TABUK CEMENT COMPANY
(SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

Crowe

Al Azem & Al Sudairy & Al Shaikh & Partners
CPA's & Consultants - Member Crowe Global

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INDEPENDENT AUDITOR'S REPORT

TO: THE SHAREHOLDERS
Tabuk Cement Company
(A Saudi Joint Stock Company)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **Tabuk Cement Company (the "Company")**, which comprise the statement of financial position as at 31 December 2020, and the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Other Matter

The financial statements of the Company for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on March 1, 2020.

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.

INDEPENDENT AUDITOR'S REPORT *(continued)*
Tabuk Cement Company
(A Saudi Joint Stock Company)

Key Audit Matters *(continued)*

Valuation of inventory	
Key audit matter	**How the matter was addressed in our audit**
The company applies IAS 2. The stock of raw materials amounted to 8.6 million Saudi riyals, and the stock of work in progress products amounted to 178 million Saudi riyals (mainly consisting of clinkers stored in the form of piles in yards set up for this purpose) for the year ending on December 31, 2020. Determining the weight of this stock is not practically possible, so the management estimates the available quantities at the end of the year by measuring the stock piles and converting the measurements into unit volumes using the stability angle and the quantitative density. To do this, the administration appoints an independent inspection expert to estimate the quantities by using some practical methodological measurement calculations and applying density conversion methods applied to similar types of stock that are used in the cement industry. Due to the determination of of inventory balances and the related estimates used in determining quantities, the existence and valuation of inventory was considered as a key audit matter.	Our audit procedures included, among others, based on our judgment, the following: - Attend the actual inventory count carried out by the Company and the independent surveyor - Evaluate the competence, capabilities and objectivity of the expert engaged by management for the matter in which his work will be used - Obtaining the stock inventory report submitted by the independent inspection expert regarding the main stock items and examining them on sample basis. - Evaluate the reasonableness of the stock piles measurement operations carried out by the management during the actual inventory and recalculate the conversion of volumes into quantities. - Testing inventory valuation at the end of the year, on sample basis and evaluate the judgments and estimates of management regarding damages stock and net realizable value. - Review the adequacy of the inventory disclosure included in the accompanying financial statements for the year ended December 31, 2020.
Refer to note (3) for the accounting policy and note (10) for related disclosures.	

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INDEPENDENT AUDITOR'S REPORT *(continued)*
Tabuk Cement Company
(A Saudi Joint Stock Company)

Key Audit Matters *(continued)*

Recognition of revenue	
Key audit matter	**How the matter was addressed in our audit**
The company applies IFRS 15 The company's revenues amounted to SR 276,454,772 for the year ended December 31, 2020. Revenue recognition was considered one of the main audit matter for review, given that revenue is the main component of the company's business, and there are potential risks of fraud and error related to the recognition of revenue in excess of their actual value to increase profitability. Therefore, the recognition of revenues was considered as a key audit matter.	We have designed auditing procedures to deal with this key matter through the following: Risk assessment procedure that includes identifying risks and related assurances by understanding the nature of the company's activity and its environment. An examination of the revenue recognition process, taking into account the requirements of the relevant accounting standards, and an assessment of the appropriateness of the accounting policies used. Internal control procedure was tested to ensure the design, implementation and enforcement of internal controls, related to revenue recognition and operational effectiveness, including anti-fraud control procedures Analytical procedures were also applied to understand that the reasons for the variance in sales quantities and prices compared to the last year and determining whether there are any significant trends or fluctuations that need additional examination in light of our understanding of current market conditions. We have examined revenue transitions along with their supporting documents on samples basis, to verify the revenue amount is correctly recorded in relevant period.
Refer to note (3) for the accounting policy and note (17) for related disclosures.	

INDEPENDENT AUDITOR'S REPORT *(continued)*
Tabuk Cement Company
(A Saudi Joint Stock Company)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the annual report and conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, 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 that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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INDEPENDENT AUDITOR'S REPORT *(continued)*
Tabuk Cement Company
(A Saudi Joint Stock Company)
Auditor's Responsibilities for the Audit of the Financial Statements *(continued)*

- 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.
- 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 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.

العظم والسديري وآل الشيخ وشركاؤهم
محاسبون ومراجعون قانونيون
License No 323/11/148
ترخيص رقم ١٤٨/١١/٣٢٣
Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountant R

AlAzem, AlSudairy, AlShaikh & Partners
Certified Public Accountants

Abdullah M. AlAzem
License No. 335

20 Rajab 1442H (4 March 2021)
Riyadh, Kingdom of Saudi Arabia

TABUK CEMENT COMPANY
(Saudi Joint Stock Company)

STATEMENT of FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	*31 December 2020* **SR**	*31 December 2019* **SR**
ASSETS			
NON CURRENT ASSETS			
Property and equipment, net	5	**1,065,784,188**	1,127,243,138
Investment properties	6	**77,464,847**	79,881,137
Investments in equity instruments at fair value through other comprehensive income	7	**281,288,274**	270,958,000
Intangible assets, Net	8	**5,043,683**	4,205,434
Right-of-use assets, net	9/1	**3,566,366**	5,256,830
TOTAL NON CURRENT ASSETS		**1,433,147,358**	1,487,544,539
CURRENT ASSETS			
Inventories, net	10	**285,063,097**	299,661,317
Trade receivables and other debit balances	11	**14,613,889**	12,612,553
Other assets	12	**40,693,362**	14,104,701
TOTAL CURRENT ASSETS		**340,370,348**	326,378,571
TOTAL ASSETS		**1,773,517,706**	1,813,923,110
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital, paid	1	**900,000,000**	900,000,000
Statutory reserve		**227,745,646**	222,588,069
Reserve for gains in fair value changes from investments in equity instruments at fair value	7	**111,939,524**	101,609,250
Retained earnings/ (Accumulated loss)		**9,342,586**	(36,703,046)
TOTAL SHAREHOLDERS' EQUITY		**1,249,027,756**	1,187,494,273
LIABILITIES			
NON CURRENT LIABILITES			
Non-Current portion of Long term loans	13	**252,000,653**	309,420,556
Employees' defined benefits liabilities	14	**14,216,404**	16,852,045
Non-Current portion of Lease Liabilities	9/2	**1,772,419**	3,604,412
TOTAL NON CURRENT LIABILITIES		**267,989,476**	329,877,013
CURRENT LIABILITIES			
Current portion of Lease Liabilities	9/2	**1,881,295**	1,645,854
Current portion of long term loans	13	**63,470,883**	95,206,325
Trade payables and other credit balances	15	**59,297,661**	71,044,170
Accrued dividends to shareholders		**121,694,374**	124,636,545
Accrued expenses and other liabilities			
Provision for zakat	16	**10,156,261**	4,018,930
TOTAL CURRENT LIABILITIES		**256,500,474**	296,551,824
TOTAL LIABILITIES		**524,489,950**	626,428,837
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,773,517,706**	1,813,923,110

شركة اسمنت تبوك
CR 3550012690 س.ت
TABUK CEMENT CO.

