CITY CEMENT COMPANY

A SAUDI JOINT STOCK COMPANY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

TOGETHER WITH

<u>INDEPENDENT AUDITOR'S REPORT</u>

CITY CEMENT COMPANY
A Saudi Joint Stock Company

INDEX OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

BDO الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

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INDEPENDENT AUDITOR'S REPORT

To The Shareholders of
City Cement Company
A Saudi Joint Stock Company

Riyadh - Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of City Cement Company - a Saudi Joint Stock Company ("the Company"), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and other explanatory notes, 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, its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements approved by the Saudi Organization of Certified Public Accountants (SOCPA).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing as 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 professional code of conduct and ethics, as 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 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 15 March 2020.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. 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.

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Key audit matters (continued)

Attendance at physical inventory counting	
Key audit matter	**How the matter was addressed during our audit**
As described in Note 8, the carrying value of the Company's inventory as at 31 December 2020 was Saudi Riyals 145,146,260. The carrying value includes work in progress inventory - clinker amounting to Saudi Riyals 55,250,346. The Company uses procedures to estimate the physical quantity of clinker inventory by estimating the piles of clinker pile available at year end. We considered this to be a key audit matter as the inventory is material to the financial statements, in addition to the procedures used by the company to estimate the physical quantity of clinker inventory at the end of the year.	- Obtained management's physical inventory counting instructions to understand and assess their instructions and procedures regarding the cut off procedures (details of inventory movement just prior to, during and after the count inventory), and the recoding of the actual counts of the Company's inventory. - Evaluated the competency, capabilities, and objectivity of the inspection team used by management in counting the clinker inventory. - Attended the physical inventory counting conducted by the Company to observe the implementation of the management's procedures for counting, the identification of obsolete, damaged items of inventory, in addition to our test counts performed. - Obtained a copy of the final listing of the Company's physical inventory, and inspected that it is accurate, completes and reflects the actual inventory counts. - Based on our accumulated audit knowledge and experience, evaluated the appropriateness and reasonableness of the procedures used for estimating the physical quantity of clinker inventory piles, and tested the arithmetical accuracy of the used model. - Reviewed the adequacy of the Company's disclosures included in the accompanying financial statements for compliance with accounting standards that are relevant to inventory.

Other information

Other information comprises information included in the Company's annual report for the year 2020, but does not include the financial statements and auditor's report thereon. Management is responsible for other information included in its annual report

Our opinion on the financial statements does not cover other information and we do 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 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. 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. We have nothing to report in this regard.

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Responsibilities of the 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 International Financial Reporting Standards ("IFRSs") as endorsed in the kingdom of Saudi Arabia, and other standards and pronouncements approved by the Saudi Organization of Certified Public Accountants (SOCPA), and Regulations of Companies and the Company's Article of Association, and for such internal control as the management determine 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 are 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 the Management either intend to liquidate the Company or to cease operations, or has no realistic alternative not to do so.

Those Charged with Governance, in particular the Audit Committee, 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 International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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We communicate with those charged with governance, 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, relevant preventive measures.

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

For Dr. Mohamed Al-Amri & Co.,

Jamal M. Al-Amri
Certified Public Accountant
Registration No. 331

Date: 16 RAJAB 1442 (H)
Corresponding to: 28 FEBRUARY 2021 (G)

CITY CEMENT COMPANY
A Saudi Joint Stock Company

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020
(In Saudi Riyals)

