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

Table of contents	Page

Head office: Moon Tower - 8 Floor
P.O. Box 8736, Riyadh 11492
Unified Number : 92 002 4254
Fax : +966 11 278 2883

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

To the Shareholders of
NAJRAN CEMENT COMPANY (A Saudi Joint Stock Company)
Najran - Saudi Arabia

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Najran Cement Company - A Saudi Joint Stock Company - (" the Company" or "the Parent Company") and its subsidiary ("the Group''), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated 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 that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for opinion

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

Other matters

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unqualified opinion on those statements on 16 Rajab 1442(H), corresponding to 28 February 2021.

Key audit matters

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

Head office: Moon Tower - 8 Floor
P.O. Box 8736, Riyadh 11492
Unified Number : 92 002 4254
Fax : +966 11 278 2883

Key audit matters (Continued)

Revenue recognition	
Key audit matter	**How the matter was addressed in our audit**
The Group has recognized revenue from operations amounted to SR 581.5 million. The Group recognizes the revenue at a point in time when control over the goods is transferred to the customer, generally on delivery of the goods. Revenue is considered as a key audit matter as this requires the management to establish the fact that control over goods is transferred at the time of delivery in accordance with "IFRS 15 - *Revenue from contracts with customers*", and that the variety of terms that define when control is transferred to the customer as well as the high volume of the transactions give rise to the risk that revenue is not recognized in the correct period. The Group focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before the control has been transferred.	Our audit procedures to assess the recognition of revenue included the following: • Assessed Group's revenue recognition policy and its compliance in terms of IFRS 15; • Assessed the design and implementation of controls related to revenue recognition; • Performed tests on selected samples by tracing the individual sales transaction to sales invoices, sales orders and other related documents. Further in respect of the samples tested, we checked that the revenue has been recognized as per the shipping terms; • Selected sample of revenue transactions made pre- and post-year end and agreed the period of revenue recognition to third party support such as transporter invoice and customer confirmation of receipt of goods; • Assessed journal entries posted to revenue to identify the unusual items; and • Assessing the adequacy of the related disclosures.
Refer to note 6.18 for the accounting policy and note 21 for related disclosures.	

Head office: Moon Tower - 8 Floor
P.O. Box 8736, Riyadh 11492
Unified Number : 92 002 4254
Fax : +966 11 278 2883

Key audit matters (Continued)

Existence and valuation of inventories	
Key audit matter	**How the matter was addressed in our audit**
The inventory of the Group includes raw materials and work in process amounted to SR 113.4 million. This mainly includes Clinker, Bauxite and Iron ore which are stored in stockpiles in yards. As the weighing of these inventories is not practically possible, management appoints an external surveyor to assess the reasonableness of the quantities on hand by obtaining measurements of the stockpiles and converting these measurements to unit of volumes by using angle of repose and bulk density. Existence and valuation of inventories is considered as a key audit matter because of the significance of inventory balances and related estimations involved in determining the quantities, existence and valuation of inventories.	Our audit procedures to assess the existence and valuation of inventory included the following: • Attended physical inventory counts performed by the Group and the external surveyor; • Evaluated the competence, capabilities and objectivity of the surveyor; • Obtained and reviewed the inventory count report of the external surveyor for major stock items on sample basis; • Assessed the reasonableness of management's measurements of stockpiles during the physical count and calculation of the conversion of stockpiles to the volumes; • Tested the valuation of year-end inventory including NRV on sample basis; and • Assessed the completeness and adequacy of disclosures relating to the inventories.
Refer to note 5 for significant accounting estimate and note 11 for related disclosure	

Other information

Other information consists of the information included in the Group's 2021 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2021 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Head office: Moon Tower - 8 Floor
P.O. Box 8736, Riyadh 11492
Unified Number : 92 002 4254
Fax : +966 11 278 2883

Responsibilities of management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA and Regulations for Companies and the Company's Bylaws / Articles of Association and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Head office: Moon Tower - 8 Floor
P.O. Box 8736, Riyadh 11492
Unified Number: 92 002 4254
Fax: +966 11 278 2883

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

For Dr. Mohamed Al-Amri & Co.

Maher Al-Khatieb
Certified Public Accountant
License Number 514

Jeddah on 7 March 2022 (G)
Corresponding to: 4 Shaban1443 (H)

NAJRAN CEMENT COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	*31 December 2021* *SR '000*	*31 December 2020 (Note 30)* *SR '000*
ASSETS			
Non-current assets			
Property, plant and equipment	8	**1,963,093**	1,983,741
Intangible assets	9	**4,094**	4,071
		1,967,187	1,987,812
Current assets			
Store, spare parts and loose tools	10	**149,998**	148,529
Stock in trade	11	**119,327**	133,716
Trade receivables	12	**28,221**	30,356
Prepayments and other receivables	13	**42,727**	46,780
Cash and cash equivalents	14	**82,090**	171,569
		422,363	530,950
TOTAL ASSETS		**2,389,550**	2,518,762
EQUITY AND LIABILITIES			
Equity			
Share capital	17	**1,700,000**	1,700,000
Statutory reserve		**145,396**	128,841
Retained earnings		**120,427**	227,080
Total equity		**1,965,823**	2,055,921
Non-current liabilities			
Provision for employees' benefits	15	**36,849**	33,438
Non-current portion of lease liability	16	**5,597**	6,047
Long term borrowing	18	**227,500**	278,500
		269,946	317,985
Current liabilities			
Provision for zakat	19	**6,134**	8,721
Current portion of lease liability	16	**451**	439
Current portion of long-term borrowing	18	**51,515**	51,542
Contract liability - advances from customers		**5,158**	6,467
Trade payables		**44,744**	45,025
Dividend payable	27	**1,118**	1,107
Accrued and other payables	20	**44,661**	31,555
		153,781	144,856
Total liabilities		**423,727**	462,841
TOTAL EQUITY AND LIABILITIES		**2,389,550**	2,518,762

The accompanying notes from (1) to (31) form an integral part of these consolidated financial statements.