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

Finance Manager	Chief Executive Officer	Board Member (commissioner)
Mansour Ibrahim Al-Habdan	Ali bin Mohamed Al Qahtani	Tarik Bin Khalid Al-Anqari

TABUK CEMENT COMPANY
(Saudi Joint Stock Company)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020	2019
Net sales	17	**276,454,772**	238,663,555
Cost of sales		**(208,207,773)**	(184,084,981)
Gross profit		**68,246,999**	54,578,574
Selling and marketing expenses	18	**(2,951,585)**	(8,526,180)
General and administrative expenses	19	**(20,354,578)**	(18,711,045)
Operating profit		**44,940,836**	27,341,349
Reversal / (impairment losses) of inventory	10	-	9,647,520
Other income	21	**8,175,384**	6,237,905
Other expenses	20	-	(320,783)
Impact on Adjust cash flow to financial liability	13	**17,750,601**	-
Dividends of investments in equity instruments at fair value through other comprehensive income	7	-	5,080,463
Finance cost		**(11,274,890)**	(24,780,605)
Deposits income		**54,087**	317,901
Net profit before zakat		**59,646,018**	23,523,750
Reversal Zakat Provision	16	-	4,684,980
Zakat expense	16	**(8,070,246)**	(4,018,930)
Net profit for the year		**51,575,772**	24,189,800
Items of other comprehensives income			
Items that will not be reclassified subsequently to profit and loss:			
Actuarial gain on re-measurement of end of service benefits	14	**(372,563)**	1,906,630
Unrealized Gains on re-measurement Investments in equity instruments at fair value	7	**10,330,274**	-
Total other comprehensive income		**9,957,711**	1,906,630
Total comprehensive income		**61,533,483**	26,096,430
Basic and diluted profit / (loss) per share	22	**0.573**	0.27

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

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Mansour Ibrahim Al-Habdan	Ali bin Mohamed Al Qahtani	Tarik Bin Khalid Al-Anqari

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TABUK CEMENT COMPANY
(Saudi Joint Stock Company)

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

	Share Capital SR	*Statutory reserve* SR	*Reserve for gains in fair value changes from investments in equity instruments at fair value* SR	*Retained Earnings* SR	*Total* SR
For the year ended December 31, 2020					
Balance at 1 January 2020	900,000,000	222,588,069	101,609,250	(36,703,046)	1,187,494,273
Net income for the year	-	-	-	51,575,772	51,575,772
Other comprehensive income for the year	-	-	10,330,274	(372,563)	9,957,711
Total comprehensive income for the year	-	-	10,330,274	51,203,209	61,533,483
Transfer to statutory reserve	-	5,157,577	-	(5,157,577)	-
Balance at 31 December 2020	**900,000,000**	**227,745,646**	**111,939,524**	**9,342,586**	**1,249,027,756**
For the year ended December 31, 2019					
Balance at 1 January 2019	900,000,000	222,588,069	101,609,250	(62,799,476)	1,161,397,843
Net income for the year	-	-	-	24,189,800	24,189,800
Other comprehensive income for the year	-	-	-	1,906,630	1,906,630
Total comprehensive income for the year	-	-	-	**26,096,430**	**26,096,430**
Balance at 31 December 2019	**900,000,000**	**222,588,069**	**101,609,250**	**(36,703,046)**	**1,187,494,273**

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

Finance Manager	Chief Executive Officer	Board Member (commissioner)
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TABUK CEMENT COMPANY
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020,

	2020	*2019*
OPERATING ACTIVITIES	**SR**	**SR**
Net profit for the year before zakat	**59,646,018**	23,523,750
Adjustment for:		
Depreciation of property, plant and equipment	**70,108,144**	89,665,914
Amortization of Intangible assets	**556,295**	324,506
Depreciation of right of use asset	**1,690,464**	228,558
(Reserve) / impairment losses of inventories	**-**	(9,647,520)
Provisions no longer required	**(128,322)**	-
Impairment of other debit balances	**-**	320,783
Finance cost	**11,274,890**	24,780,605
Profit sale of plant and equipment	**-**	(650,316)
Profit sale of investments property	**(7,679,759)**	-
Profit from foreign currency exchange	**-**	(3,869,003)
Gains on Adjust cash flow to financial liability	**(17,750,601)**	-
Provision for employees' defined benefits	**1,453,385**	2,584,042
	119,170,514	127,261,319
Changes in operating assets and liabilities:		
Trade receivables and other debit balances	**(1,873,014)**	(2,190,312)
Inventories	**14,598,220**	(5,132,602)
Used from the provision for inventory impairment	**-**	(1,792,368)
Trade payables and other credit balances	**(11,746,509)**	6,698,857
Net cash flows generated from operations	**120,149,211**	124,844,894
Zakat paid	**(1,932,915)**	(5,838,900)
Employees' defined benefits paid	**(4,461,589)**	(7,312,367)
Net cash from operating activities	**113,754,707**	111,693,627
INVESTING ACTIVITIES		
Payments for acquisition of plant and equipment	**(8,649,194)**	(11,735,116)
Payments for acquisition of intangible assets	**(1,394,544)**	(2,280,193)
Proceeds from sale of Investment properties	**10,096,049**	-
Proceeds from sale of property and equipment	**-**	674,423
Net cash from (used in) investing activities	**52,311**	(13,340,886)
FINANCING ACTIVITIES		
Repayment of loans	**(71,404,744)**	(82,139,934)
Repayment of lease liabilities	**(1,928,423)**	-
Finance cost paid	**(10,943,019)**	(23,940,269)
Dividends paid	**(2,942,171)**	(173,630)
Net cash used in financing activities	**(87,218,357)**	(106,253,833)
Net change in cash and cash equivalents	**26,588,661**	(7,901,092)
Cash and cash equivalents at the beginning of the year	**14,104,701**	22,005,793
Cash and cash equivalents at the end of the year	**40,693,362**	14,104,701

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

Finance Manager	Chief Executive Officer	Board Member (commissioner)
Mansour Ibrahim Al-Habdan	Ali bin Mohamed Al Qahtani	Tarik Bin Khalid Al-Anqari

1. GENERAL

Tabuk Cement Company (the Company) is a Saudi Joint Stock Company established under the Companies law in the Kingdom of Saudi Arabia issued by the Royal Decree No. (M/6) dated Rabi al-Awaal 22, 1385H and licensed under Ministerial Resolution No. 889 dated sha'ban 7, 1414H (corresponding to January 19, 1994). The company is registered in Tabuk city under Commercial Registration No.3550012690 dated Safer 25, 1415H (corresponding to August 2, 1994).

The company's share capital consists of 90,000,000 shares of a par value SR 10 per share and total nominal value of SR 900,000,000.