	Notes	Balance As at 31 December		
		2020	2019 (Restated)	As at 1 January 2019 (Restated)
Assets				
Non-current assets				
Property, plant and equipment	5	**1,453,644,907**	1,518,223,857	1,580,031,396
Right of use assets	6	**2,779,941**	5,441,859	-
Investments in equity instruments at fair value through other comprehensive income	7	**3,228,575**	2,951,840	-
Intangible assets		**126,692**	206,708	336,290
Total non-current assets		**1,459,780,115**	1,526,824,264	1,580,367,686
Current assets				
Inventory	8	**145,146,260**	212,916,156	273,666,361
Trade receivables	9	**39,769,398**	39,774,943	41,450,221
Investments in equity instruments at fair value through profit or loss	10	**242,098,817**	485,840,830	10,193,195
Prepayments and other receivables	11	**11,603,307**	14,521,083	18,829,438
Cash and cash equivalents	12	**50,061,188**	68,455,784	308,369,107
Total current assets		**488,678,970**	821,508,796	652,508,322
Total assets		**1,948,459,085**	2,348,333,060	2,232,876,008
Equity and Liabilities				
Equity				
Share capital	1-3	**1,400,000,000**	1,892,000,000	1,892,000,000
Statutory reserve	13	**175,470,692**	153,421,380	134,411,672
Other reserves		**(2,115,616)**	(1,417,014)	(72,147)
Retained earnings		**271,685,968**	213,242,163	117,834,788
Total equity		**1,845,041,044**	2,257,246,529	2,144,174,313
Liabilities				
Non-current liabilities				
Employees' end-of-service benefits	14	**17,347,975**	14,069,654	11,541,606
Non-current portion of lease liability	15	-	2,882,552	-
Provision for rehabilitation of areas subject to franchise license	16	**6,449,424**	6,201,368	5,962,854
Total non-current liabilities		**23,797,399**	23,153,574	17,504,460
Current liabilities				
Trade payables		**16,744,015**	15,124,667	14,526,779
Current portion of lease liability	15	**2,413,041**	2,198,704	-
Accrual and other payables	17	**50,752,165**	38,953,343	43,508,613
Provision for zakat	18	**9,711,421**	11,656,243	13,161,843
Total current liabilities		**79,620,642**	67,932,957	71,197,235
Total liabilities		**103,418,041**	91,086,531	88,701,695
Total equity and liabilities		**1,948,459,085**	2,348,333,060	2,232,876,008

Finance Manager	CEO and Board Member	Vice Chairman of Board of Directors and Managing Director
Edrees Abo Alqasem	Majed Bin Abdulrahman Al-Osailan	Bader Bin Omar Al-Abdullatif

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

CITY CEMENT COMPANY
A Saudi Joint Stock Company

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020
(In Saudi Riyals)

	Notes	For the year ended 31 December 2020	2019 (Restated)
Sales	19	**572,729,687**	531,377,516
Cost of sales		**(315,769,453)**	(300,264,814)
Gross profit		**256,960,234**	231,112,702
Selling and marketing expenses	20	**(8,740,189)**	(6,638,575)
General and administrative expenses	21	**(28,172,979)**	(29,442,396)
Operating profit		**220,047,066**	195,031,731
Gains on changes in fair value investments in equity instruments	10	**5,057,987**	3,419,452
Other income	22	**6,274,015**	8,346,561
Finance cost	23	**(934,530)**	(1,057,905)
Provision of expected credit loss expense	9	**(240,000)**	(239,957)
Net profit for the year before zakat		**230,204,538**	205,499,882
Zakat expense	18	**(9,711,421)**	(15,402,799)
Net profit for the year		**220,493,117**	190,097,083
Items of other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gains on changes in fair value of investment in equity instruments	7	**276,735**	-
Actuarial losses on re-measurement of end of service benefits	14	**(975,337)**	(1,344,867)
Total comprehensive income for the year		**219,794,515**	188,752,216
Earnings per share			
Basic and diluted earnings per share of net profit for the year	24	**1,22**	1,00

Finance Manager	CEO and Board Member	Vice Chairman of Board of Directors and Managing Director
Edrees Abo Alqasem	Majed Bin Abdulrahman Al-Osailan	Bader Bin Omar Al-Abdullatif

The accompanying notes from (1) to (35) form an integral part of these financial statement

CITY CEMENT COMPANY
A Saudi Joint Stock Company

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020
(In Saudi Riyals)

