

**SAUDI CEMENT COMPANY  
(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

Saudi Cement Company  
(Saudi Joint Stock Company)  
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2021

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## INDEPENDENT AUDITOR'S REPORT

To the shareholders of  
Saudi Cement Company – Joint Stock Company  
Dammam – Kingdom of Saudi Arabia

### **Opinion**

We have audited the consolidated financial statements of Saudi Cement Company (“Saudi Joint Stock Company”) (“the Company”) and its subsidiary (collectively referred to as the “Group”) which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of income and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### **Basis for opinion**

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

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Existence and valuation of inventories</b>	
Refer to note 4 for the accounting policy and note 11 for the related disclosures.	
<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The inventory of the Group includes raw materials and work in process with total amount of SR 324.94 million. This mainly include Clinker, Bauxite and Iron ore which are stored in stockpiles in yards. As the weighing of these inventories is not practically possible, management appoints an external surveyor to assess the reasonableness of the quantities on hand by obtaining measurements of the stockpiles and converting these measurements to unit of volumes by using angle of repose and bulk density.</p> <p>Due to the significance of inventory balances and related estimations involved in determining the quantities, existence and valuation of inventories was considered as a key audit matter.</p>	<p>Our audit procedures to assess the existence and valuation of inventory included the following:</p> <ul style="list-style-type: none"> <li>• Attended physical inventory counts performed by the Group and the external surveyor;</li> <li>• Evaluated the competence, capabilities and objectivity of the surveyor;</li> <li>• Obtained and reviewed the inventory count report of the external surveyor for major stock items on sample basis;</li> <li>• Assessed the reasonableness of management's measurements of stockpiles during the physical count and calculation of the conversion to the volumes;</li> <li>• Tested the valuation of year-end inventory including NRV on sample basis;</li> <li>• Assessed the completeness and adequacy of disclosures relating to the inventories in the consolidated financial statements.</li> </ul>
<b>Revenue recognition</b>	
Refer to note 4 for the accounting policy and note 20 for related disclosures.	
<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The Group has recognized revenue from operations amounted to SR 1,409.57 million. The Group expects the revenue recognition to occur at point in time when control over the goods are transferred to the customer generally on delivery of the goods. Accordingly, this requires the management to establish the fact that control over goods is transferred at the time of dispatch in accordance with "IFRS 15 - Revenue from contracts with customers". The variety of terms that define when control are transferred to the customer as well as the high value of the transactions give rise to the risk that revenue is not recognized in the correct period. The Group focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before the control has been transferred.</p> <p>Accordingly due to the significant risk associated with revenue recognition in accordance with terms of IFRS 15 ' it was determined to be a key audit matter.</p>	<p>Our audit procedures to assess the recognition of revenue included the following:</p> <ul style="list-style-type: none"> <li>• Assessed Group's revenue recognition policy and its compliance in terms of IFRS 15;</li> <li>• Assessed the design and implementation of controls related to revenue recognition;</li> <li>• Performed sample tests of individual sales transaction and traced to sales invoices, sales orders and other related documents. Further in respect of the samples tested, we checked that the revenue has been recognized as per the shipping terms;</li> <li>• Selected sample of revenue transactions made pre- and post-year end and agreed the period of revenue recognition to third party support such as transporter invoice and customer confirmation of receipt of goods;</li> </ul>

	<ul style="list-style-type: none"> <li>• Performed revenue analysis by streams to identify any unusual trends.</li> <li>• Assessed the completeness and sufficiency of disclosures relating to revenue in the consolidated financial statements.</li> </ul>
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#### Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Annual Report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

#### Responsibilities of management and Those Charged with Governance ("TCWG") for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS endorsed in the Kingdom of Saudi Arabia, other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA), Regulations for Companies and the Company's Bylaws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those Charged with Governance, in particular the Audit Committee, are responsible for overseeing the Group's financial reporting process.

#### Auditor's responsibilities for the audit of the consolidated financial statements

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



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

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

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

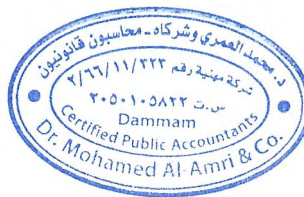
We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

For Dr. Mohamed Al-Amri & Co.



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



February 27, 2022 G  
Rajab 26, 1443 H

Saudi Cement Company  
(Saudi Joint Stock Company)  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
As at 31 December 2021

	Note	2021 SR '000	2020 SR '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	2,283,292	2,434,391
Right-of-use assets	7	20,455	27,893
Intangibles	8	14,941	18,685
Investment in an associate	9	37,407	32,731
Equity investment designated at fair value through other comprehensive income (FVOCI)	10	3,533	2,971
<b>Total non-current assets</b>		<b>2,359,628</b>	<b>2,516,671</b>
<b>Current assets</b>			
Inventories	11	517,070	632,045
Trade receivables	12	394,480	368,748
Prepayments and other receivables	13	39,476	35,744
Term deposit		113	110
Cash and cash equivalents	14	81,496	124,513
<b>Total current assets</b>		<b>1,032,635</b>	<b>1,161,160</b>
<b>TOTAL ASSETS</b>		<b>3,392,263</b>	<b>3,677,831</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	15	1,530,000	1,530,000
Statutory reserve		459,000	459,000
Fair value reserve		673	111
Retained earnings		443,619	662,974
<b>Equity attributable to the shareholders of the Company</b>		<b>2,433,292</b>	<b>2,652,085</b>
Non-controlling interests	5	-	24,851
<b>Total equity</b>		<b>2,433,292</b>	<b>2,676,936</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Employees' benefits	16	104,255	91,077
Lease liabilities	7	14,755	21,974
Retention payable		1,400	1,400
<b>Total non-current liabilities</b>		<b>120,410</b>	<b>114,451</b>
<b>Current liabilities</b>			
Lease liabilities	7	8,853	8,793
Short term loans	17	350,000	400,000
Trade payables		57,405	63,871
Dividend payable		226,549	221,000
Accruals and other payables	19	170,592	170,815
Provision for zakat	23	25,162	21,965
<b>Total current liabilities</b>		<b>838,561</b>	<b>886,444</b>
<b>TOTAL LIABILITIES</b>		<b>958,971</b>	<b>1,000,895</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,392,263</b>	<b>3,677,831</b>

Finance Manager

  
Evan Abaza

Designated Member /  
CEO

  
Mohammed A. AlGarni

Chairman

  
Khaled Abdulrahman Al-Rajhi

The accompanying notes from 1 to 34 form integral part of these consolidated financial statements.

