

HAIL CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2021

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

Financial statements for the year ended December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

**TO THE SHAREHOLDERS
 HAIL CEMENT COMPANY
 (A SAUDI JOINT STOCK COMPANY)
 JEDDAH- SAUDI ARABIA**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS
Opinion

We have audited the financial statements of Hail Cement Company (the Company), which comprise the statement of financial position as at December 31, 2021, and the statement of profits or losses and other comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public 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 Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter, A description of how our audit addressed the matter is set out below:

Key audit matters	How the matter was addressed in our audit
Existence, valuation and disclosure of Inventory	
<p>As stated in note No. (8), the stock of raw materials amounted to SR 9.2 million, the semi-finished goods (clinker) reached amounted to SR 285.9 million in the form of piles as at December 31, 2021, the company uses an independent inspection and measurement expert to estimate stock quantities using some practical methodological measurements.</p> <p>Due to the importance of the inventory balances and related estimates used in determining the quantities, this matter was considered a key audit matters.</p>	<p>We performed the following procedures with regard to the verification of the existence and valuation of inventory:</p> <ul style="list-style-type: none"> - Attending the actual physical count of stocks done by the company's management and the independent inspection expert. - Evaluating the competence, qualifications, objectivity and previous work of the independent inspection expert in this field. - Obtaining physical counting report submitted by the independent inspection expert on key inventory and the inspection elements. - Inventory assessment test at the end of the year. - Evaluate the completeness and adequacy of the disclosures related to the inventory item in the company's financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS
 HAIL CEMENT COMPANY
 (A SAUDI JOINT STOCK COMPANY)
 JEDDAH- SAUDI ARABIA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS
Key Audit Matters (Continued)

Key audit matters	How the matter was addressed in our audit
Evaluate of slow moving Spares & Consumables stock	
<p>As stated in note No. (8), the stock of Spares & Consumables amounted to SR 59.7 million, including the amount of SR 34.2 million for items held for a period of more than a year, and this may affect the spare parts valuation, which includes the use of provisions for estimating Spares & Consumables stock.</p> <p>The use of the provisions is required to assess the appropriate level of provisions for the Spares & Consumables stock items and the management expectations regarding the use of these spare parts in the future or the plans for exclude or sell them.</p> <p>Due to the importance of Spares & Consumables stocks and the related estimates used in determining the provision, this matter was considered a key audit matters.</p> <p>Please refer to Note (3.7) in the significant accounting policies for the policy relating to spare parts stock, and note (8) For more details concerning the stock of Spares & Consumables and the related provision.</p>	<ul style="list-style-type: none"> - We have implemented the following procedures regarding the existence and evaluation of the Spares & Consumables stock. - Evaluate the key assumptions the company has used in determining the provision for Spares & Consumables. - Ensure the correct implementation of the policy for establishing the provision for Spares & Consumables. - Attending Spares & Consumables physical count. - Implement the following procedures on the sample basis : <ul style="list-style-type: none"> - Spares & Consumables aging test. - Ensure that the provision is recognized in accordance with the company's policy.
Revenue recognition	
<p>Revenue is an important component of the company's performance and profitability. It also includes inherent risk by recognizing revenue at more than its actual value to increase profitability.</p> <p>Therefore, this matter was considered a key audit matters.</p> <p>As stated in note No. (20), the company's revenues amounted to SR 253.3 million, for the financial year ended on December 31, 2021</p>	<p>We performed the following procedures among others matters with regard to revenue recognition:</p> <ul style="list-style-type: none"> - Test the design of internal control procedures and operational effectiveness with regard to revenue recognition and receivables, as well as cut-off procedures to ensure that revenue is recognized in the correct period. - Testing a sample of the products sales and verifying the proper application of the revenue recognition policy. - Analytical procedures to verify the validity of the recognized revenues by comparing the amount of sales and prices for the current year with the previous year and determining whether there are significant fluctuations that need additional examination in light of our understanding of the current market conditions. - Verification of the appropriateness of accounting policies to the company's revenue recognition in accordance with the requirements of the IFRS 15 Revenue from contracts with customers.

INDEPENDENT AUDITOR'S REPORT

**TO THE SHAREHOLDERS
HAIL CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
JEDDAH- SAUDI ARABIA**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Other information included in the Company's annual report for the year ended 31 December 2021

Other information consists of other information from the information included in the Company's annual report for the year ended 31 December 2021, other than the financial statements and the auditors' report thereon. Management is responsible for the other information included in the annual report. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the other information and discover a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and those charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS
HAIL CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
JEDDAH- SAUDI ARABIA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

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

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

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

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

FOR EL SAYED EL AYOUTY & CO.

Jeddah: February 28 2022
Rajab 27, 1443 H



Abdullah Ahmed Balamesh
Certified Public Accountant
License No. (345)

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

Statement of financial position

(All amounts in Saudi Riyals)


		As at December 31,		As at January 01,
	Notes	2021	2020 Restated	2020 Restated
Assets				
Non-current assets				
Property, plant and equipment, net	(5)	701,580,422	761,280,841	821,068,805
Intangible assets, net	(6)	997,357	209,634	41,279
Right to use assets, net	(7)	8,470,651	8,900,314	9,329,977
Total non-current assets		711,048,430	770,390,789	830,440,061
Current assets				
Inventory – Net	(8)	352,504,625	311,013,574	293,146,199
Trade receivables – net	(9)	16,282,219	22,725,528	26,420,400
Prepayments and other receivable balances	(10)	12,398,025	14,686,351	7,707,500
Investments at FV through profit or loss	(11)	57,762,605	49,104,683	46,059,185
Cash and cash equivalents	(12)	47,914,295	87,174,345	110,984,656
Total current assets		486,861,769	484,704,481	484,317,940
Total assets		1,197,910,199	1,255,095,270	1,314,758,001
Shareholders' equity and Liabilities				
Shareholders' equity				
Share capital	(13)	979,000,000	979,000,000	979,000,000
Statutory reserve	(14)	56,707,109	52,466,362	41,760,107
Retained earnings		69,883,755	129,617,034	33,260,740
Actuarial (losses)/profits from other comprehensive income		(1,040,037)	428,627	636,754
Total shareholders' equity		1,104,550,827	1,161,512,023	1,054,657,601
Non-current liabilities				
Long-term loans		-	-	143,597,252
Lease obligations	(7)	9,665,595	9,849,589	10,179,586
Employee defined benefits obligations	(15)	20,608,230	16,870,983	14,427,632
Other provisions	(16)	4,031,620	3,914,194	3,800,188
Total non-current liabilities		34,305,445	30,634,766	172,004,658
Current liabilities				
Long-term loans-current portion		-	-	31,916,667
Trade payable	(17)	28,617,153	30,238,386	22,122,726
Accrued expenses and dividends payable	(18)	19,642,329	22,510,019	24,003,425
Zakat provision	(19)	10,794,445	10,200,076	10,052,924
Total current liabilities		59,053,927	62,948,481	88,095,742
Total liabilities		93,359,372	93,583,247	260,100,400
Total liabilities and shareholders' equity		1,197,910,199	1,255,095,270	1,314,758,001



Finance Manager



Chief Executive Officer and
Board Member



BOD Chairman

The accompanying notes from 1 to 35 form an integral part of these financial statements.

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

Statement of comprehensive income

(All amounts in Saudi Riyals)

	<u>Notes</u>	<u>2021</u>	<u>2020</u> <u>Restated</u> <u>Note 26</u>
Revenue	(20)	253,305,663	336,280,176
Cost of revenue		(186,971,843)	(188,625,411)
Gross profit		66,333,820	147,654,765
Selling and distribution expenses		(3,104,780)	(2,763,499)
General and administrative expenses	(21)	(19,282,800)	(17,432,975)
Provisions	(22)	(2,742,370)	(1,424,085)
Profit for the year from main operations		41,203,870	126,034,206
Finance costs	(23)	(1,145,043)	(14,968,849)
Income from Murabaha deposits		1,823,476	2,895,692
Other income	(24)	2,830,391	636,219
Profit from changes in fair value of investments through profit or loss	(11)	8,657,922	3,045,498
Net profit for the year before zakat		53,370,616	117,642,766
Zakat	(19)	(10,963,148)	(10,580,217)
Net profit for the year		42,407,468	107,062,549
Other comprehensive income:			
(Loss) from re-measurement of employee benefit obligations	(15)	(1,468,664)	(208,127)
Total comprehensive income for the year		40,938,804	106,854,422
Basic and diluted earnings per share for the year:	(25)		
From profit of main operations		0.42	1.29
From net profit		0.43	1.09
Weighted average number of ordinary shares		97,900,000	97,900,000


Finance Manager


Chief Executive Officer and
Board Member


BOD Chairman

The accompanying notes from 1 to 35 form an integral part of these financial statements.