	Share capital	Statutory reserve	Other reserves	Retained earnings	Total equity
For the year ended 31 December 2020					
Balance as at 1 January 2020 (Restated)	**1,892,000,000**	**153,421,380**	**(1,417,014)**	**213,242,163**	**2,257,246,529**
Net profit for the year	-	-	-	**220,493,117**	**220,493,117**
Items of other comprehensive income	-	-	**(698,602)**	-	**(698,602)**
Total comprehensive income	-	-	**(698,602)**	**220,493,117**	**219,794,515**
Reducing share capital by distribution to shareholders (Note 1.3)	**(492,000,000)**	-	-	-	**(492,000,000)**
Transfer to statutory reserve	-	**22,049,312**	-	**(22,049,312)**	-
Dividends (Note 25.1)	-	-	-	**(140,000,000)**	**(140,000,000)**
Balance as at 31 December 2020	**1,400,000,000**	**175,470,692**	**(2,115,616)**	**271,685,968**	**1,845,041,044**
For the year ended 31 December 2019					
Balance as at 1 January 2019 before Restatement	1,892,000,000	134,411,672	-	115,498,021	2,141,909,693
Effect of Restatements (Note 32)	-	-	(72,147)	2,336,767	2,264,620
Balance as at 1 January 2019 after Restatement	1,892,000,000	134,411,672	(72,147)	117,834,788	2,144,174,313
Net profit for the year (Restated)	-	-	-	190,097,083	190,097,083
Other comprehensive income	-	-	(1,344,867)	-	(1,344,867)
Total comprehensive income	-	-	(1,344,867)	190,097,083	188,752,216
Transfer to statutory reserve	-	19,009,708	-	(19,009,708)	-
Dividends (Note 25.2)	-	-	-	(75,680,000)	(75,680,000)
Balance as at 31 December 2019 (restated)	1,892,000,000	153,421,380	(1,417,014)	213,242,163	2,257,246,529

Finance Manager	CEO and Board Member	Vice Chairman of Board of Directors and Managing Director
Edrees Abo Alqasem	Majed Bin Abdulrahman Al-Osailan	Bader Bin Omar Al-Abdullatif

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

CITY CEMENT COMPANY
A Saudi Joint Stock Company

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(In Saudi Riyals)

	For the year ended 31 December	
	2020	**2019 (Restated)**
Operating activities		
Net profit for the year before zakat	**230,204,538**	205,499,882
Adjustments:		
Depreciation	**81,566,858**	81,271,238
Gains on changes in fair value of investment in equity instruments	**(5,057,987)**	(3,419,452)
Provision of expected credit loss expense	**240,000**	239,957
Provision of obsolescence inventory expense	**2,000,000**	1,000,000
Employees' end-of-service benefits	**2,267,493**	2,131,078
Finance cost	**934,530**	1,057,905
Changes in:		
Inventories	**65,769,895**	59,750,205
Trade receivables	**(234,455)**	1,435,321
Prepayments and other receivables	**2,917,776**	4,308,355
Trade payables	**1,619,348**	597,888
Accrual and other payables	**11,798,822**	(4,555,270)
Cash from operation	**394,026,818**	349,317,107
Zakat differences and withholding tax	**-**	(3,917,415)
Zakat paid	**(11,656,243)**	(12,990,984)
Employees' end-of-service benefits paid	**(442,882)**	(1,479,553)
Net cash flows generated from operating activities	**381,927,693**	**330,929,155**
Investing activities		
Purchase of investment in equity instruments at FVTPL	**(580,800,000)**	(522,400,000)
Sale of investment in equity instruments at FVTPL	**829,600,000**	50,171,817
Purchase of investment in equity instruments at FVOCI	**-**	(2,951,840)
Purchase of property, plant and equipment and Capital work in progress	**(14,245,974)**	(17,081,226)
Purchase of intangible assets	**-**	(21,830)
Net cash flows generated from / (used in) investing activities	**234,554,026**	(492,283,079)
Financing activities		
Repayments of capital reduction	**(492,000,000)**	
Dividends paid	**(140,000,000)**	(75,680,000)
Repayments of lease liability	**(2,876,315)**	(2,879,399)
Net cash flows used in financing activities	**(634,876,315)**	(78,559,399)
Net change in cash and cash equivalents	**(18,394,596)**	(239,913,323)
Cash and cash equivalents at the beginning of the year	**68,455,784**	308,369,107
Cash and cash equivalents at the end of the year	**50,061,188**	68,455,784
Non-cash transactions from investing activities		
Transfers from work in progress to property, plant and equipment	**1,516,429**	137,917,932

Finance Manager	CEO and Board Member	Vice Chairman of Board of Directors and Managing Director
Edrees Abo Alqasem	Majed Bin Abdulrahman Al-Osailan	Bader Bin Omar Al-Abdullatif

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

(All amounts in Saudi Riyals unless otherwise stated)

1. COMPANY AND ACTIVITY

1.1 Establishment of the Company

City Cement Company ("the Company"), is a Saudi joint stock company, established under Ministerial Resolution No. 804 and dated 12/5/1426 (corresponding to: 18/6/2005) and registered in Riyadh under Commercial Register No. 1010210441 dated 14/5/1426 (corresponding to: 20/6/2005) and Industrial License No. 1163/ dated 3/6/1426 (corresponding to:9/7/2005) and renewed with No. 590 dated 10/2/1438 (corresponding to:10/11/2016). The Company operates under a material quarry license according to the mining regulations issued by Royal Decree No. 216 dated 28/7/1425 (corresponding to: 12/9/2004) and its duration is thirty Hijra years starting from the date of the license, and the Company has the right to request a similar period of renewal of this license subject to the approval of the Ministry of Industry and Mineral Resources.

