932,032,901
Current assets			
Inventory	8	**224,689,519**	225,651,148
Accounts receivable, prepaid expenses and other receivables, net	9	**61,423,919**	60,769,431
Cash and cash equivalents	10	**103,821,061**	48,167,686
Total current assets		**389,934,499**	334,588,265
Total assets		**1,268,236,578**	1,266,621,166
Shareholders' equity and Liabilities			
Shareholders' equity			
Share capital	1	**550,000,000**	550,000,000
Statutory reserve	11	**21,575,210**	9,807,917
Retained earnings		**148,814,264**	73,719,959
Total stockholders equity		**720,389,474**	633,527,876
Liabilities			
Non-current liabilities			
Saudi Industrial Development Fund loan- non-current portion	12	**412,686,847**	486,482,293
Provision for dismantling, removing and rehabilitation of areas subject to franchise license	14	**9,008,712**	7,887,963
Lease obligations- non-current portion	7 B	**1,077,565**	1,549,044
Employees' defined benefit plan obligations	15	**3,499,823**	2,510,820
Total non-current liabilities		**426,272,947**	498,430,120
Current liabilities			
Saudi Industrial Development Fund loan- current portion	12	**38,795,447**	57,845,770
Lease obligations- current portion	7 B	**897,912**	726,684
Accounts payable, accrued expenses and other credit balances	16	**74,196,119**	69,510,352
Zakat provision	17	**7,684,679**	6,580,364
Total current liabilities		**121,574,157**	134,663,170
Total liabilities		**547,847,104**	633,093,290
Total stockholders equity and liabilities		**1,268,236,578**	1,266,621,166

Finance Manager | Chief Executive Officer | Chairman of Board of Directors

The accompanying notes (1) to (30) form an integral part of these financial statements.

UMM AL-QURA CEMENT COMPANY
(SAUDI JOINT STOCK COMPANY)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

Profit or loss	Note	2020 SAR	2019 SAR
Sales		**333,331,641**	255,936,880
Cost of sales		**(175,296,741)**	(136,835,579)
Gross profit		**158,034,900**	119,101,301
Selling and marketing expenses	18	**(2,931,938)**	(2,805,863)
General and administrative expenses	19	**(10,647,330)**	(9,738,599)
Profit from operations		**144,455,632**	106,556,839
Finance costs	20	**(20,581,912)**	(21,133,265)
Foreign exchange losses		**(159,837)**	(35,828)
Other revenue	21	**1,749,847**	1,015,790
Net profit for the year before Zakat		**125,463,730**	86,403,536
Zakat	17	**(7,790,804)**	(6,580,364)
Net profit for the year		**117,672,926**	79,823,172
Other comprehensive income			
Items that will not subsequently reclassified to profit or loss			
Actuarial losses from re-measurement of employees' defined benefit plan obligation	15	**(561,328)**	(531,984)
Total comprehensive loss for the year		**(561,328)**	(531,984)
Total comprehensive income for the year		**117,111,598**	79,291,188
Earnings per share			
Basic and diluted earning per share in net profit for the year	24	**2.14**	1.45

Finance Manager	Chief Executive Officer	Chairman of Board of Directors

The accompanying notes (1) to (30) form an integral part of these financial statements

UMM AL-QURA CEMENT COMPANY
(SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital SAR	Statutory reserve SAR	Retained earnings SAR	Total stockholders' equity SAR
Balance as at 1 January 2019	550,000,000	1,825,600	16,161,088	567,986,688
Net profit for the year	-	-	79,823,172	79,823,172
Other comprehensive loss	-	-	(531,984)	(531,984)
Total comprehensive income	-	-	79,291,188	79,291,188
Dividends (Note 26)	-	-	(13,750,000)	(13,750,000)
Transferred to the statutory reserve	-	7,982,317	(7,982,317)	-
Balance as at 31 December 2019	550,000,000	9,807,917	73,719,959	633,527,876
Net profit for the year	-	-	**117,672,926**	**117,672,926**
Other comprehensive loss	-	-	**(561,328)**	**(561,328)**
Total comprehensive income	-	-	**117,111,598**	**117,111,598**
Dividends (note 26)	-	-	**(30,250,000)**	**(30,250,000)**
Transferred to the statutory reserve	-	**11,767,293**	**(11,767,293)**	-
Balance as at 31 December 2020	**550,000,000**	**21,575,210**	**148,814,264**	**720,389,474**

Finance Manager

Chief Executive Officer

Chairman of Board of Directors

The accompanying notes (1) to (30) form an integral part of these financial statements.

UMM AL-QURA CEMENT COMPANY
(SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 SAR	2019 SAR
Cash flows from operating activities		
Net profit for the year before Zakat	**125,463,730**	86,403,536
Adjustments to reconcile net profit for the year before zakat to net cash flows:		
Depreciations of property, plant and equipment	**52,875,326**	52,911,382
Amortizations of intangible assets	**329,773**	279,542
Depreciation of right-of-use assets	**733,540**	531,070
Finance costs	**20,581,912**	21,133,265
Closure of projects under Construction	**660,000**	-
Provision for employees defined benefits plan obligations	**553,467**	677,873
Provision for expected credit loss	**6,356**	132,561
	201,204,104	162,069,229
Changes in operating assets and liabilities:		
Inventory	**961,629**	(53,042,733)
Accounts receivable, prepaid expenses and other receivables	**(660,844)**	(450,831)
Accounts payable, accrued expenses and other credit balances	**(6,270,781)**	1,312,205
Results from operations	**195,234,108**	109,887,870
Employees defined benefits obligations paid	**(125,792)**	(22,866)
finance costs paid	**(1,250,000)**	(1,250,000)
Zakat paid	**(6,686,489)**	(4,816,271)
Net cash available from operating activities	**187,171,827**	103,798,733
Cash flows from investing activities		
Paid for purchase of property, plant and equipment	**(224,000)**	(258,145)
Paid for projects under construction	-	(193,275)
Paid to purchase to intangible assets	**(216,349)**	-
Net cash used in investing activities	**(440,349)**	(451,420)
Cash flows from financing activities		
Repaid from the Industrial Development Loan	**(100,000,000)**	(55,000,000)
Lease obligations paid	**(828,103)**	(613,138)
Dividends	**(30,250,000)**	(13,750,000)
Net cash used in financing activities	**(131,078,103)**	(69,363,138)
Net change in cash and cash equivalents	**55,653,375**	33,984,175
Cash and cash equivalents at the beginning of the year	**48,167,686**	14,183,511
Cash and cash equivalents at end of the year	**103,821,061**	48,167,686
Non-cash transactions		
Additions to right-of-use assets and related lease liability	**427,468**	771,656
Transferred to property, plant and equipment from projects under construction	-	325,275
settlement related to IFRS 16 - Initial recognition - settlement of right-of-use assets and related lease liabilities.	-	1,932,234

Finance Manager   Chief Executive Officer   Chairman of Board of Directors

The accompanying notes (1) to (30) form an integral part of these financial statements.