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

Statement of changes in equity for the year ended at December 31, 2021

(All amounts in Saudi Riyals)

	Share capital SR	Statutory reserve SR	Retained earnings SR	Actuarial (losses)/profits from other comprehensive income SR	Total equity SR
Balance as at January 01, 2020	979,000,000	41,760,107	34,633,974	636,754	1,056,030,835
Adjustments during previous years (note 25)	-	-	(1,373,234)	-	(1,373,234)
Balance as at January 01, 2020 (restated)	979,000,000	41,760,107	33,260,740	636,754	1,054,657,601
Adjusted net profit for the year	-	-	107,062,549	-	107,062,549
Re-measurement of employee's defined benefits obligations	-	-	-	(208,127)	(208,127)
Total comprehensive income for the year	-	-	107,062,549	(208,127)	106,854,422
Transfer to statutory reserve (restated)	-	10,706,255	(10,706,255)	-	-
Balance as at December 31, 2020	979,000,000	52,466,362	129,617,034	428,627	1,161,512,023
Balance as at January 01, 2021	979,000,000	52,466,362	129,617,034	428,627	1,161,512,023
Net profit for the year	-	-	42,407,468	-	42,407,468
Re-measurement of employee's defined benefits obligations	-	-	-	(1,468,664)	(1,468,664)
Total comprehensive income for the year	-	-	42,407,468	(1,468,664)	40,938,804
Dividends during the year	-	-	(97,900,000)	-	(97,900,000)
Transfer to statutory reserve	-	4,240,747	(4,240,747)	-	-
Balance as at December 31, 2021	979,000,000	56,707,109	69,883,755	(4,040,037)	1,104,550,827


Finance Manager

Chief Executive Officer and Board Member

BOD Chairman

The accompanying notes from 1 to 35 form an integral part of these financial statements.

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

Statement of cash flows

(All amounts in Saudi Riyals)

	<u>Notes</u>	<u>2021</u>	<u>2020</u> <u>Restated</u>
Operating activities			
Profit for the year before Zakat		53,370,616	117,642,766
Adjustment:			
Depreciation of property, plant and equipment and amortization of intangible assets		63,922,833	65,072,995
Right to use depreciation		429,663	429,663
Rental financing cost		286,001	306,102
Interest cost resulting from re-measurement - Note 16		117,426	114,006
Amortization of deferred financing interest		-	10,486,081
(Reversal) Provision for Doubtful debts		(321,396)	33,330
Employee benefit obligations		3,092,515	3,037,645
Provision for slow moving inventory		3,063,766	1,390,755
Gain from change in fair value of investments at fair value through profit or loss		(8,657,922)	(3,045,498)
(Gain) on sale of property, plant and equipment		(31,974)	(186,565)
Changes in operating assets and liabilities			
Inventories		(44,554,817)	(21,864,028)
Trade receivables and prepaid expenses and other receivable		9,053,031	(3,317,309)
Accounts payable and accrued expenses		(4,488,923)	6,622,254
Employee benefit obligations- paid		(823,932)	(802,421)
Zakat paid		(10,368,779)	(10,433,065)
Net cash from operating activities		64,088,108	165,486,711
Cash flows from investing activities:			
Purchase of property and equipment		(3,566,601)	(2,583,354)
Payments for purchase intangible assets		(1,444,452)	(264,142)
Proceeds from sale of property, plant and equipment		32,890	186,573
Net cash (used in) investing activities		(4,978,163)	(2,660,923)
Cash flows from financing activities:			
Dividend paid		(97,900,000)	-
Loans Paid		-	(186,000,000)
Lease payments		(469,995)	(636,099)
Net cash (used in) financing activities		(98,369,995)	(186,636,099)
Net (decrease) / Increase in cash and cash equivalents		(39,260,050)	(23,810,311)
Cash and cash equivalents, beginning of the year		87,174,345	110,984,656
Cash and cash equivalents, end of the year		47,914,295	87,174,345
Non-monetary Transactions			
(Loss) from re-measurement of employee benefits		1,468,664	208,127
Strategic spare parts transferred from spare parts stock		-	9,812,352
Depreciation of previous years is charged to retained earnings	26	-	1,373,234

Finance Manager

Chief Executive Officer and
Board Member

BOD Chairman

The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements.

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals)

1. The company and activity

HAIL CEMENT COMPANY (the "Company"), is a Saudi joint stock company, registered in Hail, Saudi Arabia under Commercial Registration No. 3350026399 dated November 30, 2010 (corresponding to 24 Dhul Hijjah 1431 H). Furthermore, the Company has also obtained a ministerial resolution No. 384/G on November 30, 2010 (corresponding to 24 Dhul Hijjah 1431 H) from the Ministry of Commerce and Industry.

The Company has obtained an industrial investment license No. 141931098717 dated August 26, 2010 (corresponding to 16 Ramadan 1431H) from the former Saudi Arabian General Investment Authority (SAGIA), (currently the Ministry of Investment).

The Company's shares are listed in Saudi Share Market (Tadawul) supervised by the Capital Market Authority (CMA).

The company's main activity:

The company is engaged in the production and distribution of cement of all kinds and its derivatives, building materials and their accessories and derivatives inside and outside the Kingdom of Saudi Arabia, and trading in cement and building materials and their accessories and derivatives inside and outside the Kingdom of Saudi Arabia. The company operates through its factory located in the Hail region.

Company Address:

The Company's main address is: Hail. P.O. Box: 1008, Postal Code: 81431.

Amendments to the company's articles of association:

The Extraordinary General Assembly of the company, held on February 17, 2021, resolved to change some articles in the company's articles of association, which are as follows:

a. Article (3) related to the company's activities

The amendment has been made so that the article after the amendment is as follows:

The purposes for which the company was established are the manufacture and production of cement and its derivatives and components and trading within and outside the Kingdom of Saudi Arabia, and it has the right to achieve this purpose by concluding all types of contracts, and to carry out all aspects of activities that achieve its purposes, such as the practice of transporting cement, raw materials and all materials related to the cement industry. The company carries out its activities in accordance with the applicable regulations and after obtaining the necessary licenses from the competent authorities, if any.

b. Article (49) related to dividends

The following clause was added to the clauses of that article, so that the sixth clause of the article states the following:

The company may distribute interim dividends to its shareholders on a semi-annual or quarterly basis in accordance with the regulations issued by the Capital Market Authority.

1. Basis of preparation

2.

2.1. Statement of compliance

The Company's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted in Saudi Arabia and other standards and issuances approved by the Saudi Organization for Chartered and Public Accountants (SOCPA).

2.2. Basis of measurement

These financial statements have been prepared according to the accrual basis of accounting using the concept of going concern and on the basis of historical cost, except for:

- Investments that are measured at fair value through profit or loss.
- Employee defined benefit obligations that are measured at the present value of future liabilities according to the projected credit unit method.

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals)

2. Basis of preparation...(continued)

2.3. Functional and presentation currency

These financial statements' items are presented in Saudi Arabian Riyals "SR" which is the functional and presentation currency of the Company. All figures are rounded to the nearest Saudi Riyals unless otherwise stated.

2.4. Significant accounting estimates, assumptions and judgments

The preparation of financial statements requires the use of estimates and assumptions that affect the application of accounting policies on the amounts listed for assets, liabilities, revenues and expenses.

Although these estimates and judgments are based on the best information available to management on operations and current events, actual results may differ from these estimates.

The underlying estimates are reviewed on regular basis. Adjustments to the accounting estimates are recognized in the period in which these estimates are adjusted and in any future periods affected with such adjustments.