Saudi Cement Company  
(Saudi Joint Stock Company)  
CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME  
For the year ended 31 December 2021

	Note	2021 SR '000	2020 SR '000
Revenue	20	1,409,569	1,569,633
Cost of revenue		(879,177)	(903,255)
<b>GROSS PROFIT</b>		<b>530,392</b>	<b>666,378</b>
Selling and distribution expenses	21	(118,160)	(117,398)
General and administrative expenses	22	(67,934)	(69,911)
<b>OPERATING PROFIT</b>		<b>344,298</b>	<b>479,069</b>
Other income		13,786	11,556
Share in net results of an associate	9	4,676	25
Impairment of goodwill		-	(1,679)
Financial charges		(8,405)	(13,413)
<b>INCOME BEFORE ZAKAT</b>		<b>354,355</b>	<b>475,558</b>
Zakat expense	23	(24,000)	(24,000)
<b>NET INCOME FOR THE YEAR</b>		<b>330,355</b>	<b>451,558</b>
<b>Other comprehensive (loss) / income</b>			
<b>Item that will not be reclassified to profit or loss in subsequent periods</b>			
Re-measurement (loss) / gain on defined benefit obligations	16	(11,061)	1,865
Fair value changes in equity investment designated at FVOCI	10	562	176
Total other comprehensive (loss) / income		(10,499)	2,041
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>319,856</b>	<b>453,599</b>
<b>Net income for the year attributable to:</b>			
Shareholders of the Company		331,920	455,959
Non-controlling interests	5	(1,565)	(4,401)
		<b>330,355</b>	<b>451,558</b>
<b>Total comprehensive income for the year attributable to:</b>			
Shareholders of the Company		319,856	457,935
Non-controlling interests		-	(4,336)
		<b>319,856</b>	<b>453,599</b>
<b>Earnings per share (Saudi Riyals)</b>			
Basic and diluted earnings per share attributable to the shareholders of the Company	24	2.17	2.98

Finance Manager  
  
Evan Abaza

Designated Member /  
CEO  
  
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Saudi Cement Company  
(Saudi Joint Stock Company)  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
For the year ended 31 December 2021

	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Equity attributable to shareholders	Non-controlling interests	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
<b>Balance at 01 January 2020</b>	1,530,000	459,000	-	740,650	2,729,650	-	2,729,650
Acquisition of a subsidiary	-	-	-	-	-	29,187	29,187
Net income for the year	-	-	-	455,959	455,959	(4,401)	451,558
Other comprehensive income	-	-	111	1,865	1,976	65	2,041
Total comprehensive income	-	-	111	457,824	457,935	(4,336)	453,599
Dividend (note 18)	-	-	-	(535,500)	(535,500)	-	(535,500)
<b>Balance at 31 December 2020</b>	<b>1,530,000</b>	<b>459,000</b>	<b>111</b>	<b>662,974</b>	<b>2,652,085</b>	<b>24,851</b>	<b>2,676,936</b>
Net income for the year	-	-	-	331,920	331,920	(1,565)	330,355
Other comprehensive income / (loss)	-	-	562	(11,061)	(10,499)	-	(10,499)
Total comprehensive income	-	-	562	320,859	321,421	(1,565)	319,856
Purchase of additional shares in UCC (note 5)	-	-	-	(4,714)	(4,714)	(23,286)	(28,000)
Dividend (note 18)	-	-	-	(535,500)	(535,500)	-	(535,500)
<b>Balance at 31 December 2021</b>	<b>1,530,000</b>	<b>459,000</b>	<b>673</b>	<b>443,619</b>	<b>2,433,292</b>	<b>-</b>	<b>2,433,292</b>

Finance Manager

Evan Abaza

Designated Member / CEO

Mohammed A. AlGarni

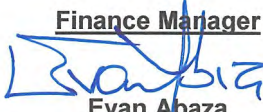
Chairman

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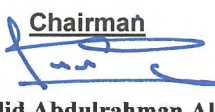
The accompanying notes from 1 to 34 form an integral part of these consolidated financial statements.

Saudi Cement Company  
(Saudi Joint Stock Company)  
CONSOLIDATED STATEMENT OF CASH FLOWS  
For the year ended 31 December 2021

	Note	2021 SR '000	2020 SR '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before zakat		354,355	475,558
<b><i>Adjustment to reconcile income before zakat to net cash generated by operating activities</i></b>			
Depreciation - property, plant and equipment	6	216,075	214,103
Depreciation - right-of-use assets	7	7,476	7,593
Amortization – intangibles	8	3,744	3,171
Gain on disposal of property, plant and equipment		(923)	(1,858)
Share in net results of an associate	9	(4,676)	(25)
Impairment of goodwill		-	1,679
Provision for employees' benefits	16	7,846	9,183
Allowance for slow moving and obsolete inventories	11	11,170	103
Gain on derecognition of an associate		-	(3,973)
Financial charges		8,405	13,413
		<b>603,472</b>	<b>718,947</b>
<b><i>Working capital changes</i></b>			
Inventories		103,805	127,384
Trade receivables		(25,732)	(19,466)
Prepayments and other receivables		(3,732)	(3,772)
Trade payables		(6,466)	(140)
Accruals and other payables		5,326	31,439
		<b>73,201</b>	<b>135,445</b>
Financial charges paid		(7,136)	(11,893)
Zakat paid	23	(20,803)	(24,286)
Employees benefits paid	16	(5,729)	(6,722)
<b>Net cash generated from operating activities</b>		<b>643,005</b>	<b>811,491</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	6	(65,149)	(75,504)
Proceeds from disposal of property, plant and equipment		1,096	1,873
Additions to intangibles	8	-	(12,608)
Additional investment made in subsidiary-net	5	(28,000)	10,833
Term deposit		(3)	(4)
<b>Net cash used in investing activities</b>		<b>(92,056)</b>	<b>(75,410)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net movements in short term loans		(50,000)	(195,000)
Repayment of lease liabilities	7	(8,466)	(8,260)
Dividend paid	18	(535,500)	(535,500)
<b>Net cash used in financing activities</b>		<b>(593,966)</b>	<b>(738,760)</b>
Net change in cash and cash equivalents		(43,017)	(2,679)
Cash and cash equivalents at the beginning of the year		124,513	127,192
<b>Cash and cash equivalents at the end of the year</b>	14	<b>81,496</b>	<b>124,513</b>

Finance Manager  
  
Evan Abaza

Designated Member /  
CEO  
  
Mohammed A. AlGarni

Chairman  
  
Khalid Abdulrahman Al-Rajhi

The accompanying notes from 1 to 34 form integral part of these consolidated financial statements.

## 1 CORPORATE INFORMATION

Saudi Cement Company ("the Company") is a Saudi Joint Stock Company incorporated under Royal Decree number 6/6/10/726 dated 8 Rabi' II 1375 H (corresponding to 23 November 1955) and registered in the Kingdom of Saudi Arabia, in the city of Dammam under Commercial Registration number 2050000602 dated 6 Dhul Qaidah 1377 H (corresponding to 24 May 1958). The Company is engaged in manufacturing and selling cement and its related products.

The Company obtained under the Royal Decree number 10/6/6/8500 dated 26 Rajab 1370H corresponding to 3 May 1951, the right of the mining concession for the extraction of limestone, gypsum and clay and all the necessary materials for the manufacture of cement in Al I lassa for 30 years period.

Thereafter, the Company obtained the licenses for the existing quarries under the Royal Decree number M/11 dated 29/04/1405H (corresponding to 22/01/1985) which gives mining concession for the extraction of limestone, gypsum and clay and all the necessary materials for the manufacture of cement for 30 years period.

In the year 1985, a Saudi Bahraini Company obtained the right of the mining concession for the extraction of limestone, gypsum and clay under the Royal Decree number M/12 dated 29/04/1405H (corresponding to 22/01/1985) which was merged with the Saudi Cement Company in 1990. Accordingly, the Ministry of Petroleum and Mineral Resources resolved on 04/01/1412H (corresponding to 15/07/1991) to transfer all quarries and related licenses of Saudi Bahraini Company to the Saudi Cement Company.

In the year 2020, all of the above licenses which have been issued under the Royal Decree numbers M/11 and M/12 dated 29/04/1405H (corresponding to 22/01/1985) were renewed by the Ministry of Industry and Mineral Resources for a period of 30 years started from 29/4/1435 H (corresponding to 01 March 2014) except quarry license for Aba Hamama area in Al-Ahsa region which has been renewed for 10 years started from 11/12/1441 (corresponding to 01 August 2020).