The company's main activity is :

- Construction of factories and plants specialized in branching and complementary industries required by cement industry as building materials and so.
- Import and export of cement and related products as well as owning properties and laboratories in order to improve products, in addition to various products manufactured by the company, which include Portland Cement, Sulphate Resisting Cement and Pozzolan Cement and its derivatives.

As per industrial licence No. 227/S amended by licence no. (6309/S) dated Sha'ban 26,1432H (corresponding to July 27, 2011).

The factory is located 30 kilometers from the city of Duba, Al-Bida Road, next to the port of Duba, and the headquarters of the company's general administration in Tabuk.

2. BASIS OF ACCOUNTING

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standard "IFRS" issued by the International Accounting Standards Board ("IASB"), that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Certified Public Accountants ("SOCPA")

The Capital Market Authority issued the decision of the Board of Commissioners on (15) Muharram 1438H (16 October 2016) to require listed companies to apply the cost model when measuring the assets of property and equipment, investment properties and intangible assets when adopting the IFRS for a period of 3 years begin from the date of adoption of the International Financial Reporting Standards, On December 31, 2019, it was extended until the financial periods of the year beginning on January 1, 2022, and continue to comply with the requirements for disclosure of IFRS adopted in the Kingdom of Saudi Arabia, which require disclosure of fair value.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis using the accrual basis of accounting except for the following.

- Measuring derivative financial instruments at fair value.
- Investments at fair value through other comprehensive income.
- Employee benefits obligations that are recognized at the present value of future liabilities using the expected credit unit method.

2.3 Functional and presentation currency

The financial statements are presented in Saudi Riyal, which is the Company's functional currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Company recognizes its financial assets and liabilities in the statement of financial position only when the Company becomes a part of the contractual rights of the instrument.

Financial assets

When the Company acquires a financial asset, the financial asset is classified at amortized cost or at fair value through other comprehensive income or at fair value through profit or loss on the basis of (a) business model for managing a group of financial assets and (b) contractual cash flow characteristics of the financial asset.

Initial measurement of financial asset
Financial assets at initial recognition are measured at fair value in addition to transaction costs, except, financial assets at fair value through profit or loss, which are measured at fair value without adding transaction costs.

Receivable amounts from trade receivables are measured at their transactions price (as defined in IFRS 15, "Revenue from Contracts with Customers", if amounts receivable from trade receivables are not involved of an important funding component in accordance with IFRS 15.

Subsequent measurement of financial asset
After initial recognition, the Company's subsequent measurement of financial assets based on the category in which these financial assets are classified as follows:

- Amortized cost, If the objective of the company is to maintain a financial debt instrument to collect the contractual cash flows at specific dates, which are only - Payments of the amount and Interest on the outstanding principal.
- Fair value through other comprehensive income, If the objective of the company is to maintain a financial debt instrument for the collection of contractual cash flows and the sale of financial assets, and the contractual terms of the financial asset on specific dates resulting cash flows that are - only - Payments out of the amount and interest on the outstanding principal.
- Fair value through other comprehensive income, if the company used the measurement option that stated in IFRS 9 "financial instruments" in particular with equity instruments. The Subsequent changes are recognized at fair value and sale gains/ (losses) within other comprehensive income. Dividend income is recognized through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Financial Instruments (Continued)

De-recognition of financial asset

The Company derecognizes the financial asset only when:

- the expiration of the contractual rights to the cash flows of the financial asset; or
- Conversion of contractual rights in the receipt of cash flows from the financial asset and transfer of almost all of the financial asset ownership risks; or
- Retaining contractual rights to receive cash flows from the financial asset with a carrying contractual obligation to pay cash flows to one or more recipients and to transfer almost all the risks of ownership of the financial asset; or
- Conversion of contractual rights to receive cash flows from the financial asset without transfer or retaining almost all of the financial asset ownership risks if it has not retained control of the financial asset; or
- Retain contractual rights to receive cash flows from the financial asset, with a carrying contractual obligation to pay cash flows to one or more recipients without transfer or to retain all the risks of ownership of the financial asset if it has not retained control of the financial asset.

When a financial asset is derecognized as a whole, the difference between the carrying amount (measured at the date of cancellation of the recognition) and the consideration given / received (including any new asset acquired less any new liability incurred) is recognized in the statement of profit or loss.

Impairment of financial assets

The Company assesses the expected credit losses relating to its financial assets on the basis of future survey. The impairment in value applied depends on whether there is a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS (9) which requires the recognition of expected losses over the life of these receivables as of initial recognition.

Financial liabilities

The Company classifies all financial liabilities as subsequently measured at amortized cost.

De-recognition of financial obligations

The company derecognizes the financial liability (or part of the financial liability) from its statement of financial position when it is extinguished; that is when the obligation specified in the contract is discharged or cancelled or discharged.

Amortized cost for financial asset or liability

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition less repayments of the original amount, plus or less the cumulative amortization using the effective interest method of any difference between that initial amount and the amount at accrual date.

3.2 Revenue recognition

Revenue is recognized when the Company fulfils its liabilities in the contracts with the customers in the amount that reflects the material compensation that the entity expects for the goods. Specifically, the standard introduces a five-step revenue recognition model:

Step 1: Identify contracts or contracts with customers.
Step 2: Define performance liabilities in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price on the performance liabilities in the contract.
Step 5: Recognize revenue when the entity fulfils the performance obligation is satisfied.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Revenue recognition *(Continued)*

- Revenue is recognized in the performance of contractual liabilities, that is, when control of the goods to perform a particular liability is transferred to the customer so that it can be used for the purpose acquired and without restrictions under the contract.
- Revenue from the sale of any subsidiary products resulting from industrial waste is treated as other income in the statement of profit or loss and other comprehensive income.

- If the company distinguishes between the sale price of the product on the delivery site at its premises and the sale price of the same product delivered to the customer's site, the resulting difference will be treated as a transfer income and the cost related to it is included in the cost of revenue.

Dividends are recognized within profit or loss only when:

- The company's right is confirmed to receive paid dividends.
- The economic benefits associated with dividends are likely to flow to the company.
- The amount of dividends can be measured in a reliable manner.

Discounts

Revenue from the sale of goods 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. The accumulated experience is used to estimate and provide discounts. Revenue is recognized only to the extent that it is highly probable that a significant reversal occurs, the contractual liability of the expected discounts on the amount of payments due to customers in respect of sales made up to the end of the reporting period is recognized.

Financing component

The Company does not expect any contract to exceed the period between delivery of the agreed products to be sold to the customer and paid by the customer in one year. Therefore, the Company does not adjust any transaction prices in the time value of money.

3.3 Property, plant and equipment

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

Property, plant and equipment are reviewed for impairment and when there are no events that indicate that the carrying amount cannot be recovered, the value of the property, plant and equipment must be reduced to its recoverable amount. Decline loss is recognized in the statement of profit or loss of the period (if any), unless the asset is derecognized, is treated as an impairment in revaluation surplus to the amount in which the impairment loss does not exceed the amount retained in the revaluation surplus of that asset.