1- ORGANIZATION AND ACTIVITIES

Umm Al-Qura Cement Company ("UACC" or the "Company") was registered as a Saudi joint stock company with Commercial Registration number 1010382514 issued in Riyadh on 28/08/1434H (corresponding to 07/07/2013). The share Capital of the Company is SAR 550,000,000 divided into 55,000,000 shares with a nominal value of SAR 10.

The activities of the comapny in the manufacture of ordinary cement (Portland), the manufacture of salt-resistant cement, the manufacture of white cement, the manufacture of agglomerated cement (clinker), according to the Industrial License No. 1549, On 5 Rajab 1435 AH (corresponding to 5 May 2014), and renewed with License No. 411102103007, On the 29 Jumada II 1441 AH (corresponding to 23 February 2020), and where the license expires on 28 Jumada II 1444 AH (corresponding to 21 January 2023).

The financial statements include the assets, liabilities and results of the Company's operations and the below branch:

Branch	CR No.	City	Activity
Umm Al-Qura Cement Company Factory	4032044432	Taif	The manufacture of ordinary cement (Portland), the manufacture of salt-resistant cement, the manufacture of white cement, the manufacture of agglomerated cement (clinker)

The head office of the Company is in Riyadh King Abdulaziz Road, Al-Sahafa District, P.O. Box 10182, Riyadh 11433, Riyadh, Saudi Arabia. The Company's factory is located in Taif.

2- BASIS OF PREPARATION FINANCIAL STATEMENTS

2-1 STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the International Financial Reporting Standard approved in the Kingdom of Saudi Arabia and other standards and publications issued by the Saudi Organization for Certified Public Accountants, and the requirements of the laws and regulations in force in the Kingdom of Saudi Arabia.

The Capital Market Authority has allowed listed companies to use the fair value model or the revaluation model to measure property, and investment property Starting from January 1, 2022. It also obligated listed companies to continue to use the cost model to measure plant, equipment, and intangible assets.

2-2 PREPARATION OF FINANCIAL STATMENTS

The financial statements have been prepared on a historical cost convention except when IFRS requires the use of another measurement basis, as indicated in the applied accounting policies (Note 4), and in accordance with the accrual principle and going concern.

2-3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Saudi Riyals, which is the Company's functional currency and the amounts in these financial statements are rounded to the nearest Saudi Riyal.

3- NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

3-1 The company has adopted the following new standards and amendments for the first time, starting from 1 January 2020:

3-1-1 Amendments to IFRS 3 - Business Definition

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

3-1-2 Amendments to International Accounting Standard No. 1 and International Accounting Standard No. 8 regarding the definition of materiality

These amendments are based on International Accounting Standard No. 1, "Presentation of Financial Statements", and International Accounting Standard No. 8, "Accounting Policies." Changes in estimates and accounting errors, and subsequent amendments to other IFRSs:

A) use a consistent definition of materiality across all IFRSs and the conceptual framework for financial reporting;

B) clarify the explanation of the definition of material; and

C) incorporate some of the guidance in IAS 1 about immaterial information.

3- NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)

3-1-3 Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally, cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the Statement of Profit or Loss. The adoption of above amendments do not have any material impact on the Financial Statements during the year.

3-2 Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted; however, the Company has not early adopted them in preparing these Financial Statements

3-2-1 Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

3-2-2 Amendments to IFRS 3, IAS 16, IAS 37

- IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related costs in profit or loss.
- IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

3-3 Annual Improvements to IFRSs 2018–2020 Cycle

These improvements are effective on or after 1 January 2021.

IFRS 9, 'Financial Instruments' - Clarify the fees a company includes in performing the "10 % test" in order to assess whether to derecognise a financial liability.

- IFRS 16, 'Leases' - Remove the potential for confusion regarding lease incentives by amending an Illustrative Example 13 accompanying IFRS 16.

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies are applied by the Company:

Use of judgments and estimates

The preparation of the financial statements in conformity with International Financial Reporting Standards endorsed in Saudi Arabia requires from the management to make judgments, estimates and assumptions that affect application of accounting policies and the reported amounts of assets and liabilities, revenues and expenses. These estimates and judgments are based on management's best knowledge of current events and actions and other factors which form a base for estimating the carrying amount of assets and liabilities which can not be easily determined from other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments to accounting estimates are recognized prospectively.

The following is information about assumptions and estimates that have a material impact on the amounts reported in the financial statements:

- **Going concern**

The management has evaluated the ability of the Company to continue as a going concern and believes the Company has sufficient recourses to continue its business in the near future. In addition, the management has material uncertainty related to the ability of the Company to continue as a going concern. Therefore, the financial statements are still prepared on the basis of the going concern.

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Estimate useful lives of property, plant and equipment and intangible assets**

Management reviews the useful lives of property, plant and equipment to calculate depreciation and amortization. These estimates are determined after taking into account the expected use of assets, obsolescence and damage. The management reviews the residual value and useful lives annually and changes in depreciation expenses in current and future periods, if any-

- **Provision for Slow Moving Inventory Items**

Management makes provisions for slow moving and obsolete inventories. Inventory is measured at the lower of cost or net realizable value. Estimating of net realizable value is based on the most reliable evidence at the time the estimates are made. These estimates take into account price fluctuations or costs directly related to events that occur after the date of the financial statements.

- **Impairment of Non-Financial Assets**

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

- **Impairment of Non-derivative Financial Assets**

The Company recognizes allowances for expected credit losses ("ECL") for financial assets measured at amortized cost such as trade accounts receivable. The Companyassesses future credit losses using ECL model for financial assets measured at amortized cost. For trade accounts receivable, the Company applies the simplified approach, which measures the loss allowance at an amount equal to lifetime expected credit losses for all trade accounts receivable since the of initial recognition. To assess the ECL, accounts receivable are grouped based on shared risk characteristics and aging. The expected loss rates were calculated based on historical information of the Company and adjusted to reflect the expected future results which includes future information on macroeconomic factors such as inflation and GDP growth rate. Other financial assets such as employees' receivables and bank balances have low credit risk and applying the ECL model is considered insignificant.

- **Fair value measurements of financial instruments including derivative financial instruments**

When the fair value of the financial assets and liabilities in the statement of financial position cannot be measured based on Quoted prices in active market, when IFRS require those assets or liabilities to be measured based on fair value, their fair value is determined using valuation techniques including using the present value of expected cash flows or any other techniques as stated in IFRS 13. The inputs to these techniques are taken from active markets, where possible. However, If this is not possible, a degree of judgment is required to determine the fair value and such estimates take liquidity risk, credit risk and volatility into account. Changes in the assumptions relating to these factors can affect the reported fair value of the financial instruments.