The Company has one subsidiary, United Cement Company W.L.L (UCC), collectively referred to as "the Group". Details of UCC are given here-under:

Name	Country of incorporation	Relationship	Percentage of holding	
			31 December 2021	31 December 2020
United Cement Company W.L.L	Kingdom of Bahrain	Subsidiary	100%	63%

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

These consolidated financial statements have been prepared in accordance with IFRS endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

### **2.2 Basis of measurement**

These consolidated financial statements are prepared under the historical cost convention, using the accruals basis of accounting except for certain employees' benefits which are measured at present value and equity investment at FVOCI which is measured at fair value.

All values are rounded to the nearest thousand (SR '000), unless when otherwise stated.

### **2.3 Functional and presentation currency**

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

### **2.4 Standards, interpretations and amendments to existing standards**

#### **2.4.1 New standards, interpretations and amendments effective in the current year**

The following are the new interpretations and amendments to the standards that are effective in the current year and which either do not give rise to significant changes or not applicable to the Group's accounting policies:

<u>Standards</u>	<u>Title</u>	<u>Effective date</u>
IFRS 16	Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions	1 April 2021
IFRS 9, IAS 39 and IFRS 7	Amendments to IFRS 7 and IFRS 16 interest rate benchmark reform – Phase 2	1 January 2021



## 2.4 Standards, interpretations and amendments to existing standards (continued)

### 2.4.2 New and amended IFRS Standards that are not yet effective

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Group does not foresee any material impact on consolidated financial statements upon the adoption of these amendments to standards.

<u>Standards</u>	<u>Title</u>	<u>Effective date</u>
IAS 37	Onerous Contracts – Amendments regarding Cost of Fulfilling a Contract	1 January 2022
IAS 16	Amendments regarding Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
IFRS 1, IFRS 9, IFRS 16 and IAS 41	Amendment regarding Annual Improvements to IFRS Standards 2018-2020	1 January 2022
IFRS 3	Amendments regarding References to Conceptual Framework	1 January 2022
IAS 1, IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
IAS 1	Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities	1 January 2023
IAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IAS 8	Amendment regarding definition of accounting estimates	1 January 2023

## 2.5 Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiary as at the reporting date. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

## **2.5 Basis of consolidation (continued)**

If the Group loses control over its subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

All material intergroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. The Group and its subsidiary have the same reporting periods.

## **3 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS**

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

### **3.1 Key sources of estimation uncertainty**

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

- Useful lives of property, plant and equipment
- Impairment test of non-financial assets
- Provisions
- Long-term assumptions for employees' benefits
- Allowance for slow moving spare parts
- Existence of Inventory

### **3.2 Critical judgments in applying accounting standards**

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

- Component parts of property, plant and equipment
- Cash generating unit (CGU)
- Decommissioning and restoration costs
- Determining the lease term of contracts with renewal and terminations options.

#### **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Business combination**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in statement of income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value with the exception of liabilities related to employee benefit arrangements which are recognized and measured in accordance with IAS 19 - "Employee benefits".

The Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value. Any resulting gain/loss is recognized in the statement of income. The fair value of previously held interest in the acquiree is then derecognized and included in the calculation of goodwill.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS. Any additional investment made in a subsidiary (not wholly owned) is treated as equity transaction and the difference between the carrying value of non-controlling interests and consideration paid is recorded in retained earnings of the Group.

The initial accounting for a business combination can be determined provisionally by the end of the measurement period (not exceeding 12 months from the acquisition date) and the business combination is accounted for using provisional amounts. Adjustments to provisional amounts and the recognition of newly identified asset and liabilities are made within the 'measurement period' where they reflect new information obtained about facts and circumstances that were in existence at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9: Financial Instruments, is measured at fair value with the changes in fair value recognized in the other comprehensive income.

##### **Property, plant and equipment**

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs include the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects (qualifying assets), if the recognition criteria are met. Where such assets are constructed in-house, their cost includes all amounts necessary to bring the asset to the present condition and location to be ready for intended use by management and excludes all costs such as general and administrative expenses and training costs. Any feasibility study costs are expensed as incurred unless they relate to specifically identifiable asset being constructed in-house and are directly attributable to it. Pre-operating costs during startup period net of proceeds from sale of trial production, are included as part of cost of the relevant item of property, plant and equipment, provided it is a directly attributable cost which meets the recognition criteria, and only up to the point the asset is in a condition ready for intended use.

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item, and where such parts/components have a useful life different than other parts and are required to be replaced at different intervals, the Group shall recognize such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection is performed, its directly attributable cost is recognized in the carrying amount of the property, plant and equipment if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of income and other comprehensive income as incurred.

#### **4 Summary of significant accounting policies (continued)**

##### **Property, plant and equipment (continued)**

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. The Group periodically assesses the expectation and estimation for the decommissioning liability.

Environment, health, safety and security (EHS&S) related expenditures, including contamination treatment costs, are capitalized if they meet the recognition criteria, mainly, that such costs are required by prevailing applicable legislation and are required to continue the license to operate or is imposed by the Group's own mandatory requirements relating to EHS&S. These are capitalized together with the cost of the relevant item of property, plant and equipment to which they relate.

Depreciation is calculated from the date the item of property, plant and equipment are available for its intended use or in respect of self-constructed assets from the date such assets are ready for the intended use.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

Buildings and civil works	13 to 33 years
Plant and equipment	3 to 30 years
Tools and transportation equipment	4 to 10 years
Furniture, fixtures and office equipment	4 to 10 years

The assets' residual values, useful lives and methods of depreciation are reviewed and adjusted prospectively if appropriate, at each financial year-end.

Land and construction work in progress, which are not ready for its intended use, are not depreciated.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

##### **Goodwill and intangible assets**

Goodwill arising on acquisition of a business is included in intangible assets and is initially measured at cost (being the excess of the aggregate of the fair value of consideration transferred and the amount recognised for non-controlling interest and fair value of any previous interest held) over the fair value of net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired in excess of the aggregate consideration transferred, the group re-assess whether it has correctly identified all of the assets acquired and all the liabilities assumed and review the procedures used to measure the amounts to be recognised at the business combination date. If the re-assessment still results in a excess of the fair value of the net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of income. Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less impairment losses.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets are not capitalized and expenditure is recognized in the consolidated statement of income when it is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.



#### **4 Summary of significant accounting policies (continued)**

##### **Goodwill and intangible assets (continued)**

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

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

Softwares are amortised using straight-line method over 10 years. Cost of obtaining / renewing quarry licenses to extract minerals is capitalised as intangibles and is amortised over the term of the licensing period using straight-line method.

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

##### **Right of use assets and leases**

###### The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

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

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

#### **4 Summary of significant accounting policies (continued)**

##### **Right of use assets and leases (continued)**

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

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

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired.

##### **Variable lease payments**

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

##### **Extension and termination options**

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

##### **Investments in associates**

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. This is generally the case where the Group holds between 20% and 50% of the voting rights.

#### **4 Summary of significant accounting policies (continued)**

##### **Investments in associates (continued)**

Equity method of accounting is used for the investment in associates. Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in income and the Group's share of movements in other comprehensive income (OCI) of the investee in other comprehensive income.

Dividends received or receivable from associate are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss as 'Share in net result of associates' in the consolidated statement of income and other comprehensive income.