The Company obtained the following branches commercial registers:

		Date	
Branch name	**CR No.**	**Hijri**	**Georgian**
Branch of city cement company for contracting	**1010356028**	**16-1-1434**	29-11-2012
Green Solutions Company for Environmental Services	**1010664201**	**10-3-1442**	26-10-2020

The Company's fiscal year is 12 months from the beginning of January until the end of December of each calendar year.

1.2 The nature of the company's activity

The Company's activity is the production of ordinary portland cement and sulphate resistant cement, the import and operation of radioactive devices of the company's plants, processing waste, industrial, agricultural and municipal waste, and producing alternative fuels after obtaining the necessary licenses and specialized sub-contracts.

1.3 Company capital

City Cement Company is a public joint stock company listed on the Saudi capital market. Its share capital was SAR 1,892,000,000 divided into 189,200,000 shares with a nominal value of 10 Saudi Riyals of each. In accordance with the decision of the Extraordinary General Assembly on 25 August 2020, the capital was reduced by Saudi Riyals 492,000,000 by distributing the amount in cash to the shareholders.

The Company's Article of Association has been amended on 2 Jumada II 1442 corresponding to 18 January 2021, and the Company's share capital has become Saudi Riyals 1.400,000,000 divided into 140 million shares of equal value with a nominal value Saudi Riyal 10 of each, all of the Company's shares are cash and ordinary shares, and the procedures for accreditation in the commercial register were completed on Jumada II 18, 1442, corresponding to 31 January 2021, and therefore the share capital has been amended in the financial statements.

2. BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

The financial statements are prepared on a historical cost basis, except for the following significant items included in the statement of financial position in relation to the investments in equity instruments that are measured at fair value.

These financial statements are presented in Saudi Riyals ("SAR"), which is the functional and presentation currency of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 New standards, amendments to standards, and interpretation

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020.

Amendment to IFRS 3 "Business Combinations" - definition of a business

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

Amendments to IAS 1 and IAS 8 on the definition of material

These amendments to IAS 1, "Presentation of financial statements", and IAS 8 "Accounting policies, changes in accounting estimates and errors", and consequential amendments to other IFRSs:

- Use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- Clarify the explanation of the definition of material; and
- Incorporate some of the guidance in IAS 1 about immaterial information.

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform (phase 1)

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally, cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the statement of profit or loss.

The adoption of the above amendments do not have any material impact on the financial statements during the year.

3.2 Standards issued but not yet effective

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

Amendments to IAS 1 "Presentation of financial statements" – on classification of liabilities

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

Amendments to IFRS 3, IAS 16 and IAS 37

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

3.3 Annual improvements to IFRSs 2018-2020 cycle

These improvements are effective on or after 1 January 2021.

- IFRS 9 "Financial Instruments" - Clarify the fees an entity includes in performing the "10% test" in order to assess whether to derecognize a financial liability.
- IFRS 16 "Leases" - Remove the potential for confusion regarding lease incentives by amending an illustrative example 13 accompanying IFRS 16.

3.4 Financial instruments

The Company initially recognises financial instruments on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following financial assets:

Financial Assets at Amortised Cost

Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI") are measured at amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost and not part of a hedging relationship is recognised in the statement of profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Financial assets at fair value through other comprehensive income

The debt instrument is measured at fair value by other comprehensive income only if it meets the following conditions and is not recognized at fair value through changes in net assets:

- The asset is held in a business model that is designed to hold assets to collect contractual cash flows and sell the financial assets.
- The contractual terms of the financial asset lead on specific dates to cash flows that are only the payments from the principal amount and interest on the principal amount due.

Debt instruments measured at fair value through other comprehensive income are subsequently measured at fair value while recognizing the profits and losses resulting from changes in fair value in other comprehensive income. Financing income, foreign exchange gains and losses are carried at the statement of profit or loss.