- **Benefits and defined benefit plans (employee benefits)**

Post-employment defined benefits and the current value of those benefits are determined actuarial valuations. Actuarial valuation include further assumptions regarding variables are required such as discount rates, rate of salary increase and return on assets, mortality rates,increase in future pensions. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit liability is highly sensitive to changes in these assumptions. All actuarial assumptions are reviewed at the date of every statement of financial position.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset.

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value

Fair value is is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value definition includes the assumption that the Company will continue its operations where there is no intention or condition to physically limit the volume of its operations or conduct a transaction with negative terms.

Fair values are categorized into different levels in the fair value hierarchy based on the inputs used in the valuation methods as follows:

Level 1: Quoted market prices in active markets for identical assets.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Classification of assets and liabilities from "current" to "non-current"

The Company presents assets and liabilities in the statement of financial position on a current / non-current basis. The assets are current as follows:

- When it is expected to be realized or is intended to be sold or consumed during the normal cycle of operations.
- If it is acquired primarily for the purpose of trading.
- When it is expected to be achieved within twelve months after the fiscal year, or
- When they are cash and cash equivalents, unless there are restrictions on their replacement or use to pay any liabilities for a period of not less than twelve months after the financial year.
- All other assets are classified as "non-current".

All liabilities are current as follows:

- When it is expected to be paid during the normal business cycle
- If it is acquired primarily for the purpose of trading.
- When it matures within twelve months after the fiscal year, or
- When there is no unconditional right to defer the payment of liabilities for a period of not less than twelve months after the financial year.

All other liabilities are classified as "non-current".

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciations. Cost includes expenditure that is directly attributable to acquisition of asset. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Expenditures on maintenance and repairs are expensed, while expenditures for improvements are capitalized. Depreciation is computed using the straight line method based on the estimated useful lives of the assets. Sold or disposed asset and its accumulated depreciation are written-off at the date of sale or disposal. Profit or loss on disposal is recognized in the statement of profit or loss. The estimated useful lives of the principal classes of assets are:

Statement	Years
Buildings and roads	10-30
Property and equipment	4-20
Furniture and fixtures	5-20
Trucks and forklifts	7
Water wells	4

Depreciation method and useful lives are reviewed periodically to ensure that depreciation method is appropriate with the expected economic benefits of property, plant and equipment.

The Company has selected to apply the cost model to measure the property, plant and equipment, in accordance with the resolution of Capital Market Authority which obligates listed entities to apply the cost model dated 16/1/1438H (17/10/2016).

Projects under Construction

The cost of projects under construction is calculated on the basis of the actual cost and is shown as projects under construction until they are completed and then transferred to the various items within the property, plant and equipment, and then their Depreciation begins.

4-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of assets

At each statement of financial position date, the Company reviews the carrying amounts of its property and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If there is any indication that assets have suffered an impairment loss, the recoverable amount of any affected asset (or group of assets) is estimated and compared to its carrying amount. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses other than goodwill, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Intangible assets

Intangible assets that include softwares which the Company has acquired and have a useful life of 5 years are measured at cost, less accumulated amortization and any accumulated impairment losses.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in a specific asset to which they relate, and all other expenses that are internally generated are recognized in the statement of profit or loss when incurred. Costs of intangible assets are calculated less the residual value using the straight-line basis over their estimated useful lives and are recognized in the statement of profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that relate directly to the purchase or issue of financial assets and liabilities (other than financial assets and financial liabilities at fair value through the statement of profit or loss) are added to the fair value of financial assets and financial liabilities or deducted from them, as appropriate, upon initial recognition. Transaction costs that are directly related to the purchase of financial assets and liabilities and are measured at fair value through the statement of profit or loss are recognized directly in the statement of profit or loss.

First: Financial assets

Financial assets are classified into the following specified categories: Financial assets 'at fair value through profit or loss', Financial assets measured at fair value through other comprehensive income, and financial assets measured at amortized cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. A regular way to purchase or sale of financial assets is recognized using trade date. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A) Financial assets measured at fair value through profit or loss

Financial assets are measured at fair value through the statement of profit or loss if they have been acquired or held for the purpose or selected to be classified in this category.

Financial assets are classified as held for trading if:

- If they were acquired mainly to be sold in near future.
- If they represent known portfolio of financial instruments managed by the Company and includes the actual pattern of a financial instrument that generates profits in the short term.
- If they represent a derivative but not classified or effective as a hedging instrument.

Financial assets measured at fair value through the statement of profit or loss are stated at their fair value, and any gain or loss resulting from the revaluation is recognized in profit or loss.

Net profit or loss includes any dividends or interest due from the financial asset and is included in the statement of profit or loss.

B) Financial assets measured at amortised cost

Accounts receivable, including trade and other receivables, bank balances and cash are measured at amortized cost using the effective interest method less any impairment loss, and charged to the profit or loss.

Interest income is determined using the effective interest rate, except for short-term receivables when the discount effect is insignificant.

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

First: Financial assets (Continued)

C) Financial assets measured at Fair value through other comprehensive income (FVOCI)

Profits and losses arising from changes in fair value are included in the statement of other comprehensive income and are added to statement of accumulated changes in fair value of investments within equity other than impairment losses which are included in the statement of profit and loss. If investment is disposed or suffered an impairment, profits and losses resulted from previous evaluation which were recognized in investment revaluation reserve are included in the statement of other comprehensive income.

Dividends income from investments is recognized in equity instruments at fair value through the statement of other comprehensive income when the Company's right to receive payment has been established and is shown as income in the statement of profit or loss unless dividends clearly represent a recovery of part of the investment cost. Other profits and losses are recognized in statement of other comprehensive income and are never reclassified to the statement of profit or loss.

Second: Financial liabilities:

Financial liabilities (including loans and accounts payable) are measured subsequently at mortised cost using the effective interest method.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of disposed financial liabilities and amount paid is charged to the statement of profit or loss.

- Effective interest rate method

The effective interest method is an accounting practice used for calculating the amortized cost of a debt instrument and for distributing interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (Including all fees and points paid or received, which form an integral part of the effective interest rate, transaction costs, installments or other discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Inventories

Inventories are stated at the lower of cost and net realizable value, except for spare parts and raw materials that are stated at cost. Costs of inventories are determined on weighted average basis. The Cost of finished and under process goods includes the cost of materials, labor and indirect industrial costs that contribute to the conversion of raw materials into a final product. Net realizable value is the estimated selling price in the ordinary course of business, less any costs to complete the sale. A provision for obsolete and slow moving items based on management estimates at the reporting date.

Related party transactions

Related party

Related party is the person or entity associated with the company that prepares its financial statements.

A) If the person or a member of his family is closely related to the company whose financial statements are prepared:

- Has joint control or control over the company preparing its financial statements;
- It has a material impact on the company preparing its financial statements. or
- He is a member of the top management of the company whose financial statements are prepared or the parent company of the company that prepares its financial statments.