##### **Impairment of goodwill and other non-financial assets**

###### **Goodwill**

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the cash-generating units ("CGU") that are expected to benefit from the synergies of the combination and represents the lowest level at which goodwill is monitored for internal management purposes. A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on pro-rata based on the carrying amount of each asset in the CGU. Any impairment loss is recognized immediately in the consolidated statement of income. Impairment of goodwill is not subsequently reversed.

###### **Other non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the assets recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets in which case the Group estimates the recoverable amount of the CGU to which the asset belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. In assessing the value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate (pre-zakat) that reflects current market assessment of the time value of money and the risks specific to the asset.

#### **4 Summary of significant accounting policies (continued)**

##### **Impairment of goodwill and other non-financial assets (continued)**

The Group's impairment calculation is based on detailed budgets and forecast calculations which are prepared for the Group as whole, as the Group considered as single CGU. These budgets and forecast calculations are generally covering a five-year period. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the budget period.

Impairment losses of continuing operations, including impairment on working capital, if applicable, are recognized in the consolidated statement of income and other comprehensive income in those expense categories consistent with the function of the impaired asset.

Irrespective of whether there is any indication of impairment, the Group shall also test intangible assets with an indefinite useful life (including goodwill) for impairment on annual basis.

For assets other than above, an assessment is made at each financial year-end as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. This reversal is limited such that the recoverable amount doesn't exceed what the carrying amount would have been, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income and other comprehensive income.

##### **Inventories**

Inventories, including raw materials, finished goods and consumables (spares) are valued at the lower of cost i.e. historical purchase prices based on the weighted average principle plus directly attributable costs (primarily duty and transportation), or the net realizable value.

Inventories of finished goods include cost of materials, labor and an appropriate proportion of variable and fixed direct overheads.

The cost of inventories is assigned by using weighted average cost formula. The Group is using the same cost formula for all inventories having a similar nature and use to the Group. For inventories with a different nature or use, different cost formulas are used.

Abnormal inventory losses due to quality or other issues and overheads incurred during unplanned maintenance / shut down period are excluded from inventory costs. The allocation of overheads at period end for the purpose of inventory valuation are based on the higher of normal capacity or actual production for the period. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to complete a sale.

##### **Consumable spare parts**

Consumables are ancillary materials which are consumed in the production of semi-finished and finished products. Consumables may include engineering materials, one-time packaging materials and certain catalysts.



#### **4 Summary of significant accounting policies (continued)**

##### **Inventories (continued)**

Spare parts are the interchangeable parts of property, plant and equipment, which are considered to be essential to support routine maintenance, repair and overhaul of plant and equipment or to be used in emergency situations for repairs. The Group maintains the following different types of spare parts:

- Stand-by equipment items acquired together with the plant/production line or purchased subsequently but related to a particular plant or production line and will rarely be required are critical to plant operation and must be available at stand-by at all times. These are capitalized as part of property, plant and equipment and depreciated from purchase date over a period which is shorter of the component's useful life or the remaining useful life of the plant in which it is to be utilized. These do not form part of inventory provided capitalization criteria under property, plant and equipment is met.
- Repairable items that are plant/production line specific with long lead times and will be replaced and refurbished frequently (mostly during turnarounds). These are capitalized as part of property, plant and equipment where the capitalization criteria are met. Depreciation is started from day of installation of these items in the plant, and the depreciation period is the shorter of the useful life of the component and the remaining useful life of the related property, plant and equipment in which it is installed. These do not form part of inventory.
- General spares and other consumables items which are not of a critical nature and are of a general nature, i.e., not plant specific and can be used in multiple plants or production lines and any other items which may be required at any time for facilitating plant operations. They are generally classified as 'consumables and spare parts' under inventory, unless they exceed the capitalization threshold and have a useful life of more than one year, under which case they are recorded under property, plant and equipment. Items recorded under inventory are subject to assessment for obsolescence provision and are charged to the consolidated statement of income and other comprehensive income upon their installation or use. Where such items meet criteria for capitalization, their depreciation method is similar to repairable items as noted above.

##### **Cash and cash equivalents**

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

##### **Statutory reserve**

In accordance with Company's Bylaws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company established a statutory reserve by the appropriation of 10% of net income until the reserve equaled 30% of the share capital.

##### **Employees' benefits**

###### Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, air fare, child education allowance, furniture allowance that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in consolidated statement of financial position.

###### Employees' end of services benefits

The liability or asset recognized in the consolidated statement of financial position in respect of the defined end of service benefit plan is the present value of the defined benefit obligations at the end of the reporting period. The defined benefit obligation is calculated by an independent actuary using the projected unit credit method.

#### **4 Summary of significant accounting policies (continued)**

##### **Employees' benefits (continued)**

The net interest cost is calculated by applying the discount rate to the net balance of the defined end of service benefit obligations. This cost is included in employee benefit expense in the consolidated statement of income and other comprehensive income. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognised immediately in consolidated statement of income and other comprehensive income as past service costs.

##### Employees' saving fund

The Group operates a saving plan to encourage its employees to make savings in a manner that will warrant an increase in their income and contribute to securing their future according to the established plan. The saving contributions from the participants are deposited in a separate bank account other than the Group's normal operating bank accounts (but not in any separate legal entity). This cash is a restricted balance and for purpose of presentation in the financial statements, it is offset with the related liability under the savings plan and net liability to employees is reported under the employee benefits liability.

##### **Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where management of the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in consolidated statement of income and other comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

##### **Zakat**

Zakat is provided in accordance with the Regulations of the Zakat, Tax and Customs Authority Regulations (ZATCA) in the Kingdom of Saudi Arabia. The provision is charged to the consolidated statement of income and other comprehensive income.

##### **Financial instruments**

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### **Financial assets**

The Group determines the classification of its financial assets at initial recognition. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

#### **4 Summary of significant accounting policies (continued)**

##### **Financial assets (continued)**

###### **i. Initial recognition and measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of income and other comprehensive income as incurred.

###### **ii. Subsequent measurement**

The financial assets are classified in the following measurement categories for the purpose of subsequent measurement:

- a) Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- b) Those to be measured at amortized cost.

##### **Financial assets at fair value**

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL. Net gains and losses, including any interest or dividend income, are recognised in consolidated statement of income. Dividends on financial assets at FVOCI are recognised as income in consolidated statement of income unless the dividend clearly represents a recovery of part of the cost of the investment.

For assets measured at fair value, gains and losses are either be recorded in income or other comprehensive income. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

##### **Financial assets at amortized cost**

Subsequent measurement of financial assets at amortized cost depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies financial assets at amortised cost based on the below:

- a) The asset is held within a business model with the objective of collecting the contractual cash flows, and
- b) The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Shareholder loans to joint venture entities are carried at amortized cost.

The Group's financial assets at amortized cost include trade receivables, due from related parties and cash and cash equivalents.

#### **4 Summary of significant accounting policies (continued)**

##### **Financial assets (continued)**

Trade receivables are stated at the amortized cost, which generally correspond to face value (original invoice amount), do not bear interest, and generally have a 30 to 90 days term, less any provision for doubtful debts and impairment. An allowance for doubtful debts is made based upon Group's best estimate of expected credit losses related to those receivables. Such estimate is based on customers' financial status and historical write-off experience. Account balances are written off against such allowance after all means of collection have been exhausted and potential of recovery is remote. Bad debts written off as such are recorded in the consolidated statement of income and other comprehensive income as incurred.