Equity instruments: On initial recognition, to invest in non-traded shares, the Company may apply an irrevocable option to make subsequent changes in fair value in other comprehensive income. The presented amounts in other comprehensive income are not subsequently transferred to the statement of profit or loss.

Financial assets at fair value through changes in net assets

All other financial assets are classified as measured at fair value through the statement of profit or loss (for example: shares held for trading and debt securities that are not classified based on amortized cost or at fair value through other comprehensive income).

Impairment of financial assets

For accounts receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Expected loss rates were derived from historical information of the Company and are adjusted to reflect the expected future outcome.

Financial liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial liabilities of the Company comprise of trade and other payables.

De-recognition of financial liabilities

The Company derecognises 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 paid or cancelled or discharged.

Amortized cost for financial asset or liability

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

3.5 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of returns, trade discounts and volume rebates. The Company recognizes revenue when a customer obtains controls of the goods at a point in time i.e. on delivery and acknowledgement of goods.

The goods are often sold with retrospective volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The related liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made during the year.

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

3.6 Property, plant and equipment

Property, Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment loss, if any. Cost comprises of expenditure that is directly attributable to the acquisition of the asset. Cost includes the reclassifications from equity of any gains or losses on qualifying cash flow hedges relating to purchases of Property, Plant and Equipment. Cost includes expenditures that are directly attributable to the acquisition / growing of the plant till its maturity. Any gain or loss on disposal of an item of Property, Plant and Equipment is recognised in the statement of profit or loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company and amount can be measured reliably.

The Company has strategic and reserve spare parts that must be available for the production lines at its plant, and are classified under property and equipment, and subject to depreciation over the useful life of the asset associated with those spare parts.

The useful life of property, plant and equipment are 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 revision was made.

The cost less estimated residual value is depreciated on a straight-line basis over the following estimated useful lives of the assets by using the following annual depreciation rates:

Machinery and Equipment	4 %
Buildings and roads	3 – 10 %
Mobile equipment	6.67 %
Vehicles	20 %
Furniture and fixtures	15 %

Land and capital work in progress are not depreciated.

Capital work in progress at year end includes certain assets that have been acquired but are not ready for their intended use. These assets are transferred to relevant assets categories and are depreciated once they are available for their intended use.

The assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary.

If significant parts of an item of property, plant and equipment have different useful lives then they are accounted for as separate items of property, plant and equipment

3.7 Leases

The Company assesses whether a contract is a lease or contains a lease. The contract is a lease or contains a lease if it gives the right of use a specific asset for a period of time in exchange for a compensation.

Right-of-use assets and lease liabilities

Assets and liabilities arising from a lease are initially measured on a present value basis.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and - restoration costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The 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.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the Statement of Profit or Loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items relating to office equipment.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, the management generally considers certain factors including historical lease durations and the costs and business disruption required to replace the leased asset.

3.8 Intangible assets

Intangible assets that include software programs, which acquired by the Company and have a finite useful life (5 years), are measured at cost less accumulated amortization and any accumulated impairment losses.

The Company applies annual depreciation rates to its intangible assets:

- Software licenses 20%

Subsequent expenditure

Subsequent expenditure 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 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.

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.

3.9 Impairment of non-financial assets

Non-financial assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss or reversal of impairment loss (if any).

When 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss.

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

3.10 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost comprises all direct manufacturing expenditure based on the normal level of activity and transportation and handling costs. Net realisable value comprises estimated selling price less further production costs to completion and appropriate selling and distribution costs. Allowance is made, where necessary for slow moving inventories. Cost of inventories is recognised as an expense and included in cost of sales.

Spares are valued at lower of cost or net realizable value. Cost is determined on the weighted average cost basis. An allowance for obsolete and slow-moving items, if any, is estimated at each reporting date.

3.11 Cash and cash equivalents

For the purpose of statement of financial position, cash and bank balances include bank balances, cheques in hand and deposits with original maturities of three months or less, if any.

3.12 Zakat provision

Zakat is provided for in accordance with General Authority of Zakat and Tax ("GAZT") regulations. Adjustments arising from final zakat assessments are recorded in the period in which such assessments are made.

3.13 Employee Retirement benefits

Employee Retirement benefits are payable to all employees employed under the terms and conditions of the Labour Laws applicable on the Company, on termination of their employment contracts.