B) If the facility is related to the company that prepares its financial statements if any of the following conditions are fulfilled:

- The establishment and the company that prepares its financial statements are members of the same company (which means that both the parent company, subsidiaries and associates have a relationship with the other).
- One of the two companies is an associate or a joint venture of the other company (or an associate or a joint venture of a member of the company of which the other company is a member).
- Both companies are joint ventures of the same third party.

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related party transactions (Continued)

- One of the two companies is a joint venture of a third company and the other company is an associate of the third company.
- A company is a post-employment benefit plan for the employees of any company that prepares its financial reports or a company related to the company that prepares its financial statements. If the company preparing its financial statements is the same as preparing those plans, the sponsoring work sponsors are also related to the company that prepares its financial statements.
- The company is jointly controlled or controlled by a person specified in Paragraph (a).
- The person identified in paragraph (a) (1) has a material influence on the company or is a member of the top management in the company (or the parent company).
- The company or any member of the company provides part of the services of senior management employees of the company that prepares its financial statements or to the parent company of the company that prepares its financial statements.

Accounts receivable

Accounts receivable are stated at the original amount of invoice, less provision for expected credit losses. An allowance against expected credit losses is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Bad debts are written off as incurred against related receivables. Provisions are charged to the statement of profit or loss. Any receivables recovered subsequently that were previously written off are recorded under other revenues statement of profit or loss.

Cash and cash equivalent

Cash and cash equivalent comprise cash on hand and bank balances, time deposits and other highly liquid short-term investments with original maturities of three months or less. from the acquisition date which are available to the Company without restrictions which is subject to insignificant risk of changes in value.

Loans

Loans are initially recognized at the transaction price (I.e. the present value of the bank's due to funding bodies, including transaction costs). Loans are measured at amortized cost.

Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Provisions are measured to the best of the expected fair value of the liability as at the balance sheet date, taking into account risks and uncertainties surrounding the obligation. When an allowance is measured using estimated cash flows to settle the present obligation, the receivable is recognized as an asset if the receipt and replacement of the amount are confirmed and the amount can be measured reliably.

Employees' defined benefit obligations

- **End of service indemnities**

The end-of-service indemnity provision is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurements, comprising actuarial gains and losses, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur and are not charged to the statement of profit or loss.

- **Retirement benefits**

The Company makes contributions for a defined contribution retirement benefit plan to the General Organization for Social Insurance in respect of its Saudi employees. These payments are expensed when incurred.

- **Short-term employee benefits**

Liabilities recognized in respect of short-term employee benefits related to wages and salaries are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of short-term employee benefits are measured at the un-discounted amount of the benefits expected to be paid in exchange for the related service.

Accounts payable, accrued expenses and other credit balances

Liabilities are recognized for amounts to be paid in future for services received, whether billed or not by suppliers.

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Value added tax

Value-added tax has been applied in the Kingdom of Saudi Arabia, starting from January 1, 2018 (Rabi` al-Thani 14, 1439 AH). It is a tax on the supply of goods and services that the final consumer ultimately bears but is collected at every stage of the production and distribution chain as a general principle, therefore The value-added tax treatment in the company's accounts must reflect its role as a tax collector, and VAT should not be included in income or expenditures, whether of a capital or revenue nature. However, there will be circumstances in which the company will incur VAT, and in such cases where VAT is not refundable, it must be included in the cost of the product or service.

Zakat provision

Zakat is a liability on the Company and provided for in the accompanying financial statements. Zakat is charged to the statement of profit or loss on an accruals basis, in accordance with Zakat standard issued by SOCPA. where it is calculated for the year in accordance with the principle of accrual.

The zakat charge is computed at year-end on Zakat base or adjusted net income whichever is higher, in accordance with the regulations of the General Authority of Zakat and Income Tax in Saudi Arabia.

Additional amounts that may become due on finalization of an assessment are accounted for in the year in which assessment is finalized.

Board of directors remunerations

According to the international financial reporting standards adopted in the Kingdom of Saudi Arabia, the remuneration of the members of the board of directors is recorded through the statement of profit or loss .

Revenue

Revenue is recognized when the Company fulfills its obligations in contracts with customers with an amount that reflects the material compensation that the entity expects for goods or services. Specifically, the standard provides a five-step model for revenue recognition:

Step 1: Identify the contract with the customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when or as the entity satisfies a performance obligation.

- Revenue is recognized when the contractual obligations are performed, i.e. when control over goods or services related to performance of a specified obligation is transferred to the customer and the customer is able to use goods without restrictions or benefit from services provided under the contract.
- Revenue from sale of any by-products from industrial waste is recorded as other income in the statement of profit or loss.
- If the Company separated a product selling price from its location or delivered to customer's location, the difference arising from this separation will be considered other revenue and its corresponding cost will be charged to selling and marketing expenses.

Other Revenue

Other revenues are recognized when realized.

Expenses

General and administrative expenses include direct and indirect costs not specifically part of cost of revenue or selling and marketing expenses. Sales and marketing expenses include all expenses related to selling and marketing.

Leases

Company as a lessor

The company recognizes lease payments received under the lease contracts as income in the statement of profit or loss on a straight-line basis over the term of the lease.

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Company as a lessee

Upon initiation of non-cancellable operating leases, the leased asset is identified and defined as the "right to use the leased asset" and is measured at cost with an appropriate discount on the relevant components of the lease term and payment obligations including the initial direct cost, terms and incentives mentioned in the basic lease agreement after measurement First and foremost, the "right o use the leased asset" is subsequently measured periodically using a cost model that includes initial measurement and any re-measurement adjustments minus accumulated depreciation.

The company depreciates the asset of the right of use over the estimated period of the lease contract using the straight-line method.

On the lease commencement date at the net present value of all unpaid lease payments as on that date discounted at an appropriate rate. After initial measurement, 'lease liabilities' are measured periodically by increasing the carrying cost to reflect the interest cost on future unpaid lease liabilities and any re-measurement adjustment minus the lease payments made up to that date.

An appropriate depreciation rate and an appropriate profit rate are applied to the "right to use the leased asset" and the "lease liability" respectively. This depreciation, interest and financing expenses are charged to the statement of profit or loss .

Short-term and low-value leases

The Company has chosen not to prove the assets (right to use) and lease obligations for short-term leases of 12 months or less and low-value lease contracts, the Company recognizes the lease payments associated with these contracts as expenses in the condensed statement of profit or loss on a straight-line basis over a period lease.

Contingent Liabilities and assets

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Offset

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Earnings per share

Basic and diluted earnings per share are calculated based on the weighted average number of shares outstanding as of year-end.

Segment information

The company is engaged in its activities in one operating sector in the production of cement and is fully operating in the Kingdom of Saudi Arabia. The financial information is not divided into different business segments or geographically.