Incurred costs to replace any component of the asset are recognized as a separate item and capitalized against the write-off of the carrying amount of the replacement item. Any other expenditure is recognized only when the future economic benefits relating to the asset increase. The costs of repair and regular maintenance of property, plant and equipment are recognized in the statement of profit or loss and other comprehensive income when incurred.

The useful life of property, plant and equipment is reviewed at the end of each year. If the estimated useful life is different from previously estimated, the carrying amount of the asset is depreciated over the remaining useful life after reassessment of the year in which the revaluation was made.

(All amounts in Saudi Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Property, plant and equipment *(Continued)*

The Company uses the straight-line method to depreciate property, plant and equipment when it is ready for use over its estimated useful lives in accordance with the following useful lives:

	Useful lives Years
Buildings	7-50
Vehicles	4-8
Machinery and equipment	3-25
Furniture and fixtures	5-20

Projects under construction in property, plant and equipment are carried at cost and are stated at cost and include the cost of machinery and equipment as well as direct expenses. Projects under construction that the Company is required to use are not depreciated until they are ready for use where it is transferred to property, plant and equipment.

The company's management has changed the estimated useful life of buildings and roads and this was shown in the financial statements on December 31, 2020.

The depreciation calculation on buildings and roads has been amended as of January 1, 2020, the change in the depreciation method has been accounted for as a variable in an accounting estimate, and the remaining book value of buildings and roads will be depreciated, and the impact of the impact will appear in the current financial statements in which the change occurred and future periods.

Depreciation expense decreased by SR 10,551,078, and the financial statements for the year ended 31 December 2020 were affected.

3.4 Investment properties

The Company classifies an asset as an investment property if the purpose of holding it is to (a) earn rental income, or (b) increase the share capital or (c) both, at initial recognition, investment property is stated at cost, including expenditure that is directly attributable to the acquisition of investment properties. Upon subsequent measurement, the Company uses the cost module where the accumulative depreciation and accumulative impairment losses are deducted, and their fair value is disclosed at the date of financial statements.

3.5 Intangible assets

Intangible assets that include software programs, which acquired by the Company and have a finite useful life (3 years), are measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenses

Subsequent expenses are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenses incurred internally are recognized in profit or loss and other comprehensive income when incurred.

Amortization

Amortization is charged to the cost of intangible assets less the residual value using the straight-line method over their estimated useful lives, and recognized in the statement of profit or loss and other comprehensive income.

The residual values of intangible assets, their useful lives and impairment indicators are reviewed at the end of each financial year and adjusted prospectively where necessary.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Impairment of non-financial assets

At each reporting date, the carrying amounts of non-current assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of an assets or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the assets or cash-generating unit is reduced to its recoverable amount. Impairment loss is recognized as an expense in the statement of profit or loss and other comprehensive income immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash- generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of profit or loss and other comprehensive income.

3.7 Inventories

Inventories are stated at the lower of cost or net realizable value, Net realizable value represents the estimated selling price for inventories less all estimated costs to complete sales operation. Costs of inventories are determined on a weighted average basis and includes the cost of finished product and work in progress and certain portion of indirect expense. All other inventory items are evaluated using weighted average basis. Provision for obsolete and slow moving inventory is made, if any.

Spare parts

Spare parts are the interchangeable parts of property, plant and equipment that are essential to support regular 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

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

Consumable spare parts

General spare parts and other consumable items that are not of a sensitive nature and which are considered of a general nature, and may be required at any time to facilitate plant operations. They are generally classified as "spare parts" in stock. Items recorded in inventory are subject to an obsolescence provision estimate and are charged to the profit and loss statement when installed or used.

3.8 Cash and cash equivalents

Cash and cash equivalents comprise cash items in banks, funds and investments with maturities of three months or less from the date of acquisition that are subject to minimal risk of changes in value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Zakat Provision
The Company is subject to the regulations of the General Authority for Zakat and tax in the Kingdom of Saudi Arabia. Zakat is recognized in accordance with the accrual basis. Zakat is calculated on Zakat base. Any difference between the provision and the final assessment is recognized in the statement of profit or loss and other comprehensive income in the same period in which such differences arise.

3.10 Liability for employees' end-of-service benefits
Liability for employees' end-of-service benefits are a compensation plan paid for employees at the end of their services. As per the Saudi Labor Law, the Company pays amounts to employees when their service ends based on the period of service, salary and reason for terminating the service. Liability recognized in the statement of financial position regarding the end-of-service benefits represent the current value of the defined benefits liability at the end of the reporting period. The end-of-service benefits liability is calculated by the management on annual basis using the expected credit unit method.

The current services cost of the defined benefits plan is recognized in the statement of profit or loss and other comprehensive income under employees' benefits cost unless it included in the cost of assets. This cost reflects the increase in the defined benefits liability resulting from the employee's service in the current year plus changes, reduction and settlement of benefits.

Past-service costs are recognized immediately in the statement of profit or loss and other comprehensive income. The present value of the defined benefits liability is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related benefit liability. Where there is no deep market in such bonds, the market rates on government bonds are used. Actuarial gains and losses arising from previous changes in actuarial assumptions are charged or credited to equity in other comprehensive income statement in the period in which they arise.

3.11 Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) at the statement of financial position date as a result of a past event, it is probable that the Company will be required to settle the liability and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to that liability.

3.12 Statutory reserve
In accordance with the Companies Law in Saudi Arabia and the Company's Articles of Association, 10% of the net income for the year transferred to the statutory reserve account until the reserve is equal 30% of the share capital. This reserve is not available for distribution.

3.13 Earnings per share
Basic and diluted earnings per share (if any) are presented for 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 period, adjusted by the number of ordinary shares repurchased or issued during the period. The diluted earnings per share are adjusted by adjusting the profit or loss attributable to ordinary equity holders of the Company and the weighted average number of shares outstanding during the period with the effect of all potential dilutive ordinary shares.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.14 Loans

Loans are initially recognized at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the recoverable amount is recognized in profit or loss over the period of the borrowings using the effective interest rate method. Loans are eliminated from the statement of financial position when the obligation specified in the contract is implemented, cancelled or expires. Loans are classified as current liabilities when the remaining maturity is less than 12 months.

3.15 Borrowing costs

The borrowing cost is directly attributable to the acquisition, construction or production of qualifying assets (assets that require a significant period of time, more than one year, until the assets are ready for their intended use) is added to the cost of these assets until the assets are ready for their intended use. Borrowing cost is not capitalized during the period of discontinuation.

All other financing costs are recognized in statement profit or loss and other comprehensive income when incurred.

3.16 Segmental Reporting

Operating segment is a component of the Company that engages in business activities from which it earns revenue and incurs costs including income and expenses related to transactions with any other elements of the company.