The following is an explanation of the information on the most important estimates and uncertainties when applying accounting policies that have a significant effect on the amounts shown in the financial statements:

- Assumptions about employee benefits
- Impairment of spare parts inventory
- Provisions
- Useful lives of property, plant and equipment.
- Test for impairment of non-current assets.
- Continuity

Employee defined benefit obligations Measurement

The Company's commitment to benefit plans is calculated by estimating the value of future benefits that employees have acquired in the current and previous periods, and the value is deducted to reach the present value. The calculation is performed annually by an independent actuary using the projected credit unit method. Judgment has been used in estimating actuarial assumptions.

Impairment in inventory

The management assesses the impairment of inventories to reach the net realizable value.

Where the goods are measured at cost or net realizable value, whichever is lower. Factors that affect the inventory value include obsolescence, changes in demand for the goods, technological changes, or the presence of damaged inventory or part of it, or if the selling price is less than its cost.

Provision for Doubtful debts

The Company applies the expected credit loss model to determine losses of the impairment of trade receivables and other receivables, and this requires the Company to take some factors to ensure that the receivables are not overvalued as a result of the possibility of not collecting them, such as the ageing of receivables and the continuous credit evaluation. The provisions are recorded when there is evidence indicates the possibility of non-collection and also on receivables according to IFRS 9

Impairment of non-financial assets

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

For the purpose of impairment testing, assets are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit. The recoverable amount of an asset or cash-generating unit is the higher of value in use and its fair value less costs to sell. Value in use depends on future cash flows that are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets of cash-generating unit.

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals)

2. Basis of preparation...(continued)

2.4. Significant accounting estimates, assumptions and judgments...(continued)

Impairment of non-financial assets...(continued)

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation if no impairment loss had been recognized.

Useful lives of property, plant and equipment

Management determines the estimated useful lives of property, plant and equipment for the purpose of calculating depreciation. This estimate is determined after taking into account the expected use of the assets, obsolescence and maintenance programs to which these assets are exposed. The Management reviews the remaining value and useful lives annually, and the change in depreciation expenditures (if any) is adjusted in the current and future periods.

Fair value measurement

The fair value of the assets and liabilities

The fair value is the selling price received in exchange for selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring the fair value of a financial asset or liability, the Company uses data that can be monitored in the market as much as possible.

The fair values are categorized into hierarchical levels based on the data used in valuation methods as follows:

Level 1: Fair value measurement using quoted prices (unadjusted) in active markets for identical asset or liability.

Level 2: Fair value measurement using inputs other than the quoted prices included within level 1 that are observable for the asset and liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

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

Going Concern Assumption

The Company has no doubt about its ability to continue as a going concern and therefore the financial statements have been prepared on a going concern basis.

3. Significant accounting policies

The accounting policies described below have been consistently applied to all of the periods presented in these financial statements.

3.1. Foreign currency

Transactions in currencies other than the Saudi Riyal are recorded according to the exchange rates prevailing on the dates of those transactions. At the reporting date, monetary assets and liabilities in foreign currencies are translated into Saudi Riyals at the rates of exchange prevailing on that date. The resulting exchange gains or losses are recognized in the statement of profit or loss and other comprehensive income.

HAIL CEMENT COMPANY

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3. Significant accounting policies...(continued)

3.2 Revenue Recognition

Revenue is recognized when the Company fulfills its obligations in contracts with customers at an amount that reflects the material compensation for the goods sold. The Company establishes contracts with clients based on a five-step model as defined in IFRS 15:

Step 1. Identify the contract with the customer:

A contract is an agreement concluded between two or more parties that establishes rights and undertakings and sets out the criteria that must be fulfilled for each contract.

Step 2. Identify the performance obligations in the contract:

A performance obligation is a promise in the contract with the customer to transfer goods or provide services to the customer.

Step 3. Determine the transaction price:

The transaction price is the amount of the consideration that the company expects to receive in exchange for transferring the goods or services promised to the customer, excluding the amounts collected on behalf of third parties.

Step 4. Allocate the transaction price

In a contract that contains more than one performance obligation, the company will allocate the transaction price to each performance obligation in an amount that determines the amount of the consideration that the company expects to receive in exchange for fulfilling each performance obligation.

Step 5. Recognize revenue when a performance obligation is satisfied.

If the amount intended to be paid in the contract includes a variable amount, the company shall estimate the amount that the company is entitled to in exchange for transporting the goods and services promised to the customer.

Sale of goods

The Company sells cement, and the sales is made under specific independent sales invoices and/or contracts with customers. With regard to contracts concluded with customers in which it is generally expected that selling products will be the only performance obligation, the Company has reached the conclusion that revenues from the sale must be recognized at the time when control over the asset is transferred to the customer at a specific point in time, which is usually done upon delivery.

Revenue from the sale of scrap resulting from industrial waste is treated as other revenues in the statement of profit or loss and other comprehensive income. The Company takes into account the following indicators to evaluate the transfer of control to the asset pledged to the customer:

- The Company has the right to obtain return for the assets
- The customer has the legal right to the assets
- The asset has been physically transferred by the Company
- The customer has all the risks and benefits related to the ownership of the asset
- Customer acceptance of the assets

Rebate

Additional Rebate are often granted to customers according to competitive and market conditions. Therefore, revenue from sales is recognized on The basis of the price specified in the contract or agreed upon with the customer, after deducting the specific discounts for each customer.

3.3 Employee benefits

Employee defined benefit obligations

According to the Saudi Labor Law in the Kingdom of Saudi Arabia, the company is required to pay end-of-service benefits (a defined benefit plan) and it is calculated based on half the salary of the last month of each year of the first five years of service, including fractions of the year, in addition to full salary for each of the following years of service, including fractions of the year. End of service benefits are not funded.

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3. Significant accounting policies...(continued)

3.3 Employee benefits...(continued)

The valuation method and main assumptions of the actuarial study

Commitment to the requirements of International Accounting Standard No. (19) Employee benefits, end-of-service benefits obligations are calculated using the actuarial valuation using the projected unit credit method at the end of each financial year, and the profits or losses resulting from the actuarial revaluation are recorded in the comprehensive income statement for the period in which it is specified reevaluation. The re-measurement recognized in other comprehensive income is immediately included in retained earnings and is not included in profit or loss. Past service cost is calculated in profit or loss during the period of plan amendment. Interest is calculated using the discount rate at the beginning of the period on the defined employee benefit obligation.

The current service cost of a defined benefit plan is recognized in the profit or loss statement within the employee benefit expense, to reflect the increase in the obligation resulting from the employee's services for the current year and cases of change, reduction or settlement of benefits. The cost of services for the previous years is included directly in the statement of profit or loss. Actuarial gains and losses resulting from adjustments and changes in actuarial assumptions in equity are charged and recognized in the statement of other comprehensive income in the period in which they occur.

The defined benefit costs are classified as follows:

Service cost (including current service costs and past service costs)

Cost of interest and re-measurement

Short-term employee benefits

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

Costs of retirement benefits

The Company contributes to the costs of employee retirement benefits in accordance with the regulations of the General Organization for Social Insurance, and it is calculated as a percentage of the employees' wages. Payments for semi-government managed retirement benefit plans are treated as payments for defined benefit plans because the Company's commitment to these plans equals the commitment resulting from the defined benefit plans. Payments to retirement plans are recognized as an expense when due.

3.4 Zakat and Value Added Tax

3.4.1 Zakat

The Company is subject to Zakat in accordance with the regulations issued by the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. Provision for Zakat is formed on an accrual basis and this provision is charged to the statement of profit or loss and other comprehensive income. Zakat provision is calculated according to the Zakat base or the adjusted net profit, whichever is greater. Recording any differences in the estimates between the computed Zakat and the final assessment (if any) within the profit or loss in the year in which the assessment is terminated. Zakat is calculated based on 2.5% of the Zakat base or adjusted net income, whichever is greater.

3.4.2 Value Added Tax (VAT)

Value Added Tax (VAT) is a tax on the supply of goods and services that is ultimately borne by the final consumer. Therefore, the treatment of VAT in the company's accounts must reflect its role as a tax collector, and VAT should not be included in income or expenses. However, there will be circumstances in which the company bears VAT, and in such cases where VAT is not refundable and must be included in the cost of the product or service.