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rates prevailing at year's end. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of profit or loss.

5- PROPERTY, PLANT AND EQUIPMENT, NET

	Buildings and roads SAR	Property and equipment SAR	Furniture and fixtures SAR	Trucks and forklifts SAR	Water wells SAR	Projects under construction SAR	Total SAR
Cost							
As of 1 January 2020	305,427,706	755,139,502	1,388,144	37,520,000	1,003,012	660,000	1,101,138,364
Additions during the year	**89,000**	**25,700**	**33,300**	**76,000**	-	-	**224,000**
Close of projects under Construction (note 19)	-	-	-	-	-	**(660,000)**	**(660,000)**
As of 31 December 2020	**305,516,706**	**755,165,202**	**1,421,444**	**37,596,000**	**1,003,012**	-	**1,100,702,364**
Aaccumulated depreciation							
As of 1 January 2020	33,102,920	120,434,152	838,671	17,052,903	769,848	-	172,198,494
Charged for the year	**10,126,270**	**37,258,466**	**255,009**	**5,095,873**	**139,708**	-	**52,875,326**
As of 31 December 2020	**43,229,190**	**157,692,618**	**1,093,680**	**22,148,776**	**909,556**	-	**225,073,820**
Net book Value							
As at 31 December 2020	**262,287,516**	**597,472,584**	**327,764**	**15,447,224**	**93,456**	-	**875,628,544**

- The space of the land, on which the plant is constructed under a raw material quarry license granted to the Company by the Ministry of Energy, Industry and Mineral Resources for the exploitation of limestone to manufacture ordinary Portland cement from Hurra Hodun location (2), in Taif is a city in the Mecca Province, is Sqm 24,537.
- The entire factory, its buildings, machinery, equipment and related accessories are mortgaged as a guarantee for SIDF loan (Note 12)
- Projects under construction represent amounts paid by the Company on designs for establishing a residential city in the plant.
- Depreciation expenses are allocated as of 31 December as follows:

	2020 SAR	2019 SAR
Cost of sales	**52,810,957**	52,847,686
Selling and marketing expenses (note 18)	**35,689**	34,841
General and administrative expenses (note 19)	**28,680**	28,855
	52,875,326	52,911,382

5-PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

	Buildings and roads	Property and equipment	Furniture and fixtures	Trucks and forklifts	Water wells	Projects under construction	Total
	SAR	SAR	SAR	SAR	SAR	SAR	SAR
Cost							
As at 1 January 2019	305,221,431	754,902,076	1,248,425	37,520,000	1,003,012	792,000	1,100,686,944
Additions during the year	-	237,426	20,719	-	-	193,275	451,420
Transferred from projects	206,275	-	119,000	-	-	(325,275)	-
As at 31 December 2019	305,427,706	755,139,502	1,388,144	37,520,000	1,003,012	660,000	1,101,138,364
Accumulated depreciation							
As at 1 January 2019	22,980,804	83,181,593	607,036	11,959,760	557,919	-	119,287,112
Charged for the year	10,122,116	37,252,559	231,635	5,093,143	211,929	-	52,911,382
As at 31 December 2019	33,102,920	120,434,152	838,671	17,052,903	769,848	-	172,198,494
Net book Value							
As at 31 December 2019	272,324,786	634,705,350	549,473	20,467,097	233,164	660,000	928,939,870

6- INTANGIBLE ASSETS, NET

Intangible assets represents SAP system used in the operating activities of the Company. The balance of intangible assets as of 31 December is:

	31 December 2020 SAR	31 December 2019 SAR
Cost		
Balance at the beginning of the year	**1,539,908**	1,539,908
Additions during the year	**216,349**	-
Balance at the end of the year	**1,756,257**	1,539,908
Accumulated amortization		
Balance at the beginning of the year	**769,697**	490,155
Charged for the year*	**329,773**	279,542
Balance at the end of the year	**1,099,470**	769,697
Net book Value	**656,787**	770,211

*Amortization expenses are allocated as follows:

	31 December 2020 SAR	31 December 2019 SAR
General and administrative expenses (note 19)	**281,693**	279,542
Cost of sales	**48,080**	-
	329,773	279,542

7- Leases

The following table shows the movement during the year that took place on both the right of use assets lease obligations, and it is as follows:

	Right of use assets (Buildings) SAR	Right of use assets (Cars) SAR	Total right of use assets SAR
Cost			
Balance as of 1 January, 2020	2,733,868	771,656	3,505,524
Additions during the year	**117,228**	**310,240**	**427,468**
Balance as of 31 December, 2020	**2,851,096**	**1,081,896**	**3,932,992**
Aaccumulated depreciation			
Balance as of 1 January, 2020	1,042,186	140,518	1,182,704
Charged for the year*	**443,043**	**290,497**	**733,540**
Balance as of 31 December, 2020	**1,485,229**	**431,015**	**1,916,244**
Net book Value			
Balance as of 31 December, 2020	**1,365,867**	**650,881**	**2,016,748**

*Depreciation of right-of-use assets is classified as follows:

	31 December 2020 SAR	31 December 2019 SAR
General and administrative expenses (note 19)	**391,623**	390,553
Cost of sales	**190,452**	113,902
Selling and marketing expenses (Note 18)	**151,465**	26,615
	733,540	531,070

7- Leases (Continued)

	Right of use assets (Buildings) SAR	Right of use assets (Cars) SAR	Total right of use assets SAR
Cost			
Balance as of 1 January, 2019	2,733,868	-	2,733,868
Additions during the year	-	771,656	771,656
Balance as of 31 December, 2019	2,733,868	771,656	3,505,524
Aaccumulated depreciation			
Balance as of 1 January, 2019	651,634	-	651,634
Charged for the year	390,552	140,518	531,070
Balance as of 31 December, 2019	1,042,186	140,518	1,182,704
Net book Value			
Balance as of 31 December, 2019	1,691,682	631,138	2,322,820

B - Movement on leases contract obligations as follows:

	31 December 2020 SAR	31 December 2019 SAR
Balance at the beginning of the year	**2,275,728**	2,012,647
Additions during the year	**427,468**	771,656
Amortization of interest during the year (note 20)	**100,384**	104,563
Paid during the year	**(828,103)**	(613,138)
Balance at the end of the year	**1,975,477**	2,275,728

- Lease contract obligations are classified as follows:

	31 December 2020 SAR	31 December 2019 SAR
Non-current portion	**1,077,565**	1,549,044
current portion	**897,912**	726,684
	1,975,477	2,275,728

8- INVENTORIES

	31 December 2020 SAR	31 December 2019 SAR
Goods in process*	**190,670,496**	194,037,670
Spare parts	**15,201,503**	14,149,009
Raw materials	**9,991,079**	8,994,024
Finished goods	**4,956,831**	4,527,650
Fuel and oil	**2,804,991**	3,134,343
Packaging and other materials	**1,064,619**	808,452
	224,689,519	225,651,148

*Goods in process mainly comprise of clinker material. As of 31 December 2020, clinker inventory balance amounted to SAR 189 million (31 December 2019: SAR 192 million). Clinker is a basic material used by the Company in the production of cement (finished goods). This material is stored in large areas of the plant and can maintain their quality for five years, according to estimation of production management of the Company.