3.17 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, in the prevailing market conditions (such as the current price), whether the price is directly observable or estimated using another valuation technique. 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 market or most advantageous market should be accessible by the Company.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company 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 are required to be measured at fair value or disclosed its fair value in the financial statements. Assets and liabilities are classified in the fair value hierarchy below based on the lowest level input that is significant to the fair value measurement as a whole:

(All amounts in Saudi Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.17 Fair value measurement *(Continued)*

Level 1: Quoted market price (unadjusted) in an active market for an identical asset or liability matched with those are measured.

Level 2: Inputs that are monitored observable for the asset or liability either directly or indirectly other than quoted prices included within level 1.

Level 3: Inputs that are not monitored or unobservable for the asset or liability.

3.18 New standards and amendments to standards and interpretations

Effective date	New standards or amendments
1 January 2020	Amendments to References to Conceptual Framework in IFRS Standards Definition of Material (Amendments to IAS 1 and IAS 8) Definition of a Business (Amendments to IFRS 3) Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
1 June 2020	COVID-19-Related Rent Concessions (Amendment to IFRS 16)
1 January 2021	Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
1 January 2022	Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) Annual Improvements to IFRS Standards 2018–2020 Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) Reference to the Conceptual Framework (Amendments to IFRS 3)
1 January 2023	Classification of Liabilities as Current or Non-current (Amendments to IAS 1) IFRS 17 Insurance Contractsa and amendments to IFRS 17 Insurance Contracts
Available for optional adoption/ effective date deferred indefinitelyb	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

(All amounts in Saudi Riyals)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires the use of judgments, estimates and assumptions that affect the values of income, expenses, assets, liabilities and notes alongside to the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in results that would require a material adjustment to the carrying amounts of the assets and liabilities affected in foreseeable periods.

The following basic assumptions relating to the future and other major sources of uncertainty at the statement of financial position date, which form material risks, may result in significant adjustments to the carrying amounts of assets and liabilities within the forthcoming financial year. The Company's assumptions and estimates are based on available standards when preparing financial statements. These assumptions and estimates of foreseeable developments may change as a result of market changes and circumstances beyond the control of the Company. Such changes to assumptions are explained when they occur.

A) Estimated useful life of property, plant and equipment

The cost of property, plant and equipment depreciated over the estimated useful life of the asset based on the expected use and obsolescence of the asset, the maintenance and repair program, technical obsolescence and the recoverable value considerations of the asset.

Change in accounting estimates

In accordance with company policy, it reviews the estimated useful lives and operational efficiency of property, machinery and equipment on an ongoing basis. This review indicated that the actual useful life of some buildings and roads within the property, machinery and equipment was shorter than the estimated useful lives used for depreciation purposes in the company's financial statements. As a result, with effect from January 1, 2020, the company has changed its estimates of useful lives of some buildings and roads within the property, machinery and equipment to better reflect the estimated periods during which these assets will remain in service. The effect of these changes on current and projected depreciation expenditures, included in "revenue costs", is as follows:

Decrease in depreciation expense	2020	2021	2022	2023	2024	After 2024
	(10,551,078)	(10,551,078)	(10,551,078)	(10,551,078)	(10,551,078)	52,755,390

B) Strategic spare parts

The Company maintains strategic spare parts inventory for two production lines in its plant, which the management aims to maintain for longer periods more than one year. The management believes that all spare parts will be provided with future economic benefits from the future use of all machinery and equipment. Especially after the planned first line is restarted in the near future, Also the management reviews spare parts that are in reserve equipment, which should be available as needed and consumed, with the life of the associated asset. Strategic spare parts are not consumed as they are available in the event of equipment failure and are consumed when used.

The Company's management has prepared a technical committee and a thorough examination of the status of the spare parts to determine whether the carrying amount of the spare part stock has decreased its recoverable value as at the end of the financial statement. The result of the study was that all the spare parts inventory are usable or saleable and could be recovered.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS *(Continued)*

C) Impairment of property, plant and equipment

The company's management determines the estimated useful lives of property, plant and equipment for depreciation purposes on a straight-line basis over their estimated useful lives. This estimate is determined after considering the expected usage of the asset or normal depreciation.

The management reviews the useful lives and the residual value of the assets at least once a year. At the end of each fiscal year, the future depreciation premium will be adjusted if the management believes that the useful lives differ from previous estimates.

D) Actuarial valuation of employees' end of service indemnity liabilities

The employees' end-of-service benefits obligation is determined according to a defined unfunded benefit plan and measured using actuarial evaluation. Actuarial evaluation includes many assumptions that may differ from the actual future developments. These assumptions include the determination of the discount rate and future salary increases and turnover rate. Due to the complexities involved in the valuation and its long- term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. Thus, all assumptions are reviewed once a year or more often, as deemed necessary.

(All amounts in Saudi Riyals)

5. PROPERTY, PLANT AND EQUIPMENT, NET

	Buildings and constructions	Vehicles	plant and equipment	Furniture and fixtures	Projects under construction	Total
Cost:						
Balance as at January 1, 2020	481,446,879	63,951,359	1,811,516,440	34,455,544	186,551	2,391,556,773
Additions	468,000	-	3,268,428	686,628	4,226,138	8,649,194
Balance as at December 31, 2020	481,914,879	63,951,359	1,814,784,868	35,142,172	4,412,689	2,400,205,967
Accumulated depreciation:						
Balance as at January 1, 2020	243,728,167	63,110,416	924,922,740	28,776,911	-	1,260,538,234
Depreciation	6,349,741	300,869	61,834,505	1,623,029	-	70,108,144
Balance as at December 31, 2020	250,077,908	63,411,285	986,757,245	30,399,940	-	1,330,646,378
Impairment at January 1, 2020	-	-	3,775,401	-	-	3,775,401
Impairment as at December 31, 2020	-	-	3,775,401	-	-	3,775,401
Carrying amount, net:	231,836,971	540,074	824,252,222	4,742,232	4,412,689	1,065,784,188

(All amounts in Saudi Riyals)

5. PROPERTY, PLANT AND EQUIPMENT, NET *(Continued)*

	Buildings and constructions	Vehicles	plant and equipment	Furniture and fixtures	Projects under construction	Total
Cost:						
Balance as at January 1, 2019	481,446,879	72,603,008	1,802,349,847	32,276,966	5,102,697	2,393,779,397
Additions	-	385,800	9,166,593	2,182,723	-	11,735,116
Disposals / transferring	-	(9,037,449)	-	(4,145)	(4,916,146)	(13,957,740)
Balance as at December 31, 2019	481,446,879	63,951,359	1,811,516,440	34,455,544	186,551	2,391,556,773
Accumulated depreciation:						
Balance as at January 1, 2019	226,849,964	71,498,648	854,557,167	26,984,030	-	1,179,889,809
Depreciation	16,878,203	628,134	70,365,573	1,794,004	-	89,665,914
Accumulated depreciation of disposals	-	(9,016,366)	-	(1,123)	-	(9,017,489)
Balance as at December 31, 2019	243,728,167	63,110,416	924,922,740	28,776,911	-	1,260,538,234
Impairment at January 1, 2019	-	-	(3,775,401)	-	(4,496,548)	(8,271,949)
Disposals*	-	-	-	-	4,496,548	4,496,548
Impairment as at December 31, 2019	-	-	(3,775,401)	-	-	(3,775,401)
Carrying amount, Net	237,718,712	840,943	882,818,299	5,678,633	186,551	1,127,243,138

- Buildings were built on land leased from Ministry of Petroleum and Mineral Resources for a nominal value of 30 years, it ends on September 4, 2027.