Withholding tax

The management withholds taxes on non-resident parties, if any, in accordance with ZATCA regulations which are not recognized as expenses due to the amounts of liabilities on the counterparty are withheld on their behalf.

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3. Significant accounting policies...(continued)

3.5 Property, plant and equipment

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

The cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes costs of materials, direct labor and any other costs directly attributable to preparing the asset for its intended use and the costs of dismantling, removing, and reinstalling the asset on site.

When the useful lives of some items of property and equipment are different, they are accounted for as separate components (major components) of property and equipment.

Gains and losses on disposal of property and equipment are determined by comparing proceeds with the carrying amounts of the assets disposed of. Those gains and losses are included in the statement of profit or loss and other comprehensive income during the financial period in which the assets are disposed of.

Subsequent costs

The costs of replacing a part of an item of property, plant and equipment are recognized in the carrying cost of this item if it is probable that future economic benefits will flow to the Company that reside in that part, in addition to the possibility of measuring this cost reliably. The carrying amount of the replaced portion is excluded.

Depreciation

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

Depreciation expense is recognized in the statement of profit or loss and other comprehensive income on a straight-line method over the estimated useful lives of each item of property, plant and equipment. Leased assets are depreciated on the lower of the lease period or the useful lives.

The estimated useful lives of items of property, plant and equipment are as follow:

Buildings	30 years
Property, plant and equipment, and Strategic spare parts	1-30 years
Computer and office equipment	2 years
Motor Vehicles	5-10 years
Leasehold improvements	5 years or the lease period whichever is shorter
Furniture & Fixtures	2-5 years

* Strategic spare parts are stated at cost and added to property, plant and equipment and are depreciated at a fixed rate annually.

During the year the company has formed a special technical committee to conduct a comprehensive technical review of the components of spare parts inventory. The spare parts has been identified into normal spares which need to replace due to wear and tear of the machine and expensed as when it is used & strategic spares which are high in cost & cannot be locate quickly if it is required has been classified within the item of property, plant and equipment.

The Company reviews the methods of depreciation, useful lives and residual value of property, plant and equipment at the end of each financial year, and in the event that there is a difference, it is dealt with as variables in the accounting estimates (in the year of change and subsequent years)

Projects in progress

The cost of projects in progress is calculated on the basis of the actual cost and is presented under property, plant and equipment until it is ready for use, then it is transferred to property, plant and equipment and its depreciation calculation begins according to the estimated useful lives.

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3. Significant accounting policies...(continued)

3.6. Intangible assets

Intangible assets that include technical and computer programs that the company has acquired and a specified useful life for them are measured at cost minus the accumulated amortization and any impairment in value. The estimated useful life is five years.

- Amortization is calculated using the straight-line method over their estimated useful lives.
- The amortization method and the economic life of the asset are reviewed at each reporting date.

3.7. Inventories

Inventory is stated at cost or net realizable value whichever is lower, after deducting the provision (impairment) for any obsolete or slow-moving inventory. The Company is currently using the weighted average cost method in evaluating the inventory.

Costs represent all expenditures incurred in bringing each product to its present location and condition, and are calculated according to the following basis:

- Raw materials, consumables and spare parts: Purchase cost on a weighted average basis.
- Semi-Finished and finished goods: The cost of direct materials, depreciation and labor plus indirect expenses.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to complete the sale.

Spare parts

Spare parts are the interchangeable parts of property, plant and equipment that are necessary to support routine maintenance and overhaul of plant and equipment or their use in emergency situations for repairs.

The Company maintains different types of spare parts as follows:

Strategic spare parts (within property, plant and equipment)

Items of strategic spare parts that are purchased along with the plant/production line or purchased later but relate to a particular component of the production line and are rarely required to operate the plant, they are essential and required for the operational process without which the operational process is affected and must be available for use at all times. Such items are capitalized as part of property, plant and equipment and depreciated over the useful lives of the components or the remaining useful life of the plant in which they are to be used whichever is shorter. These items do not form part of inventory provided that the capitalization criteria under property, plant and equipment are met.

Spare parts and consumables (within inventories item)

General spare parts and other consumable items that are not part of strategic parts and have a general nature, which may be required at any time for plant operations. They are generally classified as "spare parts" in inventory. These items are subject to the assessment of the provision for obsolescence and charged to the statement of profit or loss and other comprehensive income when installed or used.

3.8. Financial instruments

Non-derivative financial instruments

The Company has implemented the classification and measurement requirements of the financial instruments.

Financial instruments recognition

A financial asset or liability is recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

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3. Significant accounting policies...(continued)

3.8. Financial instruments...(continued)

De-recognition

Upon disposal of a financial asset, the difference between the carrying amount and the total of (1) the consideration amount received (including any newly acquired asset after deducting any newly assumed liabilities) (2) any accumulated profits or losses recognized in the statement of other comprehensive income, is recognized within profit or loss. However, with respect to equity shares classified as fair value through other comprehensive income, any accumulated profit / loss recognized in the statement of other comprehensive income is de-recognized in the profit or loss when de-recognized. A financial liability is derecognized from the statement of financial position when the Company has discharged its obligation or the contract has been canceled or expired.

Classification of financial instruments

Assets that are measured at amortized cost, or

The fair value through profit or loss, or

Fair value through other comprehensive income - investment in equity instruments.

The classification is based on the Company's business model for managing financial instruments and the contractual terms of cash flows for financial assets

Financial assets are not reclassified subsequent to the initial measurement unless the company changes the business model for managing financial assets in this case, all financial assets that will be affected by that are reclassified on the first day of the first financial period following the change in the business model.

Financial assets are measured at amortized cost if the following two conditions are met, and they are not recognized as financial assets at fair value through profit or loss:

It is maintained through a business model that aims to hold assets to collect contractual cash flows, or

The contractual terms lead to entering into specific dates for cash flows, which represent the principal amount and the interest of the outstanding principal amount.

Upon initial measurement of investments in financial instruments that are not held by the Company for the purpose of trading, the Company can choose to display any subsequent changes in the fair value of these investments in the statement of other comprehensive income. This selection is made on a per-investment basis.

Any other financial assets that are not classified and measured at amortized cost or fair value through other comprehensive income as indicated above are measured at fair value through profit or loss, and this also includes derivative financial assets.

- Financial assets - subsequent measurement - profit or loss / accounting policy:

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

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3. Significant accounting policies...(continued)

3.8. Financial instruments...(continued)

Impairment of financial assets

IFRS 9 states that, the entity is required to follow an Expected Credit Loss ("ECL") model for the impairment of financial assets. Expected Credit Loss of financial assets that measured at amortized cost or at fair value should be measured through other comprehensive income except for investments in equity instruments.

Under IFRS 9, provisions for loss are measured at one of the following basis:

ECL over 12 months: It results from default events that are possible within 12 months after the reporting date.

ECL over lifetime: It results from all default events over expected lifetime of a financial instrument.

For ECL over lifetime, the measurement is applied if the credit risks of credit assets increased significantly at the reporting date since initial recognition, while for ECL over 12 months, the measurement is applied if these risks did not increase significantly. The Company can assume that the credit risks on the financial instruments has not increased significantly since initial recognition if it has been identified that a financial instrument has low credit risks at the reporting date. However, measurement of ECL over lifetime is always applied for trade receivables and contract assets without a significant financing component as the company can elect applying this policy also to trade receivables with existence of a significant financing component.

The Company has elected to assess the losses on impairment of trade receivables using Expected Credit Losses ("ECL") over 12 months. In determining whether the financial credit risk has increased significantly since the initial recognition and when estimating the expected credit loss, the Company evaluates appropriate, relevant and available information without unnecessary cost or effort. This includes both quantitative and qualitative information and analyzes, based on the Company's historical experience and thoughtful credit evaluation, including future information. The Company assumes that the credit risk on a financial asset has increased significantly if the maturity date exceeded more than 180 to 365 days.