9- ACCOUNTS RECEIVABLE, PREPAID EXPENSES AND OTHER RECEIVABLES, NET

	31 December 2020 SAR	31 December 2019 SAR
Accounts receivable	**7,096,903**	8,531,995
(Less): Provision for expected credit loss	**(430,703)**	(424,347)
Net accounts receivable	**6,666,200**	8,107,648
Margin of letter of guarantee (note 25)	**50,000,000**	50,000,000
Prepayments to contractors and supplier	**2,532,059**	516,375
Prepaid expenses	**2,225,660**	2,145,408
	61,423,919	60,769,431

Below is the movement in provision for expected credit losses:

	31 December 2020 SAR	31 December 2019 SAR
Balance at the beginning of the year	**424,347**	291,786
Provided during the year (note 18)	**6,356**	132,561
Balance at the end of the year	**430,703**	424,347

The following table shows accouants receivable aging of the Company as follows:

	31 December 2020 SAR	31 December 2019 SAR
From 1 to 90 days	**6,666,200**	7,087,530
From 91 to 180 days	-	281,455
From 181 to 360 days	-	23,116
More than 360 days	**430,703**	1,139,894
	7,096,903	8,531,995

10- CASH AND CASH EQUIVALENT

	31 December 2020 SAR	31 December 2019 SAR
Cash on hand	**36,391**	25,655
Bank balances	**17,690,180**	11,951,678
Highly liquid financial investments*	**86,094,490**	36,190,353
	103,821,061	48,167,686

*The amount represents the value of an investment in the units of Al-Rajhi Commodity Mudaraba Fund, which is a highly liquid investment and the risk rate is low, and profits were made from that investment during the year ending on 31December, 2020, in the amount of 1,404,137 Saudi riyals (31December, 2019: 731,968 Saudi riyals) included in other income.

11- STATUTORY RESERVE

As per the Regulations for Companies in Saudi Arabia, and the articles of association of the company a statutory reserve of 10% of net income must be appropriated until the reserve equals 30% of the share capital. The reserve is not available for distribution as dividends to Shareholders.

12- SAUDI INDUSTRIAL DEVELOPMENT FUND LOAN

Below is the movement in SIDF loan as of 31 December:

	31 December 2020 SAR	31 December 2019 SAR
Balance at the beginning of the year	568,000,000	623,000,000
Loan payments during the year	(100,000,000)	(55,000,000)
Balance at the end of the year	468,000,000	568,000,000
(Less)		
Deferred administrative financing costs	(16,517,706)	(23,671,937)
Balance at the end of the year	451,482,294	544,328,063
SIDF loan: current portion	(38,795,447)	(57,845,770)
SIDF loan - non-current portion	412,686,847	486,482,293

- On 21 May 2014, the Company signed SAR 678,000,000 long-term loan agreement with the Saudi Industrial Development Fund (SIDF) to finance establishing a cement production plant. The loan is secured by mortgage the Company's buildings, machines and equipment to the Fund (note 5). The loan agreement included covenants regarding maintaining some financial ratios. The loan will be paid in 16 installments. The first installment is due on 15 Safar 1439H (4 November 2017) and the last installment is due on 15 Shaban 1446H (14 February 2025).
- On 23 Dhu al-Qi'dah 1438 H (15 August 2017), a letter was signed to amend the original terms the loan which included decreasing the loan amount to SAR 656,876,000, amending the payments to be 15 unequal semi-annual installments and amending first installment due date to be 15 Shaban 1439H (1 May 2018) without amending the last installment due date.
- Deferred finance costs represent fee deducted in advance upon receipt of the loan.These fees are amortized over the term of the related loan using the effective interest rate. Follow-up fees hvae incurred in these loans. (note 20).

Below are maturities of SIDF loan:

Year	31 December 2020 SAR	31 December 2019 SAR
2020	-	65,000,000
2021	45,000,000	80,000,000
2022	100,000,000	100,000,000
2023	115,000,000	115,000,000
2024	134,000,000	134,000,000
2025	74,000,000	74,000,000
	468,000,000	568,000,000

13- CREDIT FACILITIES

The Company signed a Shariah-compliant credit facilities agreement with a bank on 23 April 2019 amounting to SAR 100 million. The facilities expire on 23 April 2022, and they are secured with a promissory note issued for the bank by the Company amounting to SAR 100 million. The purpose of the facilities is to finance the requirements of the Company's working capital, purchases and letters of credit. The company did not use any of these banking facilities during the year 2020, as the outstanding balance of these facilities as of December 31, 2020 AD was nothing (December 31, 2019: nothing).

14- PROVISION FOR DISMANTLING, REMOVING AND REHABILITATION OF AREAS SUBJECT TO FRANCHISE LICENSE

This provision represents the present value of the expected cost for restoring the plot of the Company's plant. As of 31 December 2020, the balance amounted to SAR 9,008,712 (31 December 2019: SAR 7,887,963). During 2018, the Company appointed an expert in estimating the present value of provisions and the residual values of property, plant and equipment (Astroplan) in order to estimate the present value of the provision for dismantling, removing and rehabilitation.

The below table shows the movement in provision for dismantling, removing and rehabilitation as of 31 December:

	31 December 2020 SAR	31 December 2019 SAR
present value of provision for dismantling, removing and rehabilitation	**4,105,867**	4,105,867
Actual interest		
Actual interest at the beginning of the year	**3,782,096**	2,594,102
Actual interest charged for the year (note 20)	**1,120,749**	1,187,994
Actual interest at the ending of the year	**4,902,845**	3,782,096
Net present value of provision for dismantling, removing and rehabilitation	**9,008,712**	7,887,963

15- EMPLOYEES' DEFINED BENEFIT OBLIGATIONS

The company determines the current value of the defined employee benefit plan obligations by making an actuarial valuation using the projected credit unit method, after taking into account the following set of assumptions:

	31 December 2020	31 December 2019
Discount rate	**2.2%**	3.6%
Benefits increase rate	**3%**	3%

The movement in defined employees benefit plan liabilities as of 31 December is as follows:

	31 December 2020 SAR	31 December 2019 SAR
Employees benefits plan obligations balance the beginning of the year	**2,510,820**	1,323,829
Charged to the statement of profit or loss		
Cost of current service	**553,467**	677,873
Charged to statement of other comprehensive income		
Actuarial losses from re-measurement of defined employees benefit plan obligation by changing interest rate	**561,328**	531,984
Paid during the year	**(125,792)**	(22,866)
Employees benefits plan obligations balance at the end of the year	**3,499,823**	2,510,820

16- ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2020 SAR	31 December 2019 SAR
Follow-up fees of SIDF Loan (a)	32,787,045	21,830,497
Contractors and suppliers receivables	19,562,468	30,661,535
Exploitation fees - Ministry of Energy, Industry and Mineral Resources (b)	9,539,591	7,303,673
Retained amounts for maintenance works	5,365,300	5,365,300
Value added tax and withholding tax	3,022,443	1,190,450
Due to employees	1,880,092	1,504,976
Advances from customers	1,190,595	660,599
Accrued expenses	848,585	993,322
	74,196,119	69,510,352

A) SIDF loan follow-up fees represent amounts due on the loan granted by the SIDF to the Company for the project, in accordance with the agreement signed with SIDF (note 12)

B) The amount represent due to Ministry of Energy, Industry and Mineral Resources ,According to the license granted to the Company for the exploitation of Limestone in the licensed area.

17- ZAKAT PROVISION

A) The principal elements of Zakat base are the following:

	31 December 2020 SAR	31 December 2019 SAR
Equity, provisions at the beginning of the year, and other adjustments	1,067,836,869	1,113,062,009
Long-term assets	(893,503,582)	(946,181,910)
Adjusted net income	127,144,301	88,401,964

B) The following is the movement in estimated Zakat provision:

	31 December 2020 SAR	31 December 2019 SAR
Balance as at 1 January	6,580,364	4,816,271
Provided during the year	7,684,679	6,580,364
Settlement of previous years Zakat differences	106,125	-
Paid during the year	(6,686,489)	(4,816,271)
Balance as at 31 December	7,684,679	6,580,364

* The company submitted zakat returns for the previous years and up to the year 2019 AD, and the zakat certificate was obtained for that year. The company also obtained zakat assessments from the General Authority for Zakat and Income for the years 2015, 2016 and 2017 AD and those assessments were settled during 2020 AD and the differences were paid.

18- Selling and marketing expenses

	31 December 2020 SAR	31 December 2019 SAR
Salaries, wages and equivalents	2,475,402	2,185,329
Depreciation of right of use asset (note 7)	151,465	26,615
leases	63,283	218,144
Depreciation of property, plant and equipment (note 5)	35,689	34,841
Provision for expected credit losses (Note 9)	6,356	132,561
Others	199,743	208,373
	2,931,938	2,805,863

19- General and Administrative expenses

	31 December 2020 SAR	31 December 2019 SAR
Salaries, wages and equivalents	**5,953,289**	5,404,155
Remuneration and allowances of BoD members	**1,554,000**	1,632,233
Close of projects under construction (Note 5)	**660,000**	-
Shareholders' register management expenses	**506,840**	489,512
Technical support for computer software	**400,254**	388,295
Consultancy and professional fees	**435,968**	180,500
Depreciation of right of use asset (note 7)	**391,623**	390,553
Amortization of intangible assets (note 6)	**281,693**	279,542
Medical insurance	**240,029**	226,981
Government fees	**29,690**	46,485
Depreciation of property, plant and equipment (note 5)	**28,680**	28,855
Others	**165,264**	671,488
	10,647,330	9,738,599

20- Finance costs

	31 December 2020 SAR	31 December 2019 SAR
SIDF loan follow-up fees (note 12)	**10,956,548**	10,575,661
Amortization of deferred administrative financing costs for the fund loan (note 12)	**7,154,231**	8,015,047
Bank fees renewal letter of guarantee (note 9)	**1,250,000**	1,250,000
Deduction of present value of provision for the rehabilitation of ares subject to franchise (note 14)	**1,120,749**	1,187,994
Amortization of lease liabilities interest (note 7)	**100,384**	104,563
	20,581,912	21,133,265

21- Other revenue

	31 December 2020 SAR	31 December 2019 SAR
Profits from highly liquid financial investments (note 10)	**1,404,137**	731,968
Others	**345,710**	283,822
	1,749,847	1,015,790

22- FINANCIAL INSTRUMENTS RISK MANAGEMENT

Liquidity risks

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments that the company commits to in the interest of others.

To reduce the liquidity risk and associated losses which may affect the business of the Company, the company maintains, wherever possible, sufficient highly liquid current assets in all business conditions. The Company avoids financing long-term capital requirements through short-term borrowing. Long-term projects are currently funded with long-term loans only. The Company has a highly dynamic cash flow policy and a system by which it can estimate the maturity dates of its liabilities and develop appropriate plans to provide the required funding to meet these liabilities in a timely manner.

The following is the maturities of assets and liabilities as of 31 December 2020, and 31 December 2019:

31 December 2020	3 months or less SAR	More than 3 months to 1 year SAR	More than 1 year up to 10 years SAR	No specific maturity dates SAR	Total SAR
Assets					
Accounts receivable, prepaid expenses and other receivables	11,423,919	-	-	50,000,000	61,423,919
Total	11,423,919	-	-	50,000,000	61,423,919
Liabilities					
Saudi Industrial Development Fund (SIDF) Loan	-	45,000,000	423,000,000	-	468,000,000
Provision for dismantling, removing and rehabilitation of areas subject to franchise license	-	-	-	9,008,712	9,008,712
Employees' defined benefit obligations	-	-	-	3,499,823	3,499,823
Accounts payable, accrued expenses and other credit balances	74,196,119	-	-	-	74,196,119
Lease obligations	96,978	800,934	1,077,565	-	1,975,477
Zakat provision	-	7,684,679	-	-	7,684,679
Total	74,293,097	53,485,613	424,077,565	12,508,535	564,364,810

31 December 2019	3 months or less SAR	More than 3 months to 1 year SAR	More than 1 year up to 10 years SAR	No specific maturity dates SAR	Total SAR
Assets					
Accounts receivable, prepaid expenses and other receivables	8,925,967	1,843,464	-	50,000,000	60,769,431
Total	8,925,967	1,843,464	-	50,000,000	60,769,431
Liabilities					
Saudi Industrial Development Fund (SIDF) Loan	-	65,000,000	503,000,000	-	568,000,000
Provision for dismantling, removing and rehabilitation of areas subject to franchise license	-	-	-	7,887,963	7,887,963
Employees' defined benefit obligations	-	-	-	2,510,820	2,510,820
Accounts payable, accrued expenses and other credit balances	69,510,352	-	-	-	69,510,352
Lease obligations	69,171	657,513	1,549,044	-	2,275,728
Zakat provision	-	6,580,364	-	-	6,580,364
Total	69,579,523	72,237,877	504,549,044	10,398,783	656,765,227

22-FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Credit risks

Credit risk is the risk that one party may fail to discharge an obligation and will cause the other party to incur a financial loss. The Company is exposed to credit risk on its bank balances and receivables as follows:

	31 December 2020 SAR	31 December 2019 SAR
Cash at banks	**103,784,670**	48,142,031
Accounts receivable, net	**6,666,200**	8,107,648
	110,450,870	56,249,679

Market price risk

Market risk is the risk that arises from changes in the fair value of future cash flows of financial instruments due to changes in market prices. Market rates have 3 types: Interest rate risk. Currency risk and other price risks such as Shares price risk and commodity price risk, and includes financial liabilities affected by market price risk on loans, accouant receivables and payables.