* T During the year 2019, he Company excluded amounts from projects under construction balance against the accumulated impairment, according to the approval of the Company's Board, where the management expects not to benefit from these amounts in the future.

-Projects under construction represent (export cement warehouse project, fire system maintenance project)

- Depreciation for the year is distributed as follows:	**2020**	2019
Charged to cost of sales	**68,857,609**	87,369,640
Charged to Selling and distribution expenses (note 18)	**111,221**	273,049
Charged to General and administrative expenses (note 19)	**1,139,314**	2,023,225
	70,108,144	89,665,914

(All amounts in Saudi Riyals)

6. INVESTMENTS PROPERTIES

Investments properties represent lands held for unspecified purpose and are stated as follows:

	31 December 2020	31 December 2019
Lands	77,464,847	79,881,137

During the year ended in at 31 December 2020, the company sold lands amounted SR 2,416,290 Which Result Gains from selling lands for the year ended at 31 December 2020 amounted SR 7,679,759.

As at December 31, 2020, the fair value of investment properties amounted to SR 98,909,922 (December 31, 2019, amount SR: 127,517,000), and the evaluation was carried out by a qualified and independent expert for the years 2020 and 2019, Nojoom Al Salam Group Company approved by the Saudi Authority for Accredited Residents with membership number 1210000148 And 1210000676.

7. INVESTMENTS IN EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Company owns 16,934,875 shares representing 3.387% of the total share capital in Industrialization and Energy Services Company ("TAQA") (A Saudi Closed Joint Stock Company). TAQA's nature of business is energy and electricity generation. The investment is recorded at fair value. The investment is pledged against a loan (Note 13).

On May 26, 2019, the General Assembly of the Investee company approved the distribution of profits for the year 2018, the Company's share of which amounted to SR 5,080,463 and on July 2, 2019, these distributions were collected.

Investment Movement was as follows: -

	31 December 2020	31 December 2019
Balance at the Beginning of the year	270,958,000	270,958,000
Unrealized Gains for Revaluation Investments at fair value through other comprehensive income	10,330,274	-
	281,288,274	270,958,000

8. INTANGIBLE ASSETS

	31 December 2020	31 December 2019
Cost:		
Balance at the beginning of the year	4,529,940	2,249,747
Additions during the year	1,394,544	2,280,193
Balance at the end of the year	5,924,484	4,529,940
Accumulated Amortization:		
Balance at the beginning of the year	324,506	-
Amortization during the year	556,295	324,506
Balance at the end of the year	880,801	324,506
Net book value:	5,043,683	4,205,434

Intangible assets represents in licenses and Oracle programs. The licenses are amortized over the contract period. As for the programs, the amortization process will take place after receiving the Oracle system on 3/31/2021.

(All amounts in Saudi Riyals)

9. RIGHT-OF-USE ASSETS, NET

9/1 The movement in the right to use assets for the year is as follows:

	December 31, 2020		*December 31, 2019*	
	Depreciation	**Balance**	Depreciation	Balance
Building	1,690,464	3,566,366	228,558	5,256,830
Total right of use	1,690,464	3,566,366	228,558	5,256,830

9/2 Lease Liabilities

-The table below shows the lease obligations based on the contractual maturity date:

	December 31, 2020 SR	*December 31, 2019 SR*
Non-Current portion of Lease Liabilities	1,772,419	3,604,412
Current portion of Lease Liabilities	1,881,295	1,645,854
Total lease liabilities	3,653,714	5,250,266

The total interest expense on lease liabilities recognized during the year ended December 31, 2020 is SR 272,531 (31 December 2019: None).

10. INVENTORIES

	31 December 2020	31 December 2019
Work in progress	178,228,989	193,494,410
Spare parts and fuel	87,564,220	86,997,852
Raw materials	8,635,985	8,734,083
Finished goods	6,862,460	6,616,868
Goods in transit	2,586,464	2,348,585
Packing materials	1,184,979	1,469,519
	285,063,097	299,661,317

The movement of impairment in inventory value is as following:

	31 December 2020	31 December 2019
Balance at the beginning of the year	-	(11,439,888)
Reverse impairment loss	-	9,647,520
Addition	-	-
Used*	-	1,792,368
Balance at the end of the year	-	-

The Company's management adjusted the impairment in value of goods in transit from previous periods based on the received in the current year.

* Based on approval by the Company's Board, the remaining balance of goods in the transit has been written down against impairment losses in the inventory value, where the management expects not to benefit from this balance in the future.

(All amounts in Saudi Riyals)

11. TRADE RECEIVABLES AND OTHER DEBIT BALANCES

	31 December 2020	31 December 2019
Trade receivables	**6,234,814**	8,210,899
Advances to suppliers	**4,684,631**	2,321,780
Withholding tax	**1,811,835**	-
Refunds Insurance	**1,235,661**	1,405,370
Employee Receivables	**671,397**	642,325
Others	**168,013**	352,962
Less: Impairment in trade and other receivables	**(192,462)**	(320,783)
	14,613,889	12,612,553

The movement of impairment in other receivables balance is as following:

	31 December 2020	31 December 2019
Balance at the beginning of the year	**320,783**	263,587
Addition	-	320,783
(Reserve) / impairment losses of inventories	**(128,321)**	-
Used*	-	(263,587)
Balance at the end of the year	**192,462**	320,783

* Based on the approval by the Board of Directors of the Company, the debts being outstanding for several years are settled against the impairment losses, as the management expects that they will not benefit from these debts in the future.

- The average credit period on sale of goods is 30-60 days, and no provision for credit loss has been established in accordance with the requirements of IFRS (9) where all amounts are considered recoverable. The Company performs credit-evaluation procedures before granting credit to new customers. These procedures are reviewed and updated regularly. The Company also obtains bank guarantees before granting credit. There have been no changes to these procedures since the previous year.

- The maturity of trade receivables as at December 31, 2020 and 2019 is two months.

12. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash at bank	**20,693,362**	14,104,701
Islamic Murabaha deposits(*)	**20,000,000**	-
	40,693,362	14,104,701

* Murabaha investment deposits represent cash deposits with a local bank, due in 2021. These murabaha deposits result in financial revenues based on commission rates agreed with the bank.