NAJRAN CEMENT COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 SR '000	2020 SR '000 (Note 30)
Revenue, net	21	**581,553**	623,197
Cost of revenue	22	**(351,234)**	(373,279)
Gross profit		**230,319**	249,918
Selling and distribution expense	23	**(14,331)**	(13,068)
General and administrative expense	24	**(35,046)**	(31,575)
Operating profit		**180,942**	205,275
Finance costs		**(8,084)**	(15,962)
Other (expenses) income, net	25	**(1,849)**	1,294
Profit before zakat		**171,009**	190,607
Zakat	19	**(5,463)**	10,333
Net profit for the year	30	**165,546**	200,940
Earnings per share			
Earnings per share attributable to the shareholders of the Company:			
Basic and diluted (SR)		**0.97**	1.18
Weighted average number of shares outstanding:			
Basic and diluted ('000 shares)		**170,000**	170,000

The accompanying notes from (1) to (31) form an integral part of the consolidated financial statements.

NAJRAN CEMENT COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	*2021 SR '000*	*2020 SR '000 (Note 30)*
Net profit for the year		**165,546**	200,940
Other comprehensive income ("OCI")			
Items not to be reclassified to consolidated statement of profit or loss in subsequent periods:			
Re-measurement loss on provision for employees' benefit	15.1	(644)	(1,058)
Other comprehensive income		(644)	(1,058)
Total comprehensive income for the year		164,902	199,882

The accompanying notes from (1) to (31) form an integral part of these consolidated financial statements.

NAJRAN CEMENT COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	*Share capital SR '000*	*Statutory reserve SR '000*	*Retained earnings SR '000 (Note 29)*	*Total SR '000*
As at 1 January 2021		**1,700,000**	**128,841**	**227,080**	**2,055,921**
Net profit for the year		-	-	**165,546**	**165,546**
Other comprehensive loss		-	-	**(644)**	**(644)**
Total comprehensive income for the year		-	-	**164,902**	**164,902**
Transferred to statutory reserve		-	**16,555**	**(16,555)**	-
Dividends	28	-	-	**(255,000)**	**(255,000)**
Balance as at 31 December 2021		**1,700,000**	**145,396**	**120,427**	1,965,823
As at 1 January 2020		1,700,000	108,411	175,128	1,983,539
Net profit for the year	30	-	-	200,940	200,940
Other comprehensive loss		-	-	(1,058)	(1,058)
Total comprehensive income for the year		-	-	199,882	199,882
Transferred to statutory reserve		-	20,430	(20,430)	-
Dividends	28	-	-	(127,500)	(127,500)
Balance as at 31 December 2020	30	1,700,000	128,841	227,080	2,055,921

The accompanying notes from (1) to (31) form an integral part of these consolidated financial statements.

NAJRAN CEMENT COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	*2021* *SR '000*	*2020* *SR '000*
OPERATING ACTIVITIES			
Profit for the year		171,009	190,607
Adjustments for non-cash items:			
Depreciation	8	73,856	76,143
Amortization		26	49
Loss on sale of property, plant and equipment		28	253
Provision for bad debts	11	232	715
Provision for slow moving inventory		-	1,500
Finance cost		8,084	15,962
Prior year settlement on Zakat provision		-	6,203
Provision for employees' benefits		4,395	4,388
Operating cash flow before working capital changes		**257,630**	295,820
Changes in working capital:			
Trade receivables		1,903	2,398
Store, spare parts and loose tools		(1,469)	(1,752)
Stock in trade		14,389	76,508
Prepayments and other receivables		4,053	(26,978)
Contract liability - advances from customers		(1,309)	2,235
Trade payables		(281)	18,980
Accrued and other payables		13,079	15,058
Cash generated from operating activities		**287,995**	382,269
Zakat paid	19	(8,050)	(6,390)
Finance costs paid		(7,890)	(15,962)
End of service benefits paid		(1,628)	(1,230)
Net cash generated from operating activities		**270,427**	358,687
INVESTING ACTIVITIES			
Additions to property, plant and equipment	8	(27,735)	(10,182)
Additions to intangible asset		(49)	(45)
Payment against project		(25,501)	(510)
Net cash used in investing activities		**(53,285)**	(10,737)
FINANCING ACTIVITIES			
Proceed from long term financing	18	-	355,000
Repayment of long-term financing	18	(51,000)	(425,500)
Payment of lease liability		(632)	(632)
Dividend paid		(254,989)	(127,401)
Net cash used in financing activities		**(306,621**	(198,533)
Net change in cash and cash equivalents		**(89,479)**	149,417
Cash and cash equivalents at the beginning of the year		171,569	22,152
Cash and cash equivalents at the end of the year		**82,090**	171,569

The accompanying notes from (1) to (31) form an integral part of these consolidated financial statements.

1 CORPORATE INFORMATION

Najran Cement Company ("the Company" or "the Parent Company"), a Saudi Joint Stock Company, registered at Najran on 5 Ramadan 1426 (corresponding to 9 October 2005) under Commercial Registration number 5950010479. On 10 Shaaban 1437 (corresponding to 17 May 2016), the Company was granted an Industrial License, number 2446. The Company's shares are listed in the Capital Market Authority (CMA) in the Kingdom of Saudi Arabia.

The principal activities of the Company are manufacturing of ordinary portland cement and cement resistant to salts.

These consolidated financial statements comprise the Company and its wholly owned subsidiary, Wasl Al Janub Land Transportation Company (together referred to as the "Group").

The Subsidiary Company is registered as a limited liability Company at Najran was established on 23 Dhul- Hijjah 1441 (corresponding to 8 August 2020) under Commercial Registration number 5950119264. On 02 Shaaban 1442 (corresponding to 15 March 2021), the subsidiary company was granted transportation License, number 11/00007925.

The principal activity of the Subsidiary Company is land transport of goods.

2 BASIS OF PREPARATION

These consolidated financial statements have been prepared on a going concern basis under historical cost convention except for otherwise disclosed in Note 6.14 below.

The consolidated financial statements are presented in Saudi Riyals (SR) which is also the financial currency of the Group.

The Company's financial year starts on January 1 each Gregorian year and ends on December 31 of the same year.