Interest rate risk

Interest rate risk is the risk that arises from changes in the fair value of future cash flows of financial instruments because of a change in the interests rate of the market. The company's financial assets and liabilities as of the balance sheet date, with the exception of long-term loans, are not exposed to interest rate risk. Long-term loans carry interest in addition to credit margin based on prevailing market interest rates.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's primary transactions are in Saudi riyals and US dollars. Management monitors currency fluctuations.

Fair value

The fair value of the company's financial assets and liabilities is not materially different from carrying amounts that are included in the financial statements.

Capital risks management

The company's policy is to maintain a strong capital base to maintain the confidence of investors, creditors and the market and to maintain the future development of business. The company monitors its capital base using the ratio of net debt to equity, net debt is calculated on the basis of murabahas less Cash and cash equivalents.

The following is the net debt to equity ratio of the company at the end of the year:

	31 December 2020 SAR	31 December 2019 SAR
Long-term financing Murabaha	**451,482,294**	544,328,063
Less: Cash and cash equivalents	**(103,821,061)**	(48,167,686)
Net debt	**347,661,233**	496,160,377
Total Equity	**720,389,474**	633,527,876
Net debt-to-equity ratio	**%48**	%78

23- Transactions with Company's Senior Executives

Related parties represent non-executive directors, key management personnel of the Company who are considered those personnel exercising authority and responsibility for planning, managing and controlling the activities of the Company, directly or indirectly, including the managers. Transactions for the year ended 31 December are:

	Nature of transaction	31 December 2020 SAR	31 December 2019 SAR
Independent BoD members	Bonuses, and allowances	**1,206,000**	1,245,000
Non-executive BoD members	Bonuses, and allowances	**224,000**	224,000
Senior management personnel	Salaries, Bonuses, and allowances	**4,421,102**	2,722,950

24- EARNING PER SHARE

Earnings per share from net income is calculated by dividing the net income for the year by the weighted average number of shares outstanding as at the end of the year amounting 55,000,000 shares (31 December 2019: 55,000,000 shares).

25- CONTINGENT LIABILITIES

- The Company has contingent liabilities arising from an outstanding letter of guarantee amounting to SAR 50 million as of 31 December 2020 (31 December 2019: amounting to SAR 50 million). The letter of guarantee is issued for the Ministry of Energy, Industry and Mineral Resources against supplying the Company with fuel and the Company's commitment to set up a white cement plant. As of 31 December 2020, the letter of guarantee amounted to SAR 100 million (31 December 2019: SAR 100 million). This letter is secured by 50% of its amount. As of 31 December 2020, the bank guarantee balance amounted to SAR 50 million (31 December 2019: SAR 50 million) (note 9).
- There is a court case filed against the company during the normal business cycle, and it is currently being litigated, but the final outcome of that case cannot be determined with certainty. Presently, the company's management does not expect that the results of this case will be material on the financial statements.

26- DIVIDENDS

On Shaban 13, 1441 AH, corresponding to 6 April 2020, the Ordinary General Assembly meeting held on that date approved the Board of Directors's recommendation to distribute dividends for the year 2019 by 25 halalas per share, which represents 2.5% of the par value of the share in an amount of 13,750,000 Saudi riyals, in addition to what was previously distributed The company received profits for the first half of 2019, amounting to 25 halalas per share, during the year 2019, so that the total dividends for the year 2019 will be 50 halalas per share, with a total amount of 27,500,000 Saudi riyals.

On 7 Dhu al-Hijjah 1441 AH corresponding to July 28, 2020, the Board of Directors decided, based on the authorization of the Ordinary General Assembly held on 6 April 2020, to distribute dividends for the first half of the year 2020 by 30 halalas per share, which represents 3% of the nominal value of the share in an amount of 16,500,000 Saudi riyals. Total distributions for the year ended December 31, 2020 AD with total amount of 30,250,000 Saudi riyals.

27- COMPARATIVE FIGURES

Certain comparative figures for the year have been reclassified to conform with the classification of the current year.

28- IMPORTANT MATTERS DURING THE YEAR

During the year 2020, the company's management prepared a technical study which showed that the company's quarry, suffers from poverty in highly concentrated limestone materials, which are mainly used in the production of the clinker Used in cement production. The company has conducted a cross-sectional drilling study of the area adjacent to the company's quarry through one of the companies specialized in that field, which showed the presence of highly concentrated limes stocks in large quantities. During the month of December 2020, the company submitted an application on the platform of the Mineral Resources Agency to obtain an exploration license for that area, and until the date of the financial position, the company did not receive any response from the Mineral Resources Agency regarding the submitted application.

In response to the spread of the Covid-19 in GCC during the beginning of 2020 and other territories where the Company operates and its resulting disruptions to the social and economic activities in those markets, Management had proactively assessed its impacts on its operations and took a series of preventive measures, including the creation of on-going crisis management teams and processes, to ensure the health and safety of its employees, customers, consumers and the wider community as well as to ensure the continuity of supply of its products throughout its markets. Notwithstanding these challenges, the Company's operations remained largely unaffected as the food industry in general was exempt from the various bans and constraints imposed by various regulatory authorities including exemption from curfew hours and cargo shipping and flight operations restrictions. The underlying demand from retail and wholesale customers for the Company's products has been largely unaffected, although some small shifts in product mix were apparent. Based on these factors, Management believes that the Covid-19 pandemic has had no material effect on Almarai's reported financial results for the year ended 31 December 2020. The Group continues to monitor the Covid-19 situation closely although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the Group's operations during 2021 or beyond.

29- SUBSEQUENT EVENTS

On 26 Rajab 1442 H, corresponding to 10 March 2021,the Board of Directors recommended that its meeting be held on that date for the next general assembly, to dividend distribution for the second half of 2020 by amount 40 halala per share representing 4% of the value of the share with total amount SR 22,000,000. that in addition to the dividends for the first half of 2020 with amount of 30 halal per share (Note 26), so that the total distributions for the year 2020 (70 halala per share) with a total amount of 38,500,000 Saudi riyals.

In the opinion of the management, there were no other significant events subsequent to 31 December 2020 that are expected to have a significant impact on these financial statements as at 31 December 2020.

30- APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the board of directors on 26 Rajab 1442 H (10 March 2021).