(All amounts in Saudi Riyals)

13. LOAN

	31 December 2020	31 December 2019
Total Loan	**315,471,536**	404,626,881
Less: Current portion	**(63,470,883)**	(95,206,325)
None- Current portion	**252,000,653**	309,420,556

The movement of loans is as following:

	31 December 2020	31 December 2019
Balance at the beginning of the year	**404,626,881**	486,766,815
Impact on Adjust cash flow to financial liability	**(17,750,601)**	-
Paid	**(71,404,744)**	(82,139,934)
Balance at the end of the year	**315,471,536**	404,626,881

On March 15, 2020, the company signed an agreement to reschedule the loan to be subject to a six-months interest rate of SIBOR and a fixed rate of 1.25% per annum instead of 2.5%, and is repayable in quarterly installments in the amount of 15.9 million Saudi riyals, and the last installment will be paid in March 13, 2026 instead of February 2024.

As a result of rescheduling the loan and amending the terms, the company performed a 10% test for the loan commitment in accordance with the requirements of IFRS 9 "Financial Instruments". This test resulted in the amendment effect gain of 22,758,671 Saudi riyals. This amount represents the difference between the present value of the loan according to the terms before the amendment and the present value of future cash payments according to the terms of the loan modification that has been renegotiated and modified, which is discounted at the original effective interest rate of the loan. Since the difference is less than 10%, the amendment to the terms is not considered material and it is not accounted for as disposing of the loan obligation and establishing a new financial commitment, and accordingly, the present value of future cash payments according to the terms of the amendment has been established using the loan's original effective interest rate, and the difference is recognized as a gain. The effect of modification.

The loan is secured by an investment in the Industrialization and Energy Services Company, note (7), and the loan includes financial covenants. The management monitors the fulfillment of the obligations on a regular basis, and in the event of a breach that is expected to occur in the future, the necessary measures are taken to ensure compliance.

14. EMPLOYEES' DEFINED BENEFITS LIABILITIES

	31 December 2020	31 December 2019
Balance at the beginning of the year	**16,852,045**	23,487,000
service cost	**970,403**	1,648,316
Interest cost	**482,982**	935,726
Paid	**(4,461,589)**	(7,312,367)
Actuarial Loss/ (gain) from re-measurement of end of service benefits	**372,563**	(1,906,630)
	14,216,404	16,852,045

The significant actuarial assumptions are as follows:

	31 December 2020	31 December 2019
Discount rate	**2.45%**	3.2%
Salary growth rate	**1.50%**	2%

(All amounts in Saudi Riyals)

15. TRADE PAYABLES AND OTHER CREDIT BALANCES

	31 December 2020	31 December 2019
Trade payables	10,104,264	13,894,714
Retention performance guarantees -second production line	31,773,148	33,398,044
Fees for utilization of accrued services	9,323,027	6,377,959
VAT	2,722,349	885,307
Employee accruals	2,566,547	4,652,925
Advances from customers	1,814,820	8,839,467
accrued Board's members remuneration (Note 24)	-	1,400,000
Accrued finance costs	-	973,801
Others	993,506	621,953
	59,297,661	71,044,170

16. PROVISION FOR ZAKAT

The main elements of Zakat base are as follows:

	31 December 2020	31 December 2019
Total items subject to zakat	1,784,080,149	1,795,744,586
Total deductions from the zakat base	(1,469,850,404)	(1,634,987,375)
Zakat base	314,229,745	160,757,211
Net adjusted income	61,099,403	22,550,572
Zakat charge at 2.5%	8,070,246	4,018,930

* Zakat is due at the rate of 2.5% of the adjusted net profit or 2.584745% of the zakat base minus the adjusted profit, whichever is higher.

	31 December 2020	31 December 2019
Balance at the beginning of the year	4,018,930	10,523,880
Addition	8,070,246	4,018,930
Paid during the year	(1,932,915)	(5,838,900)
Reversal of zakat provision	-	(4,684,980)
Balance at the end of the year	10,156,261	4,018,930

The company submitted its zakat declarations to the General Authority of Zakat and Income in the Kingdom of Saudi Arabia for all years up to December 31, 2019. The General Authority of Zakat and Income made final assessments for the years ending from 2014 to 2017, which resulted in a total zakat difference of 557,949 Saudi riyals, and the amount was paid.
The company has submitted an objection to the zakat assessment for the two years ending on December 31, 2015 and December 31, 2017, and the company's objection has been accepted by the General Authority for Zakat and Income, and the company received an amount of 354,954 riyals according to a credit notice on the date of 24/8/2020.

The company submitted its zakat declaration for the year ending on December 31, 2018, and paid an amount of SAR 3,042,781, and the final assessment was obtained, and this assessment resulted in zakat differences on the company in the amount of SAR 2,540,231, and accordingly the company submitted an objection to the zakat assessment.

(All amounts in Saudi Riyals)

17. SALES

The Company's sales volume of cement until December 31, 2020 1,734,833 tons some of it are local sales within the Saudi Arabia 1,512,164 tons and 222,669 tons are outside Saudi Arabia (December 31, 2019 amounted to 1,423,376 tons within the Saudi Arabia and 245,871 tons are outside of Saudi Arabia).

18. SELLING AND MARKETING EXPENSES

	2020	2019
Salaries, wages and employee's benefits	**2,294,741**	2,333,385
Depreciation (Note 5)	**111,221**	273,049
Expenses for logistics services for Clinker export	-	5,733,464
Others	**545,623**	186,282
	2,951,585	8,526,180

19. GENERAL AND ADMINISTRATIVE EXPENSES

	2020	2019
Salaries, wages and employee's benefits	**8,742,537**	8,352,906
Professional and consulting fees	**1,965,267**	1,708,367
Depreciation - right - of - use assets	**1,690,464**	228,558
Board of directors remuneration – related party (Note 24)	**1,400,000**	1,400,000
Depreciation	**1,139,313**	2,023,225
Donations	**1,320,335**	583,360
Postage and telephone	**592,079**	497,147
Allowance for attending meetings of the Board of Directors and committees - related parties (Note 24)	**531,000**	523,000
Cleaning expenses	**385,225**	164,103
Rent expenses	**278,570**	58,622
Subscriptions	**64,807**	951,062
Repair and maintenance	**197,311**	74,736
Tickets and accommodation of board members - related	**56,580**	156,742
Others	**1,991,090**	1,989,217
	20,354,578	18,711,045

20. OTHER EXPENSES

	2020	2019
Impairment of other receivable (Note 11)	-	320,783
	-	320,783

(All amounts in Saudi Riyals)

21. OTHER INCOME

	2020	2019
Gain on sale lands (Note No.6)	7,679,759	-
Provision no longer required	128,321	-
Foreign exchange gains	-	3,869,003
Gain on sale of scrap	-	1,694,479
Gain on sale of plants and equipment	-	674,423
Others	367,304	-
	8,175,384	6,237,905

22. EARNINGS PER SHARE

Earnings per share attributable to net profit was calculated by dividing net profit for the period by the weighted average number of outstanding shares of 90 million as of 31 December 2020 (31 December 2019: 90 million shares).