##### **iii. De-recognition of financial assets**

The Group derecognizes a financial asset when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of the transferred financial asset, the Group continues to recognize the financial asset and also recognises a collateralized borrowing for the proceeds received.

##### **iv. Impairment of financial assets**

The Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets and credit risk exposure that are debt instruments and are measured at amortized cost e.g., trade receivables and Murabaha deposits.

Expected credit losses are the probability-weighted estimate of credit losses (i.e. present value of all cash shortfalls) over the expected life of the financial asset. A cash shortfall is the difference between the cash flows that are due in accordance with the contract and the cash flows that the Group expects to receive. The expected credit losses consider the amount and timing of payments and hence, a credit loss arises even if the Group expects to receive the payment in full but later than when contractually due. The expected credit loss method requires assessing credit risk, default and timing of collection since initial recognition. This requires recognizing allowance for expected credit losses in the consolidated statement of income and other comprehensive income even for receivables that are newly originated or acquired.

Impairment of financial assets is measured as either 12 month expected credit losses or life time expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. '12 month expected credit losses' represent the expected credit losses resulting from default events that are possible within 12 months after the reporting date. 'Lifetime expected credit losses' represent the expected credit losses that result from all possible default events over the expected life of the financial asset.

Trade receivables are of a short duration, normally less than 12 months and hence the loss allowance measured as lifetime expected credit losses does not differ from that measured as 12 month expected credit losses. The Group applies simplified approach for measuring expected credit losses for trade receivables using a provision matrix based on ageing of receivables.



#### **4 Summary of significant accounting policies (continued)**

##### **Financial liabilities**

The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value. Financial liabilities accounted at amortized cost like borrowings are accounted at the fair value determined based on the effective interest rate method (EIR) after considering the directly attributable transaction costs.

The financial liabilities are classified in the following measurement categories:

- a) Those to be measured as financial liabilities at fair value through profit or loss, and
- b) Those to be measured at amortized cost.

The Group classifies all financial liabilities as subsequently measured at amortized cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

The effective interest rate ("EIR") method calculates the amortized cost of a debt instrument by allocating interest charge over the relevant effective interest rate period. The effective interest rate is the rate that exactly discounts estimated future cash outflow (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. This category generally applies to borrowings and trade payables.

##### **Financial instruments**

The Group's financial liabilities include trade and other payables, borrowings including bank overdrafts and amounts due to related parties. The Group measures financial liabilities (except derivatives) at amortized cost.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of income and other comprehensive income.

##### **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

#### **4 Summary of significant accounting policies (continued)**

##### **Transactions and balances in foreign currency**

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in the consolidated statement of income and other comprehensive income.

##### **Fair value measurement**

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

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

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

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

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

##### **Revenue recognition**

Revenue from contracts with customers is recognized when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the cement and clinkers. The normal credit term is 60 to 90 days upon delivery. The Group considers whether there are other promises in the contract that are separate performance obligations i.e, transportation, to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of cement and clinkers, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any).

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. No element of financing component is deemed present as the sales are either made on cash or credit terms with less than 12 months. The Group acts as principal and record sale on gross basis.

#### **4 Summary of significant accounting policies (continued)**

##### **Expenses**

###### Cost of sales

All expenses are recognized on an accrual basis. Operating costs are recognized on a historical cost basis. Production costs and direct manufacturing expenses are classified as cost of sales. This includes raw material, direct labor / employees cost, depreciation, amortization and other attributable overhead costs. Other costs such as selling costs are recorded as selling and distribution expenses while all remaining other costs are presented as general and administrative expenses.

###### Selling and distribution expenses

These include any costs incurred to carry out or facilitate all selling activities at the Group. These costs typically include marketing and distribution and logistics expenses as well as commissions. These also include allocations of certain general overheads.

###### General and administrative expenses

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

Allocation of overheads between cost of sales, selling and distribution expenses, and general and administrative expenses, where required, is made on a consistent basis based on predetermined rates as appropriate by the Group.

##### **Finance income**

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the consolidated statement of income and other comprehensive income. Earnings on time deposits are recognized on an accrual basis.

##### **Earnings per share**

Basic earnings per share are calculated as follows:

- Dividing the net income attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares, if any.

Diluted EPS is calculated by dividing the net profit attributable to ordinary shareholders of the Group (after adjusting for interest on the convertible preference shares, if any) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion, (if any) of all the dilutive potential ordinary shares into ordinary shares.

#### **4 Summary of significant accounting policies (continued)**

##### **Dividend**

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

##### **Segment Reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's management. The Group's operating segments are analyzed and aggregated based on the locations / geography.

#### **5 ACQUISITION OF UNITED CEMENT COMPANY**

- 5.1** As of 31 December 2019, the Company had 36% investment in shares of United Cement Company (UCC). On 09 January 2020 (acquisition date / business combination date), the Company acquired additional 27% shares of UCC at a cash consideration of SR 22.98 million and consequently, it becomes a subsidiary of the Company with an aggregate shareholding of 63%.
- 5.2** On 11 May 2021, the Group acquired further 37% shares in UCC at a cash consideration of SR 28 million, which resulted in an increase in its shareholding from 63% to 100%. The purchase was accounted for as an equity transaction and the difference of SR 4.71 million between the carrying value of non-controlling interests i.e. SR 23.29 million and cash consideration paid i.e. SR 28 million has been recorded in the retained earnings of the Group. Non-controlling interests from 01, January 2021 till the date of further acquisition was amounted to SR 1.57 million and is shown in the statement of income.

## 6 PROPERTY, PLANT AND EQUIPMENT

2021:

	Land SR '000	Buildings and civil works SR '000	Plant and equipment SR '000	Tools and transportation equipment SR '000	Furniture, fixtures and office equipment SR '000	Construction work in progress SR '000	Total SR '000
<b>Cost:</b>							
At the beginning of the year	69,607	1,896,203	5,346,217	302,855	62,757	203,818	7,881,457
Additions	-	157	39,375	4,947	925	19,745	65,149
Transfer from construction work in progress	-	-	4,468	-	1,205	(5,673)	-
Disposals	-	-	-	(23,265)	(110)	-	(23,375)
<b>At the end of the year</b>	<b>69,607</b>	<b>1,896,360</b>	<b>5,390,060</b>	<b>284,537</b>	<b>64,777</b>	<b>217,890</b>	<b>7,923,231</b>
<b>Accumulated depreciation:</b>							
At the beginning of the year	-	1,321,964	3,781,768	284,988	58,346	-	5,447,066
Charge for the year	-	32,483	169,487	12,271	1,834	-	216,075
Disposals	-	-	-	(23,092)	(110)	-	(23,202)
<b>At the end of the year</b>	<b>-</b>	<b>1,354,447</b>	<b>3,951,255</b>	<b>274,167</b>	<b>60,070</b>	<b>-</b>	<b>5,639,939</b>
<b>Net book value:</b>							
<b>At 31 December 2021</b>	<b>69,607</b>	<b>541,913</b>	<b>1,438,805</b>	<b>10,370</b>	<b>4,707</b>	<b>217,890</b>	<b>2,283,292</b>

6.1 Certain property, plant and equipment are constructed on the land provided under the right of the mining concession by the government (note 1).

6.2 Construction work in progress includes the ongoing construction work of a bulk railway loading facility and its railway link (collectively referred to as "the railway project") and other construction projects. Subsequent to the year ended 31 December 2021, the Group has agreed with the main contractor and a new sub-contractor to complete the said railway project within 5 months from the date of signing of the contract which is now in final stage. The management believes to get the contract signed in the first quarter of 2022.