Measurement of expected credit loss

The expected credit loss is a weighted estimate of credit loss. Credit losses are measured as the present value of cash deficits (that is, the difference between the entity's cash flows due to the contract and the cash flows that the company expects to receive). The expected credit loss is discounted at the actual interest rate of the financial asset. At each reporting date, the Company assesses whether the financial assets carried at amortized cost are of low credit. A financial asset is considered "impaired credit" when one or more events occur that have a detrimental effect on the estimated future cash flows of the financial asset. The Company uses a matrix in calculation the expected credit losses on receivables to estimate the expected credit losses over the useful life, with the application of certain provision rates to the contractual obsolescence groups that are past due, taking into account the probability of default, which was derived from the company's financial statements.

Impairment presentation

Provisions for impairment losses of financial assets measured at amortized cost as deduct from the total of the assets' carrying amounts. The carrying amount of the financial asset has been reduced through the use of an allowance account and the amount of the loss is recognized in the statement of profits or losses. The financial asset is written-off together with the associated allowance when it is not realistic of future recoverability and all guarantees is realized or transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later reserved, it is credited in profits or losses in the period in which it has been recovered.

Financial liabilities:

Financial liabilities are classified according to the contractual arrangements, which also include creditors, the amounts payable and loans. All financial obligations are initially measured at fair value, after the initial recognition, the direct transaction costs are recorded at amortized cost using the effective commission rate over the life of the instrument and are recognized in the statement of profit or loss and other comprehensive income. Loans are classified under current liabilities unless the Company has an unconditional right to defer payment for a period of at least 12 months after the statement of financial position date.

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3. Significant accounting policies...(continued)

3.8. Financial instruments...(continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right and when the company has the intention to settle on a net basis to realize the asset and settle the liability simultaneously.

3.9. Impairment of non-financial assets

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

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The recoverable amount of a single asset is determined unless the asset is generating cash flows that are largely independent of inflows from other assets or other groups of assets. When the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, the asset is considered to be impaired and is reduced to its recoverable amount. When determining the fair value minus the costs of completing the sale, the latest market transactions are taken into account. In the event that such transactions are not determined, the appropriate valuation model is used. Value in use is based on a discounted flow model where the expected future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The losses resulting from the impairment are recorded in the statement of profit or loss. The losses resulting from the impairment are recognized in relation to the cash-generating units are distributed initially to reduce the carrying amount of any goodwill and distributed to the units and then to reduce the carrying values of other assets in the unit (or group of units) on a proportional basis. An assessment is made at each reporting date to determine whether there is evidence that previously recorded impairment losses have disappeared or reduced. If such evidence exists, the company estimates the recoverable amount of the asset or cash-generating unit.

An assessment is made at each reporting date to determine whether there is evidence that previously recorded impairment losses have disappeared or reduced. If such evidence exists, the company estimates the recoverable amount of the asset or cash-generating unit. A previously recognized impairment loss is reversed if there has been a change in the assumptions used to determine the recoverable amount since the last impairment loss was recognized. The reversal of the entry is limited so that the carrying amount of the asset does not exceed its recoverable value or exceeds the book value that would have been determined - after deduction of depreciation - with no impairment loss recorded for the asset in previous years. Such reversal is recorded in the statement of profit or loss. Any impairment of non-financial assets - except for goodwill, if any - is examined for the possibility of a reversal of the impairment at the end of each reporting period.

3.10. Classification of assets and liabilities into current / non-current

The Company presents assets and liabilities in the financial statements based on their classification into current / non-current items.

The asset is current when:

- It is expected to be realized or there is an intention to sell or consume it in a normal operating cycle
- It is held primarily for the purpose of trading
- It is expected to be realized within twelve months after the financial reporting period
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least - 12 months after the reporting period.

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

A liability is current when:

It is expected to be paid in a normal operating cycle.

- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after reporting period.

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3. Significant accounting policies...(continued)

3.11. Cash and cash equivalents

Cash and cash equivalents include cash on hand, current accounts at banks and other short-term, highly liquid investments, which maturity dates are within three months or less of the original investment date and available to the Company without restrictions.

3.12. Provisions

A provision is recognized if the Company has a present (legal or constructive) obligations arising from previous events and it is probable that an outflow of economic benefit will be required to settle the obligations, and can be measured reliably. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to this liability.

3.13. Trade Payables and Accruals

Trade payables are recognized for amounts payable in the future, for goods and services received, whether or not billed by suppliers.

3.14. Right to use the assets and liabilities of the lease contracts

The company assesses whether the contract is a lease or contains a lease. At the beginning of the contract, the company establishes the right to use the asset and the corresponding lease commitment in relation to all lease agreements in which it is the lessee, except for short-term leases and low-value leases.

The assets and liabilities arising from the lease are initially measured on the basis of the present value. Lease assets and liabilities are recognized and each lease payment is allocated between the liabilities and finance cost. Charging the finance cost to profit or loss over the lease term.

Right to use assets

The right to use the asset is depreciated over the useful life of the asset and the lease term, whichever is shorter, on a straight line basis.

The asset's right to use is measured at the date of initial application of leases previously classified as operating leases in its book value, as if the standard had been applied since the inception of the lease, But discounted using the additional borrowing rate of the lessee at the initial application date.

Lease obligations

- The lease obligation is recognized on the initial application date of the leases previously classified as operating leases at the present value of the remaining lease payments discounted using the additional borrowing rate of the lessee at the initial application date.

3.15. Return on Murabaha deposits

Murabaha deposits are placed with local banks for a period three months or less on the prevailing rates in the market and the returns from such deposits are recognized when earned.

3.16. Expenses

Production costs of direct and indirect expenses related to production are classified as cost of sales. All other expenses are classified as general and administrative or selling and marketing expenses.

3.17. Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets, which are assets that require a significant period of time to become ready for their intended use, are capitalized when all activities necessary to prepare the qualifying asset for its intended use are completed. All other borrowing costs are recognized as an expense and charged to the statement of profit or loss and other comprehensive income in the period in which they occur (refer IAS 23). The Company does not have any such costs to be capitalized in the current year.

3.18. Segment reporting

The Company's core business is in one product inside and outside the Kingdom of Saudi Arabia and thus it does not report for operating segments in different products or in different geographical areas.

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3. Significant accounting policies...(continued)

3.19. Earnings per share

The Company presents basic and diluted (If any) earnings per share information for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.20. Dividends

Final dividends are recorded in the financial statements in the period in which these dividends are approved by the general assembly of shareholders.

Dividends are recognized as a liability in the period in which they are approved by the Board of Directors.

4. New standards, interpretations and amendments applied by the Company

The company adopted the application of the new standards that came to effect on or after January 1, 2022 as follows:

4.1. Amendments to IFRS 7 and IFRS 16 Interest Rate Measurement Correction - Stage 2.

The Stage 2 amendments address issues arising from interest rate measurement correction - including the replacement of benchmark rates with alternative rates.

The Stage 2 amendments provide additional temporary exemptions from applying the hedge accounting requirements of IAS 39 and IFRS 9 to hedging relationships directly affected by the interest rate index adjustment.

4.2. Amendment to IFRS 16, "Lease" - Covid-19-Related Rent Concessions

As a result of the COVID-19 pandemic, rental concessions have been granted to tenants. In May 2020, the IASB published an amendment to IFRS 16 that provides an optional, practical means for lessees to assess whether a COVID-19-related lease concession is an amendment to a lease.

On March 31, 2021, the IASB published a further amendment to extend the date from June 30, 2021 AD to June 30, 2022.

Tenants can choose to account for lease concessions the same way they would if there were no rent adjustments. In many cases, this results in accounting for the lien as variable lease payments in the period(s) in which the event or circumstance that gave rise to the discounted payment occurred.

- **The application of these amendments does not have any material impact on the financial statements.**

Issued standards but not yet effective

The following are the standards and amendments that were issued but did not come into effect until the issuance of the financial statements of the Company. The company is currently evaluating the effects of the standards and amendments mentioned below on its financial statements. However, it expects that the impact, if any, will not be material on the financial statements.