	2020	2019
Net profit for the year	51,575,772	24,189,800
Weighted average number of shares	90,000,000	90,000,000
Basic and diluted profit per share	0.573	0.27

23. SEGMENT INFORMATION

The Company has one operating segment, which is the sale of cement products, and the main sectors of the company are presented according to the geographical areas.

The distribution of revenues from sale of cement products on geographical area are as following:

	For the year ended at December 31, 2020		For the year ended at December 31, 2019	
Geographical area	Cement sales	Percentage	Cement sales	Percentage
Kingdom of Saudi Arabia	250,341,049	91%	210,014,754	88%
Yemen and Sudan	26,113,723	9%	28,648,801	12%
Total	276,454,772	100%	238,663,555	100%

(All amounts in Saudi Riyals)

24. TRANSACTIONS WITH RELATED PARTIES

The transactions with related parties during the year are as follows:

			For the year ended at December 31	
Related parties	**Note**	**Nature of the transaction**	**2020**	2019
Members of Board of the directors and Board Committees	19	allowances	**531,000**	859,176
Members of Board of the directors	19	Air tickets	**56,580**	107,714
Members of Board of the directors	19	Bonus	**1,400,000**	1,400,000
Senior management				
		Short-Term Employees Benefits	**1,200,000**	1,200,000
		Reward	**676,000**	-
		Short-term employee benefits	**104,568**	-

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

25.1 Fair value

Investment in equity instruments at fair value through other comprehensive income:

December 31, 2020	*Level (1)*	*Level (2)*	*Level (3)*	*Total*
Investment at fair value through other comprehensive income	-	-	**281,288,274**	**281,288,274**
December 31, 2019				
Investment at fair value through other comprehensive income	-	-	270,958,000	270,958,000

The investment is represented in in Industrialization and Energy Services Company ("TAQA") (a Saudi closed joint stock company).

(All amounts in Saudi Riyals)

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

25.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to fulfil commitments associated with financial instruments. The contractual maturities of financial liabilities at the end of the financial year are as follows. Amounts are shown in total and undiscounted.

	Book Value	On demand less than one year	From 1 year to 5 years	Total
As at December 31, 2020				
Loans	**315,471,536**	**63,470,883**	**252,000,653**	**315,471,536**
Future commissions on loans	-	**8,217,681**	**16,124,716**	**24,342,397**
Lease liabilities	**3,653,714**	**1,881,295**	**1,772,419**	**3,653,714**
Trade payables and other credit balances	**59,297,661**	**59,297,661**	-	**59,297,661**
	378,422,911	**132,867,520**	**269,897,788**	**402,765,308**
As at December 31, 2019				
Loans	404,626,881	95,206,325	309,420,556	404,626,881
Future commissions on loans	-	18,212,469	26,501,663	44,714,132
Lease liability	5,250,266	1,645,854	3,604,412	5,250,266
Trade payables and other credit balances	71,044,170	71,044,170	-	71,044,170
	480,921,317	186,108,818	339,526,631	525,635,449

The Company manages liquidity risk by maintaining appropriate reserves, bank facilities and loans, by monitoring future cash flows on an ongoing basis, and by matching the maturities of monetary assets and monetary liabilities.

25.3 Commission rate risk

Commission risk arises from potential changes and fluctuations in interest rates that affect future profit or fair values of financial instruments. The Company is subject to commission risk on its liabilities, which represent loan balances. The Company seeks to reduce interest rate risk by monitoring potential fluctuations in interest rates and hedging these risks when necessary. Management believes that interest rate risk is not currently significant.

(All amounts in Saudi Riyals)

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

25.4 Foreign currency risk

The Company exposure to foreign currency risk is primarily limited to transactions in, Euro, US Dollar, and UAE Dirham. Currency fluctuation is constantly monitored against the Euro, the US Dollar and the UAE Dirham. Quantitative data regarding the Company's exposure to currency risk arising from currencies are as follows:

As at December 31, 2020	USD	EUR
Retention performance guarantees -second production line	6,749,062	-
Trade payables	303,066	53,123
	7,052,128	53,123
As at December 31, 2019		
Retention performance guarantees -second production line	6,749,062	1,350,000
Trade payables	657,375	18,570
	7,406,437	1,368,570

25.5 Credit risk

Credit risk refers to the risk that other parties will not be able to fulfil their contractual obligations to the Company and may result in financial loss to the Company. Potential concentrations of credit risk consist principally of trade receivables and cash and cash equivalents. Cash and cash equivalents are deposited with banks with a high credit rating. The management believes that there are no concentrations of credit risk for which no adequate provision has been made at the reporting date.

The Company is exposed to credit risk on its bank balances and trade receivables as follows:

	As at December 31,	
	2020	2019
Cash and cash equivalents	40,693,362	14,104,701
Trade receivables	6,234,814	8,210,899
	46,928,176	22,315,600

The carrying amount of the financial asset represents the maximum exposure to credit risk.

The Company manages credit risk relating to trade receivables in accordance with the specified policies and procedures. The Company limits credit risk relating to trade receivables by setting credit limits for each customer and continuously monitoring outstanding trade receivables.

26. OBLIGATIONS AND EXPECTED LIABILITIES

As of 31 December 2020 the company has an Outstanding Liability as Letters of guarantee amounted 3,625,000 SR (31 December 2019: 3,655,000 SR)

27. COVID- 19 IMPACT

The outbreak of the novel Coronavirus (COVID-19) in early 2020 in most countries has caused widespread disruptions to business, with a consequential negative impact on economic activities. The Group is continually monitoring its impact, while working closely with the local regulatory authorities, to manage the potential business disruption of the COVID-19 outbreak.

In light of COVID-19, the Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the consolidated financial statement. Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing material adjustments to the consolidated financial statements.

- Impairment of non-financial assets

The Company has considered any impairment indicators arising and any significant uncertainties around its property, plant and equipment, and right-of-use assets especially arising from any change in lease terms and concluded there is no material impact due to COVID-19.

- Commitments and contingent liabilities

The Company has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships among customers and suppliers, with a view of potential increase in contingent liabilities and commitments and no issues were noted.

- Going Concern

The Company has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Company's future performance, capital and liquidity. The impact of COVID-19 may continue to evolve, but at the present time the projections show that the Company has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2020. As a result, this interim condensed consolidated financial statement has been appropriately prepared on a going concern basis.

The company's management continues to monitor the situation closely in light of the changes in the duration and size of precautionary measures, and it is assessing the potential effects on the financial statements.

28. SUBSEQUENT EVENTS

There are no subsequent events have occurred subsequent to the financial position date which require adjustment to, or disclosure, in these financial statements.

29. COMPARATIVE FIGURS

Certain of the prior year amounts have been reclassified to conform to the presentation in the current year.

30. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 20 Rajab 1442H (corresponding to March 4, 2021).