3 STATEMENT OF COMPLIANCE

The consolidated financial statements for the year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS

a. New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The most significant of these are as follows:

IFRS	Summary	Effective date
Annual Improvements to IFRS: 2018-2020 Cycle	In May 2020, the IASB issued minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.	1 January 2022

4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS (Continued)

IFRS	Summary	Effective date
Reference to the Conceptual Framework Amendments to IFRS 3	In May 2020, the IASB issued amendments to IFRS 3.11, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments introduce an exception to the general recognition requirement for liabilities and contingent liabilities acquired in a business combination that is within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRIC 12 Service Concession arrangements.	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	In May 2020, the IASB issued amendments to IAS 16, which prohibit a company from deducting amounts received from selling items produced while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognise such sales proceeds and any related costs in profit or loss.	1 January 2022
Onerous Contracts—Cost of Fulfilling a Contract Amendments to IAS 37	In May 2020, the IASB issued amendments to IAS 37.68A, which specify the costs a company includes when assessing whether a contract will be loss-making and is therefore recognised as an onerous contract. These amendments are expected to result in more contracts being accounted for as onerous contracts because they increase the scope of costs that are included in the onerous contract assessment.	1 January 2022
IFRS 4	Insurance Contracts-Amendments regarding the expiry date of the deferral approach.	1 January 2023
IFRS 9	Amendments regarding the interaction of IFRS 4 and IFRS 9	1 January 2023
IFRS 17	IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous (non-IFRS) accounting approaches to continue to be followed. IFRS 17 will result in significant changes for many insurers, requiring adjustments to existing systems and processes.	1 January 2023
Classification of Liabilities as Current or Non-current (Amendment to IAS 1)	The IASB, in its meetings held in June-July 2021, tentatively decided to amend IAS 1 with respect to classification of liabilities subject to conditions as disclosure of information about such conditions and to defer the effective date of the 2020 amendment by at least one year to 1 January 2024. The amendments require to defer settlement of the liability for at least twelve months after the reporting period to exist at the end of the reporting period and / or that right to defer settlement for at least twelve months after the reporting period is also subject to entity's compliance with specified conditions. The Amendment has provided clarification on the meaning of 'settlement' for the purpose of classification of a liability.	1 January 2024

4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS (Continued)

b. New standards, interpretations and amendments effective in the current year

The following are the new standards, interpretations and amendments to standards that are effective in the current year which have not given rise to changes in the Group's accounting policies and have no impact on its consolidated financial statements:

IFRS	Summary	Effective date
Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9 and IAS 39	The major amendments provide relief from relief from specific hedge accounting requirements. Additionally, the standards were amended to require change from IBOR to alternative benchmark rate that is accounted for by updating the effective interest rate.	1 January 2021
Covid-19-Related Rent Concessions beyond 30 June 2021	In March 2021, IASB issued an amendment to IFRS 16 which extended the COVID-19 related rent concessions beyond 30 June 2021. This amendment is applicable from annual reporting period beginning on or after 1 April 2021. Earlier application permitted, including in financial statements not authorized for issue at 31 March 2021	1 April 2021

5 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below.

5.1 Critical judgements

Judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as below:

(A) Component parts of property, plant and equipment

The Group's assets, classified within property, plant and equipment, are depreciated on a reducing balance basis over their economic useful lives. When determining the economic useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately. Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to mother asset, its pattern of consumption, and its replacement cycle/maintenance schedule.

5 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (Continued)

5.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of preparing the consolidated financial statements, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the subsequent financial periods, are described below. The Group based its assumptions and estimates on parameters available at the date of preparing the consolidated financial statements. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(A) Provision for employees' benefit

The Group's net obligation in respect of employees' benefits is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The present value of the obligation is determined based on actuarial valuation at the statement of financial position date by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to an additional unit of employee benefit entitlement and measures. The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan is based on the government bonds rate adjusted for an additional risk premium reflecting market yields on high quality Corporate bonds and with similar maturity.

(B) Provisions and contingencies

Management makes regular assessments of its possible obligation to determine likelihood and magnitude of outflow of resources.

(C) Useful lives of property, plant and equipment

Property, plant and equipment are depreciated over its estimated useful life, which is based on estimates for expected usage of the asset and expected physical wear and tear. Management has not considered any residual value as it is deemed immaterial.

(D) Calculation of expected credit loss allowance

When determining the loss allowance on receivables, the Group estimates expected credit loss. The Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of loss arising on default. It is based on difference between the contractual cash flow due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

(E) Provision for material extraction

The Parent Company exploits raw material in accordance with Mineral Resources Saudi Law (appendix 3). The Group estimation and expectations relating to quantities of exploited raw material to pay fees against site exploitation is based on such estimates as per the appendix.

(F) Existence of inventories

Inventories comprise of purchased raw materials (Pozzolana, iron ore and bauxite), extracted materials (limestone and gypsum) and work in progress (mainly clinker) which are kept in stockpiles. Since weighing of these inventories is not practicable, management assesses the quantities on hand, at the year-end, by obtaining measurements of the stockpiles and converting these measurements, so obtained, to unit of volumes by applying related bulk densities taken through sampling. In doing so, management appoints an independent surveyor.

6 SIGNIFICANT ACCOUNTING POLICIES

6.1 Basis for consolidation

Control is achieved when the Group:

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the Consolidated Statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Consolidated Statement of profit or loss and each component of other comprehensive income are attributed to the shareholders of the Group. Total comprehensive income of subsidiaries is attributed to the shareholders of the Group.

When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring its accounting policies into line with the Group's accounting policies.
All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiary

Changes in the Group's ownership interests in subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the Group.

6 SIGNIFICANT ACCOUNTING POLICIES (Continued)

6.1 Basis for consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiary (Continued)

When the Group loses control of a subsidiary, a gain or loss is recognized in the consolidated statement of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified consolidated statement of profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

6.2 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- 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 twelve months after the reporting period.
  The Group classifies all other liabilities as non-current.

6.3 Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible by the Group.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

6 SIGNIFICANT ACCOUNTING POLICIES (Continued)

6.3 Fair Value Measurement (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis using level 1 or level 2 indicators, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Loans having fixed maturities are recorded at discounted values based on the effective interest rate method.