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4. Changes in significant accounting policies...(continued)

<u>Amendments to Standards</u>	<u>Description</u>	<u>Effective for annual years beginning on or after</u>	<u>Summary of the amendment</u>
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.
IFRS 3	Reference to the Conceptual Framework	1 January2022	The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.
IAS 1	Classification of Liabilities as Current or Non-current	1 January2023	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of a liability would not impact its classification
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	1 January2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements IFRS 9: The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.
IFRS 10, IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary.
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January2022	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of 'testing whether an asset is functioning properly'.

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5. Property, plant and equipment

	<u>WIP</u>	<u>Land</u>	<u>Buildings</u>	<u>Plant and equipment and strategic spare parts</u>	<u>Computer and Office Equipment</u>	<u>Motor Vehicles</u>	<u>Lease hold Improvement</u>	<u>Furniture and Fixtures</u>	<u>Total</u>
Cost :									
Balance at the beginning of the year	1,337,729	6,848,271	205,884,075	994,194,414	8,087,727	9,794,108	446,097	18,863,766	1,245,456,187
Transferred from spare parts inventories	-	-	-	9,812,352	-	-	-	-	9,812,352
Balance at the beginning of the year (restated)	1,337,729	6,848,271	205,884,075	1,004,006,766	8,087,727	9,794,108	446,097	18,863,766	1,255,268,539
Addition during the year	-	-	192,713	2,392,513	506,377	254,920	-	220,078	3,566,601
Disposals	-	-	-	-	-	(106,700)	-	(9,112)	(115,812)
Balance at the end of the year	<u>1,337,729</u>	<u>6,848,271</u>	<u>206,076,788</u>	<u>1,006,399,279</u>	<u>8,594,104</u>	<u>9,942,328</u>	<u>446,097</u>	<u>19,074,732</u>	<u>1,258,719,328</u>
Depreciation :									
Balance at the beginning of the year	-	-	48,803,572	412,255,911	6,255,752	6,441,160	446,097	17,995,773	492,198,265
Depreciation of the transferred inventories	-	-	-	1,789,433	-	-	-	-	1,789,433
Balance at the beginning of the year (restated)	-	-	48,803,572	414,045,344	6,255,752	6,441,160	446,097	17,995,773	493,987,698
Charge for the year	-	-	6,890,842	54,296,106	868,243	1,036,074	-	174,839	63,266,104
Disposals	-	-	-	-	-	(106,698)	-	(8,198)	(114,896)
Balance at the end of the year	<u>-</u>	<u>-</u>	<u>55,694,414</u>	<u>468,341,450</u>	<u>7,123,995</u>	<u>7,370,536</u>	<u>446,097</u>	<u>18,162,414</u>	<u>557,138,906</u>
Net book value :									
At 31 December 2021	<u>1,337,729</u>	<u>6,848,271</u>	<u>150,382,374</u>	<u>538,057,829</u>	<u>1,470,109</u>	<u>2,571,792</u>	<u>-</u>	<u>912,318</u>	<u>701,580,422</u>
At 31 December 2020	<u>1,337,729</u>	<u>6,848,271</u>	<u>157,080,503</u>	<u>589,961,422</u>	<u>1,831,975</u>	<u>3,352,948</u>	<u>-</u>	<u>867,993</u>	<u>761,280,841</u>

- The commercial operation of the cement factory started in the second quarter of 2013 and accordingly all such costs related to the construction of the cement factory was capitalized during the quarter ended June 30, 2013.
- The land on which buildings are constructed have been leased from the Ministry of Energy, Industry and Mineral Resources for a period of 30 years starting from .2012. The mining license from the Ministry of Energy, Industry and Mineral Resources confers the exclusive right to produce and exploit specified minerals in the licensed area. The total area is 46.4 sq.km and the rent is SR 10,000 per square kilometer per annum amounting to total of SR 470,000 per year and is being paid starting the date of the order issued by the Ministry.
- The company owns a plot of land with an area of 4,400 m² and a book value of 6.8 million, which was purchased since 2015 for the purpose of establishing an administrative headquarters on it.

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5. Property, plant and equipment (Continued)

5.1. Depreciation for the year has been allocated as follows:

	2021	2020(restated)
Cost of sales	62,611,173	64,556,323
General and administrative expenses (note 21)	600,025	356,787
Selling and distribution expenses	54,906	64,098
	<u>63,266,104</u>	<u>64,977,208</u>

5.2. PPE include fully depreciated assets amounting to SR 44.7million.

6. Intangible Assets – net

The item of intangible assets is represented in the system used in the operating activities of the Company, Computer software, where the balance on December 31, was as follows:

	2021	2020
Cost		
Opening Balance	5,485,482	5,221,340
Addition during the year	1,444,452	264,142
Closing Balance	<u>6,929,934</u>	<u>5,485,482</u>
Accumulated Amortization		
Opening Balance	5,275,848	5,180,061
Charged during the year	656,729	95,787
Closing Balance	<u>5,932,577</u>	<u>5,275,848</u>
Netbook Value	<u>997,357</u>	<u>209,634</u>

7. Leases

	2021	2020
Right to use assets		
Balance at the beginning of the year	8,900,314	9,329,977
Less: Depreciation of the right to use for the year	(429,663)	(429,663)
Right to use assets (net)	<u>8,470,651</u>	<u>8,900,314</u>
Lease obligations		
The present value of the obligation at the beginning of the year	10,182,062	10,512,059
Payment made during the year	(470,000)	(646,000)
Interest charged for the year	286,006	316,003
Lease obligation (net)	<u>9,998,068</u>	<u>10,182,062</u>
Current portion of lease obligations (note 18)	332,473	332,473
Non-current portion of lease obligations	9,665,595	9,849,589
Balance at end of year	<u>9,998,068</u>	<u>10,182,062</u>

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8. Inventory - net

	2021	2020
Raw Materials	9,264,945	9,465,075
Spares & Consumables	59,714,305	47,702,114
Semi-Finished Goods (SFG)	285,973,963	253,326,166
Finished Goods (FG)	3,159,052	3,064,093
Provision for Slow moving spare parts and consumables inventories	(5,607,640)	(2,543,874)
	<u>352,504,625</u>	<u>311,013,574</u>

8.1. The Provision for slow moving of consumables and spare parts inventories during the year:

	2021	2020
Opening Balance	2,543,874	1,153,119
Provided during the year	3,063,766	1,390,755
Balance at end of year	<u>5,607,640</u>	<u>2,543,874</u>

9. Trade Receivables (Net)

	2021	2020
Trade Receivables	19,149,943	25,914,648
Provision for Doubtful debts (note 9.1)	(2,867,724)	(3,189,120)
	<u>16,282,219</u>	<u>22,725,528</u>

9.1. Provision for Doubtful debts movement

	2021	2020
Opening Balance	3,189,120	3,155,790
Provided during the year	-	33,330
Reimbursed during the year	(321,396)	-
Balance at end of year	<u>2,867,724</u>	<u>3,189,120</u>

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

Year	Total	Up to 30 days	from 31 to 60 days	from 61 to 90 days	91 days and above days
2021	19,149,943	7,040,294	4,665,431	4,331,306	3,112,912
2020	25,914,648	8,260,944	8,187,277	5,591,929	3,874,498

10. Prepayments and other receivable balances

	2021	2020
Advances to Suppliers & Contractors	10,331,322	13,012,770
Prepaid Expenses	490,828	440,481
Other Debit Balances	1,575,875	1,233,100
	<u>12,398,025</u>	<u>14,686,351</u>

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11. Investments at FV through profit or loss

The Company has invested SR 50 million, for the purpose of purchasing various shares, within the Discretionary Portfolio Management with Al Rajhi Capital. The fair value of the portfolio is SR 57,762,605 000 (Dec 31, 2020: SR 49,104,683) .

12. Cash and cash equivalents

	<u>2021</u>	<u>2020</u>
Cash at Banks	47,914,295	27,174,345
Murabaha deposits	-	60,000,000
Total	<u>47,914,295</u>	<u>87,174,345</u>

13. Share capital

As at December 31, 2021, the Company's capital of SR 979,000,000 (Dec 31, 2020: SR 979,000,000) is authorized, issued and fully paid, which is divided into 97,900,000 ordinary shares (Dec 31, 2020: 97,900,000 shares), Saudi Riyal 10 per share.