## 6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### 2020:

	Land SR '000	Buildings and civil works SR '000	Plant and equipment SR '000	Tools and transportation equipment SR '000	Furniture, fixtures and office equipment SR '000	Construction work in progress SR '000	Total SR '000
<b>Cost:</b>							
At the beginning of the year	69,607	1,869,865	5,220,927	280,619	60,846	206,290	7,708,154
Effect of business combination	-	22,131	58,173	29,933	1,517	-	111,754
Additions	-	4,227	42,824	3,032	2,929	22,492	75,504
Transfer from construction work in progress	-	-	24,964	-	-	(24,964)	-
Disposals	-	(20)	(671)	(10,729)	(2,535)	-	(13,955)
At the end of the year	<b>69,607</b>	<b>1,896,203</b>	<b>5,346,217</b>	<b>302,855</b>	<b>62,757</b>	<b>203,818</b>	<b>7,881,457</b>
<b>Accumulated depreciation:</b>							
At the beginning of the year	-	1,279,606	3,573,790	264,038	58,013	-	5,175,447
Effect of business combination	-	9,439	41,951	18,975	1,091	-	71,456
Charge for the year	-	32,932	166,697	12,700	1,774	-	214,103
Disposals	-	(13)	(670)	(10,725)	(2,532)	-	(13,940)
At the end of the year	-	1,321,964	3,781,768	284,988	58,346	-	5,447,066
<b>Net book value:</b>							
At 31 December 2020	<b>69,607</b>	<b>574,239</b>	<b>1,564,449</b>	<b>17,867</b>	<b>4,411</b>	<b>203,818</b>	<b>2,434,391</b>

## 7 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The recognized right-of-use assets relate to the following types of assets:

	2021 SR '000	2020 SR '000
Land	12,499	14,935
Building	2,488	2,699
Vehicles	4,886	9,120
Equipment	582	1,139
Total right-of-use assets	20,455	27,893

### Movement of right-of-use assets

	2021 SR '000	2020 SR '000
Opening	27,893	30,842
Effect of business combination	-	2,505
Additions	38	2,139
Depreciation	(7,476)	(7,593)
Closing	20,455	27,893

Following are the amounts recognised for lease liabilities and right-of-use assets in the consolidated statement of income and other comprehensive income:

	2021 SR '000	2020 SR '000
Depreciation on right-of-use assets	7,476	7,593
Interest expense on lease liabilities	1,269	1,520
Total amount recognised in consolidated statement of income	8,745	9,113

### Lease liabilities movement

	2021 SR '000	2020 SR '000
Opening	30,767	32,863
Effect of business combination	-	2,505
Additions	38	2,139
Interest expense	1,269	1,520
Payments	(8,466)	(8,260)
Closing	23,608	30,767

The break-up of lease liabilities is as follows:

	2021 SR '000	2020 SR '000
Non-current portion of lease liabilities	14,755	21,974
Current portion of lease liabilities	8,853	8,793
Total lease liabilities	23,608	30,767



## 7 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

The aggregate undiscounted repayment schedule of lease liabilities is as follows:

	2021 SR '000	2020 SR '000
Within one year	9,632	9,898
1-2 years	8,850	11,013
2-5 years	7,338	16,155
Lease obligations	25,820	37,066

## 8 INTANGIBLES

	2021 SR '000	2020 SR '000
<b>Softwares and quarry licenses renewal cost</b>		
<b>Cost</b>		
At 01 January	37,789	25,181
Additions	-	12,608
At 31 December (note 8.1)	37,789	37,789
<b>Accumulated amortization</b>		
At 01 January	(19,104)	(15,933)
Charge for the year	(3,744)	(3,171)
At 31 December	(22,848)	(19,104)
Net book values	14,941	18,685

8.1 It includes quarry licenses renewal cost of SR 12.61 million (SR 12.61 million) which is amortised over the term of the licenses periods.

## 9 INVESTMENT IN AN ASSOCIATE

The movement of investment in an associate is as follows:

	2021 SR '000	2020 SR '000
At the beginning of the year	32,731	57,130
De-recognition of UCC	-	(24,424)
Share of income	4,676	25
Share of other comprehensive income	-	-
At the end of the year	37,407	32,731

9.1 The balance at 31 December 2021 represents investment in 33.33% (2020: 33.33%) shares of Cement Product Industry Company Limited, a limited liability company registered and operating in the Kingdom of Saudi Arabia. The company is engaged in the manufacturing of cement derivative products and other products necessary for manufacturing and packing cement. The financial results are taken from management accounts as the management believes that un-audited figures would not be materially different from the audited figures.

## 10 EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

The investment of SR 3.53 million represents a 4.5% equity stake in Banz Group B.S.C. (c), a Bahrain registered closed company. As there is no quoted price available, level 3 hierarchy of IFRS 13 fair value measurement framework has been used for fair value measurement. During the year, fair value gain amounted to SR 0.56 million (2020: SR 0.18 million).

# 11 INVENTORIES

	2021 SR '000	2020 SR '000
Spare parts	193,811	189,593
Less: Allowance for slow moving and obsolete spare parts	(26,355)	(15,185)
	167,456	174,408
Raw materials	54,158	67,723
Work in progress	270,781	347,968
Finished goods	24,675	41,946
	517,070	632,045

## Movement of allowance for slow moving and obsolete spare parts

Opening	15,185	13,018
Effect of business combination	-	2,064
Allowance for the year	11,170	103
Closing	26,355	15,185

# 12 TRADE RECEIVABLES

	2021 SR '000	2020 SR '000
Trade receivable - due from third parties	394,480	368,748

As at 31 December, aging of trade receivables is as follows:

	2021 SR '000	2020 SR '000
Not due yet	265,703	286,621
Past due but not impaired- 1 to 120 days	104,741	71,173
Past due but not impaired- 121 days or more	24,036	10,954
	394,480	368,748

Trade receivables amounted to SR 339.26 million (31 December 2020: SR 332.58 million) are secured against bank guarantees. There are no trade receivables as of 31 December 2021 and 31 December 2020 which are impaired.

# 13 PREPAYMENTS AND OTHER RECEIVABLES

	2021 SR '000	2020 SR '000
Advances to suppliers	13,697	21,975
Custom deposits	1,937	1,908
Prepaid expenses	4,559	3,059
Others	19,283	8,802
	39,476	35,744

#### 14 CASH AND CASH EQUIVALENTS

	2021 SR '000	2020 SR '000
Cash at banks	63,763	99,248
Cash in hand	194	265
Murabaha investments	17,539	25,000
	<b>81,496</b>	<b>124,513</b>

Murabaha investments represent placements with banks having original maturity of less than three months and carry profits at commercial rates.

	2021 SR '000	2020 SR '000
In local currency	50,500	73,019
In foreign currencies	30,996	51,494
	<b>81,496</b>	<b>124,513</b>

#### 15 SHARE CAPITAL

The authorized, issued and paid up capital of the Company is SR 1,530 million which is divided into 153 million shares (31 December 2020: 153 million shares) of SR 10 each.