6.4 Property, plant and equipment

Property, plant and equipment, except land which is not depreciated, are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Expenditure on repairs and maintenance is expensed, while expenditure for improvement is capitalized. Depreciation is provided over the estimated useful life lives of the applicable assets using the declining balance method and appropriate residual values. Group reviews the appropriateness of the rate of depreciation / amortization, useful life and residual values used for recording the depreciation on annual basis.

The estimated annual rates of depreciation of the principal assets are as follows:

	Percentage
Land	Not depreciated
Buildings	2.5%
Plant, quarry, machinery and other equipment	4% - 15%
Vehicles	10 % - 25%
Furniture, fixtures and office equipment	10% - 12.5%
Computers	15%
Capital work in progress	Not depreciated

Capital work in progress includes all costs (including advance payments) which have not been reclassified as one of the asset classes noted above. Capital work in progress is re-classified as property, plant and equipment when the relevant performance tests have been satisfactorily completed. No depreciation is provided for in respect of capital work in progress.

6 SIGNIFICANT ACCOUNTING POLICIES (Continued)

6.5 Impairment of property, plant and equipment

At each reporting date, the Group reviews the carrying amounts of property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount, and the impairment loss is recognized as an expense immediately in statement of profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of profit or loss and other comprehensive income.

6.6 Intangible assets

All costs paid to acquire the intangible assets are capitalized. It is stated at cost less accumulated amortization. The intangible assets of the Group are amortized over an estimated useful life using the straight-line method.

Intangible assets include software and licenses. Computer software licenses are capitalized based on the cost incurred to acquire and bring into use the specific software. Amortisation is charged to the statement of profit or loss on a straight line basis over an estimated useful life from the date the software is available for use. Cost associated with maintaining software programs are recognized as expense when incurred while development cost is capitalized on meeting certain criteria.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over their respective economic useful lives, using the straight-line method and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization methods, residual values and estimated economic useful lives are reviewed at least annually. The Group tests an intangible asset with an indefinite useful life for impairment by comparing its recoverable amount with its carrying amount either annually or whenever there is an indication that the intangible asset may be impaired. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

Amortisation periods for license are determined primarily by reference to the unexpired license period, the conditions for license renewal and whether licenses are dependent on specific technologies. Amortisation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives from the commencement of related services.

6 SIGNIFICANT ACCOUNTING POLICIES (Continued)

6.7 Inventories including capital spares

Inventories are measured at the lower of cost or net realizable value. Cost is measured using weighted average method. Spare parts and other consumables are charged to expenses on purchase. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

The Group regularly reviews the net realizable value of inventories to assess any diminution in the carrying values. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

6.8 Trade receivable

Trade receivables are carried at the transaction price related to a performance obligation less an allowance for doubtful debts. The Group assesses the allowance for doubtful debts using an expected credit losses (ECL) approach over the lifetime of the assets. The Group uses a provision matrix to measure the ECLs of trade receivables from customers while the government and quasi government customers are secured and are not included in ECLs.

Loss rates are calculated using a 'recovery rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off connected with the aging schedule of the outstanding receivables. Loss rates are based on actual credit loss experience over the past two years. For provisions against specific receivables, a customer-by-customer analysis of receivables is carried out at the end of each reporting period. Provisions are reversed only when the outstanding amounts are recovered from the customers and Group recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized in accordance with this Standard. When a trade receivable is uncollectible, it is written off against the allowance for doubtful debts in the statement of profit or loss, based on the criteria defined in the Group's policy.

Where advances from customers have been received but goods are not delivered at the reporting period, it is classified as advances from customers and included in current liability.

Where the Group is entitled to any third-party claim, the corresponding amount such as clinker subsidies or custom duties refundable, the agreed amount is included in other receivables and other income, net of any provisions.

6.9 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include cash in hand and, balances with banks on current, deposit and saving accounts, and short-term highly liquid investments subject to insignificant risk of changes in values, which fall due in no more than three months and no restriction exists on their monetization on account of the Group.

6.10 Offsetting

A financial asset and financial liability is off-set and the net amount is reported in the balance sheet when a legally enforceable right to set-off the transactions is available and also there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

6 SIGNIFICANT ACCOUNTING POLICIES (Continued)

6.11 Zakat

Zakat provision is provided for in accordance with Zakat, Tax and Custom Authority (ZATCA) regulations. Submission and disclosure of provisions in the financial statements shall be according to the Zakat and tax rules. The Group withholds taxes on certain transactions with non-resident parties as required under the Saudi Arabian Tax Laws. Withholding tax related to foreign payments on services are recorded as current liabilities.

6.12 Trade and accounts payables

Accounts payable are measured at their fair value, net of trade discounts. Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

6.13 Provisions and other liabilities

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect current best estimate.

6.14 Provision for employees' benefits

Provision for employees' terminal benefits is calculated based on Group's internal policy. The Group's net obligation in respect of defined benefit plans is calculated for each plan by estimating the amount of future benefits that employees have earned in the current and prior periods.

Re-measurements, comprising of actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income, in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

The Group recognises the following changes in the defined benefits obligation under 'operating cost' and 'general and administrative expenses' in the profit and loss account:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.
- Interest expense.

The calculation of defined benefits obligation is performed annually by a qualified actuary using the projected unit credit method.

6 SIGNIFICANT ACCOUNTING POLICIES (Continued)

6.15 IFRS 16 Leases

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group.
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The assets and liabilities from the lease are initially recognized and measured at the present value. Each lease payment is distributed between liabilities and financing cost. The cost of financing is charged to profit or loss over the lease term. The asset's right to use is amortized over the useful life of the asset or the term of the lease, whichever is shorter, on a straight-line basis.

- Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

- Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

6.16 Statutory reserve

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

6.17 Contingent assets and liabilities

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of obligations cannot be measured with reasonable reliability. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

6 SIGNIFICANT ACCOUNTING POLICIES (Continued)

6.18 Revenue recognition

Revenue is measured under IFRS 15 at the fair value of the consideration received or receivable when a customer obtains control of goods at a point in time i.e on delivery and acknowledgement of goods. Revenue is recognized on the completion of performance obligation where the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns and trade discounts.

No element of financing component is deemed present as the sales are made either on cash or on credit term consistent with market practice.