14. Statutory reserve

According to the Companies' Article of association, the Company is required to retain 10% of net income in the statutory reserve. The Company may stop the transfers when this reserve reaches 30% of the share capital. This reserve is not available for dividend distribution.

15. Employees' defined benefits obligation

In application of IAS 19, the Company has engaged an independent actuarial evaluator SHMA Consulting DMCC to provide an actuarial valuation to measure the employee benefit obligations of the Company as follows.

	<u>2021</u>	<u>2020</u>
Present fair value of defined benefit obligation	20,608,230	16,870,983
Balance at the end of the year	<u>20,608,230</u>	<u>16,870,983</u>

The movement of the recognized obligations was as follows:

	<u>2021</u>	<u>2020</u>
Balance at the beginning of the year	16,870,983	14,427,632
Charged for the year	2,820,941	2,665,945
Interest charged for the year	271,574	371,700
(Losses) re-measurement of obligation	1,468,664	208,127
Paid during the year	(823,932)	(802,421)
Balance at the end of the year	<u>20,608,230</u>	<u>16,870,983</u>

	<u>2021</u>	<u>2020</u>
Valuation Discount Rate	3.57%	1.65%
Salary Increase Rate	1.65%	2.65%
Salary Increase Timings	1 st Apr	1 st Apr
Duration (Years)	14.30	8.31
Withdrawal Rate	High	Medium

However, the Company makes payments of end of service benefits to its employees in accordance with the provisions of the Labor Law in the Kingdom of Saudi Arabia. The entitlement to these indemnities is based upon the employee's final salary, length of service and completion of a minimum service period and is paid on the cessation of employment.

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16. Other provisions

Other provisions are represented in the provision for the restoration of the quarry and factory land, where the Company is committed to re-settling the leased land from the Ministry of Energy, Industry and Mineral Resources (Ministry of Energy) at the end of the thirty-year lease period starting from the date of receiving the site.

The Company has estimated the cost of the settlement at SR 7.5 million.

Re-measure the obligation to determine the present value of the obligation at the date of the financial statements as follows.

	<u>2021</u>	<u>2020</u>
Balance at the beginning of the year	3,914,194	3,800,188
Interest resulting from re-measurement (note 22)	117,426	114,006
Balance at the end of the year	<u>4,031,620</u>	<u>3,914,194</u>

17. Trade payables

	<u>2021</u>	<u>2020</u>
Local suppliers	27,556,683	30,214,699
Foreign suppliers	1,060,470	23,687
	<u>28,617,153</u>	<u>30,238,386</u>

18. Accruals and dividend payables

	<u>2021</u>	<u>2020</u>
Accrued Expenses	7,414,268	9,086,408
Accrued Tickets and Vacation	4,049,095	3,918,672
BOD Accruals	2,205,856	1,755,856
Dividends Payable	263,222	259,705
Advance from Customers	3,936,538	4,084,329
Social Responsibility provision	369,207	1,200,000
Current portion of lease obligations (note 7)	332,473	332,473
VAT Payable – net	1,071,670	1,872,576
	<u>19,642,329</u>	<u>22,510,019</u>

19. Zakat provision

19.1. Zakat calculation

	<u>2021</u>	<u>2020</u>
Net book profit and adjusted by:	53,370,616	117,642,766
Provisions during the year	8,922,569	9,843,584
Adjusted net profit	<u>62,293,185</u>	<u>127,486,350</u>
Total added items	1,143,165,895	1,080,386,320
Total deducted items	(785,795,535)	(808,323,574)
	<u>357,370,360</u>	<u>272,062,746</u>
Adjusting the calculation period to be 365 days instead of 354 days	369,484,609	280,516,674
Zakat base	<u>431,777,794</u>	<u>408,003,024</u>
Zakat payable at 2.5%	<u>10,794,445</u>	<u>10,200,076</u>

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19. Zakat provision...(Continued)

19.2. The movement for Zakat

The movement for Zakat provision is as follows:

	<u>2021</u>	<u>2020</u>
As at the beginning of the year	10,200,076	10,052,924
Prior years differences	168,703	380,141
Less: Zakat paid during the year	(10,368,779)	(10,433,065)
Zakat payable for the year	10,794,445	10,200,076
As at the end of the year	<u>10,794,445</u>	<u>10,200,076</u>

The provision made for the year 2021 amounting to SR. 10,963,148 (2020: SR. 10.2 million zakat payable and differences amounting to SR. 380,1) includes zakat due for the year amounting to SR. 10,794,445 and zakat differences for previous years amounting to SR. 168,703 .

19.3. Zakat status

- The company filed its zakat return until the year ended December 31, 2020. The company paid the zakat due and obtained a certificate No.1110625303 for the year 2020, dated 07/23/1442 H, valid until 09/29/1443 H (corresponding to April 30, 2022).
- The Company received Zakat assessments for the years from 2015 until 2018, which resulted in differences amounting to (SR 7,057,344) . The Company objected to those differences, and has not received any reply for the objection to date. According to the opinion of the independent Zakat Consultant of the Company, it is expected that the Company will succeed in settling these differences with the Authority without paying any amounts for those differences.
- The Company received Zakat assessments for the years from 2019 until 2020, which resulted in differences amounting to (SR 231,879). The Company objected to those differences

20. Revenue

	<u>2021</u>	<u>2020</u>
Sales	253,305,663	336,280,176
	<u>253,305,663</u>	<u>336,280,176</u>

Revenue Classification

A. Classification by product:

	<u>2021</u>	<u>2020</u>
Cement and Clinker	248,332,767	330,659,467
Transportation revenue	4,972,896	5,620,709
	<u>253,305,663</u>	<u>336,280,176</u>

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21. General and administrative expenses

	<u>2021</u>	<u>2020</u>
Staff salaries and other benefits	12,016,696	11,202,552
Legal and professional fees	2,379,297	1,894,578
Board of Directors remuneration	2,500,000	2,361,770
Board of Directors attendance allowance	126,000	105,000
Committees attendance allowances	126,000	90,000
Depreciation	755,130	378,491
Travel and Hotel expenses	136,806	186,465
Maintenance and repair	452,309	343,094
Communication expenses	423,398	352,026
Stationery and printing	80,893	61,014
Computers expenses	75,452	117,094
Other expenses	210,819	340,891
	<u>19,282,800</u>	<u>17,432,975</u>

22. Provisions

	<u>2021</u>	<u>2020</u>
Provision for slow moving inventory (note 8.1)	3,063,766	1,390,755
(Reversal) Provision for Doubtful debts (note 9.1)	(321,396)	33,330
	<u>2,742,370</u>	<u>1,424,085</u>

23. Finance cost

	<u>2021</u>	<u>2020</u>
Interest resulting from re-measurement (Note 16)	117,426	114,006
Various bank charges	470,042	335,291
Lease finance cost (note 7)	286,001	306,104
Interest charged to employee benefits (Note 15)	271,574	371,700
Industrial Development Fund follow up fee	-	3,355,667
Early payment resulted in amortization (note 15)	-	8,403,699
Deferred loan charges amortization	-	2,082,382
	<u>1,145,043</u>	<u>14,968,849</u>

24. Other income

Other income includes an amount of SR 1,519,172 (2020: SR zero) transferred from the Saudi Center for Energy Efficiency in return for the energy savings achieved by the Hail Cement Company, according to the mechanism of energy savings trading for the industrial sector.

25. Earnings per share

Earnings per share were calculated based on net income for the year divided by the weighted average number of ordinary shares outstanding at the end of the year amounting to 97,900,000, (31 December 2020: 97,900,000 shares).

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26. Prior year's adjustments

During the year 2021, the company formed a specialized technical committee to conduct a comprehensive technical review of the spare parts inventory items. The work of that committee resulted in the presence of strategic spare parts items that were recognized within the company's regular spare parts stock. The effect resulting from this matter has been retroactively modified in the current year, and the comparative figures for the year ending December 31, 2020 and earlier have been modified as follows.