#### 16 EMPLOYEES' BENEFITS

The following table represents the movement of the employees' benefits:

	2021 SR '000	2020 SR '000
At the beginning of the year	91,077	86,729
Effect of business combination	-	3,752
Current service cost	6,288	6,706
Interest cost	1,558	2,477
Payments during the year	(5,729)	(6,722)
Re-measurement loss/ (gain)	11,061	(1,865)
At the end of the year	<b>104,255</b>	<b>91,077</b>

(i) The significant actuarial assumptions are as follows:

	2021	2020
Discount rate used for calculation of interest cost-per annum	2.25%	1.80%
Salary increment rate-per annum		
Year 1 – 4	2.25%	1.80%
Mortality rates	WHO SA 19-75%	WHO SA 16-75%
Long term salary increase rate for the fifth year and onwards-per annum	2.25%	1.80%
Rate of employee turnover	Moderate	Moderate

(ii) The weighted average duration of the defined benefit obligation is 6.95 years (2020: 7.30years).

## 16 EMPLOYEES' BENEFITS (CONTINUED)

(iii) The sensitivity of the defined benefit obligations to changes in the weighted principal assumptions for year ended 31 December 2021 is as follows:

	2021 SR '000	2020 SR '000
Discount rate +0.5% per annum	96,544	83,710
Discount rate -0.5% per annum	103,497	90,054
Long term salary increases +0.5% per annum	103,732	90,285
Long term salary increases -0.5% per annum	96,291	83,490

## 17 SHORT TERM LOANS

Short term loans represent Tawarruq facilities obtained from various local banks to meet the working capital requirements with a total facility amount of SR 2,250 million (31 December 2020: SR 2,250 million). The utilized balance as of 31 December 2021 amounted to SR 350 million (31 December 2020: SR 400 million). These facilities carry financial costs in excess of SIBOR and are consistent with the terms of each facility agreement that are secured by promissory notes issued by the Group and carry charges agreed with the facilities' providers. The finance cost for the year ended 31 December 2021 amounted to SR 7.14 million (31 December 2020: SR 11.89 million)

The outstanding financing is classified under current liabilities in the consolidated statement of financial position as these are repayable within 12 months from the reporting date.

The facility agreements contained certain covenants, which requires among other things, certain financial ratios to be maintained.

## 18 DIVIDEND

On 21 Shawwal 1442 (corresponding to 02 June 2021), the Board of Directors has resolved to distribute interim cash dividend amounting to SR 1.50 per share (SR 229.50 million in total) for the first half of 2021. Payment of this dividend distribution was commenced on 06 Dhu al-Qadah 1442 (corresponding to 16 June 2021).

On 25 Sha'ban 1442 (corresponding to 07 April 2021), the General Assembly approved the Board of Directors' proposal to distribute cash dividend amounting to SR 2 per share (SR 306 million in total) for the second half of 2020.

On 18 Shawwal 1441 (corresponding to 10 June 2020), the Board of Directors has resolved to distribute interim cash dividend amounting to SR 1.50 per share (SR 229.50 million in total) for the first half of 2020. Payment of this dividend distribution was commenced on 04 Dhu al-Qadah 1441 (corresponding to 25 June 2020).

On 28 Sha'ban 1441 (corresponding to 21 April 2020), the General Assembly approved the Board of Directors' proposal to distribute cash dividend amounting to SR 2 per share (SR 306 million in total) for the second half of 2019.

Subsequent to the year end, on 29 Jamada II 1443 (corresponding to 01 February 2022), the Board of Directors proposed to distribute cash dividend amounted to SR 2.00 per share (SR 306 million in total) for the second half of 2021 subject to the approval of General Assembly.

## 19 ACCRUALS AND OTHER PAYABLES

	2021 SR '000	2020 SR '000
Provision and accrued expenses	138,830	134,648
Liability for charitable contribution	20,000	20,000
Advances from customers	11,762	16,167
	<b>170,592</b>	<b>170,815</b>

## 20 REVENUE

	2021 SR '000	2020 SR '000
Sales of goods	<b>1,409,569</b>	<b>1,569,633</b>

### 20.1 Disaggregation of revenue

	2021 SR '000	2020 SR '000
<b>A. By product</b>		
Cement	<b>1,187,905</b>	1,359,297
Clinker	<b>221,664</b>	210,336
	<b>1,409,569</b>	<b>1,569,633</b>

### B. By geography

	2021 SR '000	2020 SR '000
Local	<b>1,035,931</b>	1,185,887
Export	<b>373,638</b>	383,746
	<b>1,409,569</b>	<b>1,569,633</b>

## 21 SELLING AND DISTRIBUTION EXPENSES

	2021 SR '000	2020 SR '000
Employees cost	13,172	13,989
Depreciation	5,974	6,338
Port and transportation charges	92,530	90,729
Others	6,484	6,342
	<b>118,160</b>	<b>117,398</b>

## 22 GENERAL AND ADMINISTRATIVE EXPENSES

	2021 SR '000	2020 SR '000
Employees cost	39,420	39,842
Depreciation	6,204	4,952
Board of directors' remunerations	5,879	5,870
Computer related expenses	3,159	3,380
Maintenance	2,162	1,263
Professional fees	2,541	1,881
Donation	1,087	6,173
Publication fees	-	33
Training	38	53
Other	7,444	6,464
	<b>67,934</b>	<b>69,911</b>

## 23 PROVISION FOR ZAKAT

A The principal elements of the zakat base of the Company are as follows. The subsidiary is not subject to Zakat and income tax.

	2021 SR '000	2020 SR '000
Non-current assets	(2,380,259)	(2,518,196)
Non-current liabilities	834,461	882,379
Opening shareholders' equity	2,649,703	2,729,650
Net income before zakat	354,355	475,558

B The movement in Company's zakat is as follows:

	2021 SR '000	2020 SR '000
At beginning of the year	21,965	22,251
Provision made during the year	24,000	24,000
Paid during the year	(20,803)	(24,286)
At the end of the year	<b>25,162</b>	<b>21,965</b>

### C Status of zakat assessment

The Company has submitted its zakat declarations and obtained certificates till the year 2020. The last Zakat final assessment received by the Company was for the year 2020.

## 24 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net income for the year attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2021 SR '000	2020 SR '000
Net income attributable to shareholders	331,920	455,959
Number of shares outstanding	153,000	153,000
Earnings per share	2.17	2.98

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

## 25. RELATED PARTY TRANSACTIONS AND BALANCES

Related party	Relationship	Nature of transaction	Amount of transaction		Ending balance	
			31	31	31	31
			December	December	December	December
			2021	2020	2021	2020
			SR '000	SR '000	SR '000	SR '000
i)	Advances to a related party					
Cement Product Industry Company Limited	Associate	Advance paid	-	-	-	3,020
ii)	Trade payables - related party					
Cement Product Industry Company Limited	Associate	Purchases of raw materials	33,941	28,742	-	-
iii) Wataniya Insurance Company	Common directorship	Insurance on property plant and equipment	8,265	6,867	-	-

### Terms and conditions of transactions with related parties

The purchases from related parties are made in the ordinary course of business. There have been no guarantees provided to amounts due to related parties.

Prices and terms of payments for the above transactions are approved by the Group's management.



## 25. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Key management personnel	2021 SR '000	2020 SR '000
Short term employment benefits	15,112	14,517
Post-employment benefits	947	921
	<b>16,059</b>	<b>15,438</b>

## 26 CONTINGENCIES AND COMMITMENTS

- (a) The capital expenditure contracted by the Company but not incurred till year end was approximately SR 17.79 million (2020: SR 14.94 million).
- (b) The Company's bankers have given guarantees, on behalf of the Company, amounting to SR 3.11 million (2020: SR 3.22 million) in respect of performance guarantees.
- (c) UCC's bankers have issued guarantees, on behalf of UCC, in favour of various suppliers against purchase and services obtained in the normal course of business amounted to SR 28.81 million (2020: SR 28.91 million).