6.19 Foreign currency translations

These consolidated financial statements are presented in Saudi Arabian Riyals (SR), which is the Group's functional currency. Transactions in foreign currencies are recorded using the exchange rates prevailing at the time of transaction. Foreign exchange gains or losses resulting from settlement of the transaction and translation at the period end are recorded according to exchange rates prevailing on that date and are recognized in the profit or loss account.

6.20 Cost of revenue

The cost of revenue is calculated on the basis of the cost of production of sold units charged with all actual direct costs, which shall include the cost of materials, production supplies, cost of labour, and amortizations of direct fixed assets, in addition to their share of indirect expenses.

6.21 Expenses

Selling and distribution expenses comprise costs incurred in the distribution and sale of the Group's products, including employee costs and transportation costs (including area discounts). All other operating expenses are classified as general and administrative expenses.

6.22 Earnings per share

Earnings per share are calculated by dividing the net profit (loss) for the year by the weighted average number of shares outstanding at year end.

6.23 Dividends and appropriations

Dividend and appropriation to reserves are recognized in the consolidated financial statements in the period in which approved by the Group's Board of directors.

6.24 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

6 SIGNIFICANT ACCOUNTING POLICIES (Continued)

6.25 Settlement date accounting

All regular way purchases and sales of financial assets are recognized and derecognized on the settlement date, i.e. the date on which the asset is delivered to the counterparty. When settlement date accounting is applied, the Group accounts for any change in fair value between the trade date and the settlement date in the same way as it accounts for the acquired asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

6.26 Financial instruments

Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

(i) Fair value through profit or loss

This category comprises in-the-money derivatives and out-of-money derivatives where the time value offsets the negative intrinsic value (see "Financial liabilities" section for out-of-money derivatives classified as liabilities). They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive income in the finance income or expense line. As at the date of the statement of financial position, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

(ii) Amortised cost

These assets arise principally from the provision of goods and services to customers (eg trade receivables from related parties and third parties), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

The Group's financial assets measured at amortized cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

(iii)Fair value through other comprehensive income

These represents investments in listed and unlisted entities. As at the date of the consolidated statement of financial position the Group does not have any financial instruments designated as fair value through other comprehensive income.

Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Other than financial liabilities in a qualifying hedging relationship (see below), the Group's accounting policy for each category is as follows:

6 SIGNIFICANT ACCOUNTING POLICIES (Continued)

6.26 Financial instruments (Continued)

Fair value through profit or loss

This category comprises out-of-the-money derivatives where the time value does not offset the negative intrinsic value (see "Financial assets" for in-the-money derivatives and out-of-money derivatives where the time value offsets the negative intrinsic value). They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income. As at the date of statement of financial position, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Other financial liabilities

Other financial liabilities include the following items:

- Bank and related party borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

7 SEGMENTAL REPORTING

The Group is engaged in one operating segment, i.e., manufacturing cement and operates in the Kingdom of Saudi Arabia and certain foreign jurisdictions. Further, significant amount of liabilities of the Group are payable in Saudi Arabia. The financial information of the Subsidiary is not significant to Group's consolidated financial statements for segmental information.

8 PROPERTY, PLANT AND EQUIPMENT

	Land	Right of use asset	Buildings	Plant, quarry, machinery and other equipment	Vehicles	Furniture and fixtures, and office equipment	Computers	Capital work in progress	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Cost:									
1 January 2021	2,563	7,302	1,163,204	1,873,889	39,764	13,496	4,665	311	3,105,194
Additions	-	-	187	23,519	3,662	190	177	25,501	53,236
Disposal	-	-	-	-	(412)	-	(49)	-	(461)
Transfer	-	-	-	25,591	-	-	-	(25,591)	-
31 December 2021	2,563	7,302	1,163,391	1,922,999	43,014	13,686	4,793	221	3,157,969
Accumulated depreciation:									
1 January 2021	-	(1,014)	(351,845)	(735,368)	(20,667)	(9,422)	(3,137)	-	(1,121,453)
Additions	-	(516)	(20,192)	(49,815)	(2,671)	(432)	(230)	-	(73,856)
Disposal	-	-	-	-	399	-	34	-	433
31 December 2021	-	(1,530)	(372,037)	(785,183)	(22,939)	(9,854)	(3,333)	-	(1,194,876)
Net book value:									
At 31 December 2021	2,563	5,772	791,354	1,137,816	20,075	3,832	1,460	221	1,963,093

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land	*Right of use asset*	*Buildings*	*Plant, quarry, machinery and other equipment*	*Vehicles*	*Furniture and fixtures, and office equipment*	*Computers*	*Capital work in progress*	*Total*
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*
Cost:									
1 January 2020	2,563	7,302	1,163,204	1,863,683	39,330	13,169	4,462	1,630	3,095,343
Additions	-	-	-	8,377	1,275	327	203	510	10,692
Disposal	-	-	-	-	(841)	-		-	(841)
Transfer	-	-	-	1,829	-	-	-	(1,829)	-
31 December 2020	2,563	7,302	1,163,204	1,873,889	39,764	13,496	4,665	311	3,105,194
Accumulated depreciation:									
1 January 2020	-	(512)	(330,983)	(684,323)	(18,238)	(8,966)	(2,876)	-	(1,045,898)
Additions	-	(502)	(20,862)	(51,045)	(3,017)	(456)	(261)	-	(76,143)
Disposal	-	-	-	-	588	-	-	-	588
31 December 2020	-	(1,014)	(351,845)	(735,368)	(20,667)	(9,422)	(3,137)	-	(1,121,453)
Net book value:									
At 31 December 2020	2,563	6,288	811,359	1,138,521	19,097	4,074	1,528	311	1,983,741

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

8.1 The allocation of depreciation expense between operating cost of revenue, selling and distribution expenses and general and administrative expenses is as follows:

	31 December 2021 SR'000	*31 December 2020 SR'000*
Cost of revenue	71,416	72,988
Selling and distribution expenses	1,727	2,140
General and administrative expenses	713	1,015
Total	73,856	76,143

9 INTANGIBLE ASSETS

	31 December 2021 SR'000	*31 December 2020 SR'000*
Cost:		
At 1 January	8,766	8,721
Additions	49	45
Balance at 31 December	**8,815**	8,766
Amortization:		
At 1 January	4,695	4,646
Amortization during the year (*)	26	49
Balance at 31 December	4,721	4,695
Net Book Value:		
31 December	4,094	4,071

(*) Amortization expenses is included in general and administration expenses.