	<u>December 31,</u> <u>2020</u> <u>As previously</u> <u>stated</u>	<u>Adjustments</u>	<u>Classifications</u>	<u>December 31,</u> <u>2020</u> <u>After</u> <u>Adjustments</u>
Statement of financial position				
Property, plant and equipment	753,257,922	(1,789,433)	9,812,352	761,280,841
Inventories - net	320,825,926	-	(9,812,352)	311,013,574
Retained earnings	131,364,847	(1,747,813)	-	129,617,034
Statutory reserve	52,507,982	(41,620)	-	52,466,362
Statement of profits or losses and other comprehensive income				
Cost of revenue	188,209,212	416,199	-	188,625,411
Net profit for the year	107,478,748	(416,199)		107,062,549

	<u>January 01,</u> <u>2020</u> <u>As previously</u> <u>stated</u>	<u>Adjustments</u>	<u>Classifications</u>	<u>January 01,</u> <u>2020</u> <u>After</u> <u>Adjustments</u>
Statement of financial position				
Property, plant and equipment	815,235,585	(1,373,234)	7,206,454	821,068,805
Inventories - net	300,352,653	-	(7,206,454)	293,146,199
Retained earnings	34,633,974	(1,373,234)	-	33,260,740

27. Contingent liabilities and capital commitments

As at 31 December 2021, the Company has contingent liabilities which represent the letters of credits issued by the Company's banker in favor of Company's contractors amounting to SR 4.26 million (December, 2020: SR 1.53 million) and letters of guarantee in favor of the Customs Department for custom duties amounting to SR 530 thousand (December 2020: SR 530 thousand).

- A public prosecutor from one of the governmental bodies has filed a case against the company, and decided to impose a fine on the company; however, the company's management and legal advisor believe that this decision is not final, that the company has strong arguments to respond to this case, and that there is no need to make any provision for it, and subsequent to the reporting date, this decision was objected before the Administrative Court in Riyadh..

28. Related party

The transactions with related parties primarily consist of the salaries, allowances and remuneration of senior executives. The senior management personnel mean the persons who have the power and authority to plan, direct and control the activities of the Company, directly or indirectly, including members of the Board of Directors and shareholders (whether executive or otherwise).

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28. Related party...(Continued)

The following is a statement of the total amounts included in the statement of comprehensive income during the year:

	For the year ending December 31	
	<u>2021</u>	<u>2020</u>
Salaries and bonuses for senior management employees	5,310,033	4,181,079
Directors' remuneration	2,500,000	2,361,770
Allowance for attending Board of Directors meetings	126,000	105,000
Allowance for attending the Company's committee meetings	126,000	90,000
Total	8,062,033	6,737,849

29. Fair value of financial instrument

Fair value is the amount that is received upon the sale of one asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Financial instruments comprise the company's financial assets and financial liabilities.

Financial assets of the Company are cash and cash equivalents, Investment portfolios trade receivables and other receivables except for prepayments, while financial liabilities from loans made up of trade creditors, dividends payable and accrued expenses.

The fair values of financial instruments are not materially different from their carrying value, unless otherwise indicated.

The table below shows the book values and fair values of financial assets and liabilities, including their levels in the fair value hierarchy and does not include fair value information for financial assets and financial liabilities that are measured at fair value if the book value reasonably approximates the fair value:

<u>As at December 31, 2021</u>	<u>book values</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments at fair value through profit or loss	57,762,605	57,762,605	-	-
<u>As at December 31, 2020</u>				
Investments at fair value through profit or loss	49,104,683	49,104,683	-	-

30. Risk management

Financial risk is part of the Company's activities and it is managed through the process of determining its nature, measurement and continuous monitoring, according to risk limits and other control elements. The process of managing risk is important to the Company's ongoing operations. The Company's activities are exposed to a variety of financial risks, which mainly include market risk, credit risk and liquidity risk.

30.1. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk consists of commission rate risk, currency risk and other price risk.

(A) Interest rate risk

Interest rate risk is that the value of financial instruments will fluctuate due to changes in the market interest rates. As at December 31, 2021, the Company has banking facilities from a local bank to issue letters of guarantee and credit to suppliers, and therefore the Company is not exposed to such risks.

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30. Risk management ...(continued)

(B) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The company's management constantly monitors changes in foreign exchange rates against the Saudi riyal. The Company did not undertake significant transactions in currencies other than Saudi Riyals, Euro and US Dollar during the year. Therefore, the Company has not been exposed to significant risk in foreign exchange rates for the year ended 31 December 2021.

30.2. Credit risk

Credit risk is the risk that one party, of a financial instrument, will not be able to fulfill its obligations and cause the other party to incur a financial loss. The Company is exposed to credit risk arising from its operating activities mainly from cash in banks and trade receivables (Clients). The Company deals with reputable banks and high credit rating. The Company has a policy regarding the amount of funds deposited in banks, and the management does not expect significant credit risks from this side.

Also, the management does not expect to be exposed to significant credit risks from customers' accounts, as it has a wide base of customers that operate in different locations and in different activities. It also monitors outstanding receivables periodically and the Company has established the necessary provision for the expected credit loss. The Company credit risk on the following balances:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	47,914,295	87,174,345
Trade receivables, net	16,282,219	22,725,528

30.3. Liquidity risk

Liquidity risk is the risk that the Company 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. Management endeavors to ensure that sufficient funds are available to meet any obligations when they fall due.

The following are the remaining contractual maturities of financial obligations at the end of the financial year.

<u>December 31, 2021</u>	<u>Book value</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>More than 5 years</u>
Trade payables	28,617,153	28,617,153		
Accrued expenses and dividend payables	19,642,329	19,642,329		
Zakat	10,794,445	10,794,445		
	<u>59,053,927</u>	<u>59,053,927</u>		

<u>December 31, 2020</u>	<u>Book value</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Contractual cash flow</u> <u>More than 5 years</u>
Trade payables	30,238,386	30,238,386		
Accrued expenses and dividend payables	22,510,019	22,510,019		
Zakat	10,200,076	10,200,076		
	<u>62,948,481</u>	<u>62,948,481</u>		

The company works to reduce liquidity risk by making sure that bank facilities are available when needed. The company's sales conditions require payment of amounts within 30 to 60 days from the date of sale. Accounts payable is usually paid within 30 to 60 days of the purchase date.

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31. Comparative figures

Certain comparative figures have been reclassified in line with the presentation for the current year.

32. Corona pandemic

At the beginning of the year 2020, the new Corona pandemic (Covid-19) spread, causing disruption to business and economic activities around the world, including the Kingdom of Saudi Arabia, and the Kingdom took many precautionary measures to confront all the negative consequences of that pandemic.

This required the company's management to reassess the main assumptions, estimates and sources applicable to the company's financial statements for the year ended December 31, 2021.

During the period, and with the discovery of vaccines for this pandemic and the retreat of the effects resulting from that pandemic, the management assessed all the effects on the operations and activities of the company, and based on this evaluation there was no need to make any substantial adjustments to the company's initial condensed financial statements for the year ending on December 31, 2021. The company continues to closely monitor the developments of this pandemic, although the management at this time is not aware of any expected factors that may change the impact of the epidemic on the company's operations during or after 2021.

33. Dividends

- The Ordinary General Assembly for the Company, held on March 22, 2021, resolved to approve the Board of Directors' recommendation to distribute cash dividends to shareholders for the financial year ending on December 31, 2020 at SR. 0.50 per share for total amount of SR. 48,950,000 at 5% of the capital, provided that the eligibility is Shareholders who own shares at the end of trading on the day of the General Assembly meeting and who are registered in the company's shareholders register with the Securities Depository Center Company (Depository Center) at the end of the second trading day after the due date.
- The Board of Directors resolved in its meeting on 04/27-1443 H corresponding to 02-12-2021, to distribute dividends amounting to SR. 48,950,000 (SR. 0.5 per share) to the company's shareholders for the financial period ending on September 30, 2021 (9 months).
- As at December 31, 2021, the total dividends distribution during the year 2021 amounted to SR. 97,900,000.

34. Subsequent events

The management believes that there are no other significant subsequent events from the statement of financial position date on December 31, 2021 until the date of the financial position that require amendments or disclosures in the financial statements.

35. Approval of the financial statements

The Company's financial statements has been approved by the board of directors on Rajab 27, 1443 H corresponding to February, 28, 2022.