## 27 SEGMENT INFORMATION

A segment is a distinguishable component of the Group that is engaged in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

The Group's operations are related to two operating geographical segments which are Saudi Cement Company operating in the Kingdom of Saudi Arabia and United Cement Company operating in Kingdom of Bahrain, both segments engage in cement manufacturing and are substantially sold to local and foreign customers. Accordingly, segmental analysis by geography are presented as follows:

As at and for the year ended 31 December 2021	Kingdom of Saudi Arabia SR'000	Kingdom of Bahrain SR'000	Elimination SR'000	Total SR'000
Revenue	1,392,475	58,842	(41,748)	1,409,569
Cost of revenue	851,675	69,250	(41,748)	879,177
Net income/(loss) for the year	331,920	(15,460)	13,895	330,355
Total assets	3,382,308	77,314	(67,359)	3,392,263
Total liabilities	946,684	25,044	(12,757)	958,971

As at and for the year ended 31 December 2020	Kingdom of Saudi Arabia SR'000	Kingdom of Bahrain SR'000	Elimination SR'000	Total SR'000
Revenue	1,532,245	76,464	(39,076)	1,569,633
Cost of revenue	858,471	83,860	(39,076)	903,255
Net income/(loss) for the year	463,453	(11,895)	-	451,558
Total assets	3,598,493	98,733	(19,395)	3,677,831
Total liabilities	988,721	31,569	(19,395)	1,000,895

## **28 EMPLOYEES' SAVINGS PLAN**

The Company has established an employees' saving plan for its employees, which was approved by the Ministry of Labor on 11 Jumada' I 1414H (corresponding to 27 October 1993). The contributions from the Company and the participants are deposited in separate bank accounts as thrift saving accounts. These bank accounts with a total balance of SR 23.09 million (2020: SR 20.72 million) do not form part of the Company's available cash resources and have been accounted for, together with the related liability against the contributions, in its own standalone accounting records, as required by the saving plan's by-laws, and has not been integrated with the Company's accounting records.

## **29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's principal financial liabilities comprise short term loans, trade payables, and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include trade and other receivables, cash and cash equivalents, equity instrument at FVOCI and term deposit that derive directly from its operations. The Group's management reviews and agrees policies for managing each of these risks which are summarized below.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management regularly review the policies and procedures to ensure that all the financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Group does not engaged into any hedging activities. The Board of Directors also reviews and agrees policies for managing each of these risks, which are summarized below.

### **Market risk**

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

### **Commission rate risk**

Commission rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market commission rates. The Group's exposure to the risk of changes in market commission rates relates primarily to the Group's short term loans with floating commission rates. The Group manages its exposure to this risk by continuously monitoring movements in commission rates. The sensitivity of the income to possible changes in commission rate by 100 basis points, with all other variables held constant, is not considered material by the management.

### **Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group deals mainly in US \$ and Saudi Riyal (SR). As the SR is pegged to the US \$, balances in SR are not considered to represent significant currency risk.

### **Commodity price risk**

The Group is exposed to the impact of market fluctuations of the price of various inputs to production including oil and electricity. The Group prepares annual budgets and periodic forecasts including sensitivity analyses in respect of various levels of crude oil prices to manage the risk.

## 29 Financial risk management objectives and policies (continued)

### Credit risk

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

	2021 SR '000	2020 SR '000
Cash and cash equivalents	81,496	124,513
Trade receivables	394,480	368,748
Other receivables	1,937	1,908
Term deposit	113	110
	<b>478,026</b>	<b>495,279</b>

The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables and obtaining bank guarantees from certain customers. Funds are placed in banks with sound credit ratings.

### Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. Trade receivables outstanding balance comprises of 97% in KSA and 3% in GCC (other than KSA). The five largest customers account approximately for 85% of outstanding trade receivables at 31 December 2021. Out of total trade receivables balance, 90% are secured by bank guarantees and 10% is receivable from a government entity and therefore considered as secured. There is no history of losses.

### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group manages its liquidity risk by ensuring bank facilities are available when required. The Company's terms of sales require amounts to be paid within 60 to 90 days of the date of sale. Trade payables are normally settled within 60 to 120 days of the date of purchase.

The table below summarizes the maturities of the Group's financial liabilities at 31 December 2021 and 31 December 2020, based on contractual payment dates and current market interest rates:

2021	Up to 1 year SR '000	From 1 year to 5 year SR '000	Above 5 years SR '000	Total SR '000
Lease liabilities	8,853	14,755	-	23,608
Short-term loans	350,000	-	-	350,000
Dividend payable	226,549	-	-	226,549
Trade payables	57,405	-	-	57,405
Accruals and other payables	158,830	-	-	158,830
	<b>801,637</b>	<b>14,755</b>	<b>-</b>	<b>816,392</b>

## 29 Financial risk management objectives and policies (continued)

2020	Upto 1 year	From 1 year to 5 year	Above 5 years	Total
	SR '000	SR '000	SR '000	SR '000
Lease liabilities	8,793	21,974	-	30,767
Short-term loans	400,000	-	-	400,000
Dividend payable	221,000	-	-	221,000
Trade payables	63,871	-	-	63,871
Accruals and other payables	154,648	-	-	154,648
	848,312	21,974	-	870,286

Lease liabilities undiscounted maturities are disclosed in note 7 of these consolidated financial statements.

## Capital management

For purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the Group. The primary objective of the Group's capital management is to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders or issue shares.

## 30 FAIR VALUES OF FINANCIAL INSTRUMENTS

As of 31 December 2021 and 31 December 2020, all of the Group's financial instruments have been carried at amortized cost and the Group does not hold any financial instruments measured at fair value except investment designated at FVOCI which has been classified in level 3 of fair value hierarchy. The carrying value of the other financial assets and liabilities in the consolidated statement of financial position approximates to their fair values.

## 31 COVID-19 UPDATES

During the year 2020, pervasive lockdowns and movement restrictions due to the COVID-19 pandemic significantly affected economic activity. During the beginning of 2021, continued effects of the pandemic were experienced with some jurisdictions encountering further waves of the pandemic. During the latter part of 2021, as the effects of the pandemic receded in some parts of the world, many economies experienced a rebound in economic activity including KSA. In addition, protective measures and contact restrictions are relaxed. In light of COVID-19, the Group has considered whether any adjustments and changes in judgments, key sources of estimation uncertainty and risk management are required to be considered and reported in these consolidated financial statements. The Group's operations were coming back to normal from the third quarter of 2020. Since then, there is stability in the Group's operations and as such management did not observe any significant impact on the operations of the Group till 31 December 2021.

As the COVID-19 pandemic remains an evolving situation, management will continue to closely monitor the effects of the pandemic on its financial results during 2022 and beyond.

### **32 EVENTS AFTER THE REPORTING DATE**

Except as disclosed in note 18 to these consolidated financial statements, there have been no significant subsequent events since the year ended 31 December 2021 till the date of authorization of these consolidated financial statements by the Board of Directors that require either an adjustment or disclosure in these consolidated financial statements.

### **33 COMPARATIVE FIGURES**

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

### **34 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements were authorized for issue and approved on February 23, 2022 G by the Board of Directors of the Company.