10 STORES, SPARE PARTS AND LOOSE TOOLS

	31 December 2021 SR'000	*31 December 2020 SR'000*
Consumables spare parts - not for sale	**155,321**	153,852
Less: provision for obsolescence	(5,323)	(5,323)
Total	**149,998**	148,529

* During the year the management reclassified a spare parts amounted 35.9 million for the years 2020 and 2019 from property, plant and equipment to stores, spare parts and loose tools (Note 30)

11 STOCK IN TRADE

	31 December 2021 SR'000	*31 December 2020 SR'000*
Raw materials, fuel and packing materials	23,002	18,195
Fuel in transit	46	5,389
Work in process	90,404	102,268
Finished goods	5,875	7,864
Total	119,327	133,716

12 TRADE RECEIVABLES

12.1 Trade receivables

	31 December 2021 SR'000	*31 December 2020 SR'000*
Trade receivables	30,459	43,147
Less: provision for expected credit loss	(1,803)	(11,650)
	28,656	31,497
Less: area incentives	(435)	(1,141)
	28,221	30,356

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

12.2 Movement in the provision for expected credit loss is as follows:

	31 December 2021 SR'000	*31 December 2020 SR'000*
Balance at the beginning	11,650	11,357
Charged during the year	232	715
Reversal Written-off during the year - Net	(10,079)	(422)
Balance at the end of the year	1,803	11,650

13 PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2021 SR'000	*31 December 2020 SR'000*
Advances to suppliers	27,014	26,155
Prepaid expenses	10,217	8,655
Refundable custom duties - net	2,690	1,915
Other receivables (*)	2,806	10,055
Total	42,727	46,780

(*) Other receivables include spares under customs clearance amounting to SR 400 thousand (2020: SR 1,209 thousand)

14 CASH AND CASH EQUIVALENTS

	Note	*31 December 2021 SR'000*	*31 December 2020 SR'000*
Cash on hand		197	258
Current account at banks	14.1	21,893	26,189
Short term Murabaha deposit	14.2	60,000	145,122
Total		82,090	171,569

14.1 Cash at bank includes unclaimed dividends of SR 1,118 thousand (2020: SR 1,107 thousand).

14.2 This represents deposits placed with banks for different periods and earn an average rate for return from 0.86% to 1.30%.

15 PROVISION FOR EMPLOYEES' BENEFITS

The Company operates an unfunded employees' terminal benefit plan for its employees as required by the Saudi Arabian Labour Law. The movement in provision for end-of-service benefits for the year ended 31 December is as follows:

	Note	*31 December 2021 SR'000*	*31 December 2020 SR'000*
Balance at beginning of the year		33,438	29,222
Current service cost		3,693	3,473
Interest cost		702	915
Amount recognised in profit or loss account		4,395	4,388
Re-measurement loss recognized in other comprehensive income	15.1	644	1,058
Benefits paid during the year		(1,628)	(1,230)
Balance at the end of the year		36,849	33,438

15.1 Re-measurements loss recognized in other comprehensive income for the year ended 31 December 2021 are as follow:

	31 December 2021 SR'000	*31 December 2020 SR'000*
Impact of changes in financial assumptions	(232)	359
Impact of changes in demographic assumptions	(33)	-
Impact of experience adjustments	909	699
Total	644	1,058

15. PROVISION FOR EMPLOYEES' BENEFITS (Continued)

15.2 Significant actuarial assumptions:

Below are the significant actuarial assumptions:

Key actuarial assumptions	*31 December 2021*	*31 December 2020*
Discount rate used	2.50%	2.05%
increase in salary for the next two years	2.50%	2.50%
Increase in salary for long term	2.30%	1.85%
Turnover	Moderate	Moderate
Demographic assumptions		
Retirement age	60	60

15.3 Sensitivity analysis:

Reasonably possible changes as to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	31 December 2021 (SR'000)		*31 December 2020 (SR'000)*	
	Increase	*Decrease*	*Increase*	*Decrease*
Discount rate (0.5% movement)	35,364	38,449	32,018	34,973
Future salary growth (0.5% movement)	38,175	35,604	34,584	32,363

16 LEASES

	31 December 2021 (SR'000)	*31 December 2020 (SR'000)*
Current portion of lease obligations	451	439
Non-current portion of lease obligations	5,597	6,047
Balance at end of year	6,048	6,486

The lease liabilities are secured by the related underlying assets.

The analysis by maturity of future lease payments at 31 December 2021 are as follows:

As at 31 December 2021	< 1 year SR'000	1-5 year SR'000	>5 years SR'000	Total SR'000
Lease payments	632	3,162	3,461	7,255
Less: Interest expense for future s	181	769	257	1,207
Net present values	451	2,393	3,204	6,048

As at 31 December 2020	< 1 year SR'000	1-5 year SR'000	>5 years SR'000	Total SR'000
Lease payments	632	3,161	4,061	7,854
Less: Interest expense for future periods	193	760	415	1,368
Net present values	439	2,401	3,646	6,486

17 SHARE CAPITAL

The authorized share capital of the Company comprised 170 million ordinary shares stated at SR 10 per share. All shares are issued and fully paid. (31 December 2020: 170 million ordinary shares stated at SR 10 per share).

18 LONG TERM BORROWING

Long-term borrowing from commercial banks is presented as follows:

	31 December 2021 SR'000	*31 December 2020 SR'000*
Principal amount, beginning balance	329,500	400,000
Draw-down during the year	-	355,000
Less: repayments / redemptions during the year	(51,000)	(425,500)
Net principal amount	278,500	329,500
Accrued mark up for the year	515	542
	279,015	330,042
Less: Transferred to current liabilities	(51,515)	(51,542)
Balance at the end of the year	227,500	278,500

18.1 Tawarruq

During 2020, the Company signed financing agreement (Tawarruq) for SR 355 million with Bank AlJazira to fully redeem the outstanding amount of the Sukuk that was due in June 2020. The Tawarruq facility is repayable in five years through ten semi-annual instalments and bears a mark-up of SAIBOR plus 1.40 %. The amount is secured by the Company's plant and equipment and a promissory note to the amount of actual drawdown. The amount of the facility was drawn in full.

Two multiple purpose facilities aggregating SR 85 million are also available but not utilized.

The carrying values of the short-term borrowings are denominated in Saudi riyals.

18.2 Loan covenants

The loans contain certain covenants. A future breach of covenants may lead to renegotiation. The covenants are monitored on a monthly basis by the management. In case of potential breach, actions are taken by the management to ensure compliance. During the year ended 31 December 2021, there has been no non-compliance of loan covenants.

All the above loans are Sharia compliant.

19 ZAKAT STATUS

The movement in zakat payable on the Group was as follows:

	31 December 2021 SR'000	*31 December 2020 SR'000*
Balance at beginning of the year	8,721	19,241
Provided / (reversal) during the year	5,463	(4,130)
Paid during the year	(8,050)	(6,390)
Balance at the end of the year	6,134	8,721

Zakat returns for all the years up to December 31, 2020 have been filed by the group. Zakat assessments have been finalized with Zakat and Tax and Customs Authority (ZATCA) for the years 2006 to 2011 and 2014 to 2020.

20 ACCRUED AND OTHER PAYABLES

	31 December 2021 SR'000	*31 December 2020 SR'000*
Raw material royalties payable	15,631	15,848
Other payables	21,132	11,361
Accrued expenses	7,898	4,346
	44,661	31,555

21 REVENUE, NET

21.1 Disaggregated revenue information

	31 December 2021 SR'000	*31 December 2020 SR'000*
Product type		
Cement	581,553	623,197
Total revenue	581,553	623,197
Customer type		
Corporate customers	581,553	623,197
Total revenue	581,553	623,197
Geographical markets		
Local	548,275	577,673
Export	33,278	45,524
Total revenue	581,553	623,197

21.2 Performance obligations - point in time

The performance obligation is satisfied at a point in time and payment is generally due in advance or within 90 days from delivery

22 COST OF REVENUE

	Note	*31 December 2021 SR'000*	*31 December 2020 SR'000*
Materials consumed		79,075	62,083
Salaries, wages and related benefits	22.1	71,193	57,446
Fuel and power		62,654	49,236
Repairs and maintenance		28,238	24,279
Operation and management expenses		17,340	16,428
Depreciation	8.1	71,416	72,988
Other manufacturing expenses		7,530	7,889
Provision for slow moving stock		-	1,500
		337,446	291,849
Opening work in progress and finished goods		111,060	192,490
Closing work in progress and finished goods		(97,272)	(111,060)
Cost of revenue		351,234	373,279

22.1 Salaries, wages and benefits include provision for employees' benefits amounting to SR 2.4 million (2020: SR 3.6 million).

22.2 The cost of revenues includes indirect cost which relates to the non-operating part of the Company's production line(s) during the year due to the slowdown in the market amounting to SR 23.3 million (2020: SR 24.5 million).

23 SELLING AND DISTRIBUTION EXPENSES

	Note	*31 December 2021 SR'000*	*31 December 2020 SR'000*
Salaries, wages and related benefits	23.1	6,801	6,872
Depreciation	8.1	1,727	2,140
Cement transportation		2,610	12
Impairment loss on trade receivables		232	715
Travel expenses		1,710	1,222
Export expenses		547	1,123
Others		704	984
		14,331	13,068

23.1 Salaries, wages and benefits include provision for employees' benefits amounting to SR 303 thousand (2020: SR 613 thousand).

24 GENERAL AND ADMINISTRATIVE EXPENSES

	Note	*31 December 2021 SR'000*	*31 December 2020 SR'000*
Salaries, wages and related benefits	24.1	21,663	19,747
Maintenance expenses		1,184	1,435
Board of directors renumerations	30	4,862	3,360
Legal and professional services		2,003	1,142
Depreciation and amortization	8.1 / 9	739	1,064
Regulatory fees		776	763
Travel expenses		313	255
Donations		587	1,622
Information technology		416	204
Bank charges		118	53
Others		2,385	1,930
		35,046	31,575

24.1 Salaries, wages and benefits include staff retirement benefits amounting to SR 934 thousand (2020: SR 918 thousand).

25 Other (expenses) income, net

	31 December 2021 SR'000	*31 December 2020 SR'000*
Reverse allowance - accounts receivable	5,960	-
Murabaha income	1,333	1,083
Other - net	858	211
Provision for fines and penalties	(10,000)	-
	(1,849)	1,294

26 CONTINGENCIES AND COMMITMENTS

The Group was contingently liable for letters of credit and bills for collections issued in the normal course of the business amounting to SR 400 thousand at 31 December 2021 (31 December 2020: SR 1,734 thousand).

27 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, Board of Directors, the Group's key management personnel and enterprises managed or significantly influenced by those parties. The following are the details of major-related parties' transactions during the year ended 31 December 2021:

	Transactions during the year		*Advances from related parties*	
	2021	*2020*	***2021***	*2020*
	SR'000	*SR'000*	***SR'000***	*SR'000*
AMAK Company (Sales)	**-**	-	-	2
Yaal Alarabeya Company (Sales)	**165**	740	1	2
			1	4

Allowances and compensation of the Board of directors and senior executives

The Group's senior management includes key management personnel and executives, Board of Directors, having authorities and responsibilities for planning, directing and controlling the activities of the Group.

Board of Directors and committees' compensation charged and accrued during the year ended 31 December 2021 amounting to SR 882 thousand (31 December 2020: SR 315 thousand).

Key management personnel compensation comprised the following:

	31 December 2021 SR'000	*31 December 2020 SR'000*
Short term employee benefits	**10,247**	9,209
Post-employment benefits	**316**	280
	10,563	9,489

28 DIVIDENDS

The Board of Directors of the Company, in its meeting held on 22 September 2021 (corresponding to 15 Safar 1443H), recommended a dividend of SR 127.5 million (SR 0.75 per share) that was paid on 17 October 2021 (corresponding to 11 Rabi ul Awwal 1443H).

The shareholders of the Company, in Annual General Assembly meeting held on 31 March 2021 (corresponding to 18 Shaaban 1442H), approved a final dividend of SR 127.5 million (SR 0.75 per share) that was paid on 13 April 2021 (corresponding to 1 Ramadan 1442H).

The Board of Directors of the Company, in its meeting held on 22 September 2020 (corresponding to 5 Safar 1442H), recommended a dividend of SR 127.5 million (SR 0.75 per share) that was paid on 15 October 2020 (corresponding to 28 Safar 1442H).

29 FINANCIAL INSTRUMENTS

The Group finances its operations through equity and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Taken as a whole, the Group is exposed to market risk (including profit rate risk, currency risk and other price risk), credit risk and liquidity risk. The Group's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as investments, trade and other receivables. The Group has various financial liabilities such as long-term financing, trade and other accounts payable including accrued liabilities.

29 FINANCIAL INSTRUMENTS (Continued)

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

a) Trade receivables
b) Cash and cash equivalents
c) Trade and other payables
d) Long term financing

Financial instruments by category (amortized cost)

	31 December 2021 (SR'000)	*31 December 2020 (SR'000)*
Financial assets		
Trade receivables	**28,221**	30,356
Cash and cash equivalents	**82,090**	171,569
Total	**110,311**	201,925

	31 December 2021 (SR'000)	*31 December 2020 (SR'000)*
Financial liabilities		
Long term financing	**279,015**	330,042
Trade payables	**44,744**	45,025
Dividend payable	**1,118**	1,107
Accrued and other payables	**36,763**	27,209
Total	**361,640**	403,383

The Group is exposed through its operations to the following financial risks:
- Market risk
- Credit risk; and
- Liquidity risk

Financial risk management and objectives and policies

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

(a) Interest rate risk
Profit rate risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market profit rates. The Group mitigates its risk against exposure through focusing on maintaining bank balances. As of the statement of financial position date the Group is exposed to profit rate risk on its borrowings.

During 2021 and 2020, the Group's borrowings at variable rate were denominated in SR. The Group analyses the interest rate exposure on a quarterly basis. A sensitivity analysis is performed by applying a simulation technique to the liabilities that represent major interest-bearing positions. Various scenarios are run taking into consideration refinancing, renewal of the existing positions, alternative financing and hedging.

29. FINANCIAL INSTRUMENTS (Continued)

Financial risk management and objectives and policies (Continued)

Market risk (Continued)

(b) Currency risk
Currency risk arises from the possibility that changes in foreign exchange rates will affect the value of the financial assets and liabilities denominated in foreign currencies. The Group does not believe it is materially exposed to currency risk as the majority of the Group's transactions and the balances are denominated in Saudi Riyals or in US Dollars. US dollar rate is fixed with the Saudi Riyal. Certain transactions are in other currencies, but these are not material.

(c) Other price risk
Other price risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market prices. The Group is not exposed to any other risks.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company's credit risk is primarily attributable to its liquid funds and receivables. Cash balances are deposited with banks with good credit standings. Whilst a small number of customers account for a significant portion of both revenues and accounts receivable balances. These customers have provided appropriate guarantees ensuring that their debts will be recoverable. All major customers are high profile customers with the Kingdom of Saudi Arabia and there is no reason to suggest that there will be a loss of revenue from these sources.

The Group's maximum credit exposure are as follows:

	31 December 2021 (SR'000)	*31 December 2020 (SR'000)*
Trade receivables	28,221	30,356
Prepayments and other receivables	42,727	46,780
Cash and cash equivalents	82,090	171,569
Total	153,038	248,705

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

Age of trade receivables aging as of 31 December is as follows:

	31 December 2021 (SR'000)	*31 December 2020 (SR'000)*
Not due yet	23,179	30,626
1-90 days	5,249	278
91-180 days	-	62
181-360 days	-	-
Over 360 days	2,031	12,181
Total	30,459	43,147

29. FINANCIAL INSTRUMENTS (Continued)

Financial risk management and objectives and policies (Continued)

Credit risk (continued)

Age of impaired trade receivables as of 31 December is as follows:

	31 December 2021 (SR'000)	*31 December 2020 (SR'000)*
More than 360 days	1,803	11,650

29.1 Fair value measurements of financial instruments

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

31 December 2021

	Carrying amount			*Fair value*			
	Fair value	*Amortized cost*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
	SR '000	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*
Financial assets:							
Trade receivables	-	28,221	28,221	-	-	-	-
Cash and cash equivalents	-	82,090	82,090	-	-	-	-
	-	110,311	110,311	-	-	-	-
Financial liabilities:							
Long term financing	-	279,015	279,015	-	-	-	-
Trade payables	-	44,744	44,744	-	-	-	-
Accrued and other payables	-	36,763	36,763	-	-	-	-
	-	360,522	360,522	-	-	-	-

31 December 2020

	Carrying amount			*Fair value*			
	Fair value	*Amortized cost*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
	SR '000	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*
Financial assets:							
Trade receivables	-	30,356	30,356	-	-	-	-
Cash and cash equivalents	-	171,569	171,569	-	-	-	-
	-	201,925	201,925	-	-	-	-
Financial liabilities:							
Long term financing	-	330,042	330,042	-	-	-	-
Trade payables	-	45,025	45,025	-	-	-	-
Accrued and other payables	-	27,209	27,209	-	-	-	-
	-	402,276	402,276	-	-	-	-

30 COMPARATIVE FIGURES AND PRIOR PERIOD RECLASSIFICATIONS

During the year, management identified certain adjustments required to prior years financial statements and restated them accordingly. The details are provided below:

- Assets held for future use amounting to SR 35.9 million as at 31 December 2020 (2019: SR 35.6 million) previously classified as property, plant and equipment were reclassified to consumable spares parts under stores, spare parts and loose tools.
- Directors' remuneration amounting to SR 3.4 million during the year 2020 previously classified under consolidated statements of changes in equity was reclassified to general and administrative expenses in the consolidated statement of profit or loss which result a decrease in profit to 200.9 million Saudi riyals without any impact on the total retained earnings.

31 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issue by the Company's Board of Directors on 27 February 2022 (corresponding to 26 Rajab 1443H)