The Company's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in current and prior periods and discounting that amount to arrive at present value.

The Company sets the assumptions used in determining the key elements of the costs of meeting such future obligations. These assumptions are set after consultation with the Company's actuaries and include those used to determine regular service costs and the financing elements related to the liabilities. The calculation of defined benefit obligation is performed by a qualified actuary using the projected unit credit method.

Re-measurement of defined benefit liability, which comprise of actuarial gains and losses are recognised immediately in the statement of other comprehensive income. The Company determines interest expense on the defined benefit obligation for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any change in the net defined benefit obligation during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit are recognised in the statement of profit or loss.

3.14 Provisions

A provision is recognised if, as a result of past events, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

3.15 Statutory reserve

In accordance with Company's by-laws and the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to recognise a reserve comprising of 10% of its profit for the year. This reserve is currently not distributable to the Shareholders.

3.16 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 year, 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 year with the effect of all potential dilutive ordinary shares.

3.17 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.

3.18 Fair value measurement of financial instruments

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. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry Company, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3.19 Foreign currency translation

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

3.20 Dividends

Dividends is recognized in the financial statements when it is approved by the General Assembly of shareholders for annual distributions.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in accordance with International Financial Reporting Standards requires management to use judgments, estimates and assumptions that affect the amounts of income, expenses, assets and liabilities appearing in the financial statements, the accompanying notes attached to the financial statements, and the disclosure of contingent assets and liabilities, However, the uncertainty involved in these assumptions and estimates may lead to significant adjustments to the carrying amount of assets or liabilities that may be affected in future periods.

In the context of applying the company's accounting policies, management has made judgments that have a material impact on the amounts recognized in the financial statements. In addition to the main assumptions that have been considered when assessing the impact of future conditions on the figures appearing in the financial statements and the related disclosures at the date of preparing the financial statements, which have substantial risks associated with them that may cause significant adjustments to the carrying values of assets and liabilities during the next financial year. The company relied in its estimates and assumptions on the existing conditions and available information when preparing the financial statements. However, existing circumstances and assumptions about foreseeable developments may change as a result of market changes and circumstances beyond the control of the Company. These changes are reflected in the assumptions as 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. Management reviews the residual value of property, plant and equipment and useful lives annually and change in depreciation charges where the management believe that the useful life differs than the past estimating.

B) Strategic and reserve spare parts

The Company maintains strategic and reserve 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 property, plant and equipment. The management reviews spare parts that are in reserve equipment, which should be available as needed and depreciated with the estimated useful life of the associated asset.

C) Actuarial valuation of employees' end of service benefits liabilities

The employees' end-of-service benefits liability 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 liability is highly sensitive to changes in these assumptions. Thus, all assumptions are reviewed once a year or more often, as deemed necessary.

D) Provision for rehabilitation of areas subject to franchise license

The provision for rehabilitation of areas subject to franchise license is recognised at the present value of the expected cost of rehabilitation of the site and the company's factory land. The current value of the provision estimated at the expected present value of the end of the factory lifespan, and the company relied on the renewal of the current quarry license after its expiry at the initial measurement of the current value of the provision.

(All amounts in Saudi Riyals unless otherwise stated)

5. Property, plant, and equipment

	Lands	Machinery and Equipment	Buildings and roads	Mobile equipment	Vehicles	Furniture and fixtures	Capital work in progress	Total
Cost:								
Balance as at 1 January 2019 (Restated)	3,600,000	1,452,390,536	586,857,089	125,807,447	12,160,409	16,025,685	135,353,388	2,332,194,554
Additions during the year	-	11,496,550	-	9,700	-	448,456	5,126,520	17,081,226
Transferred from Capital work in progress	-	111,777,507	25,721,940	418,485	-	-	(137,917,932)	-
Balance as at 31 December 2019 (Restated)	3,600,000	1,575,664,593	612,579,029	126,235,632	12,160,409	16,474,141	2,561,976	2,349,275,780
Additions during the year	-	7,826,136	-	70,044	642,801	235,534	5,471,459	14,245,974
Transferred from Capital work in progress	-	309,225	-	1,207,204	-	-	(1,516,429)	-
Balance as at 31 December 2020	3,600,000	1,583,799,954	612,579,029	127,512,880	12,803,210	16,709,675	6,517,006	2,363,521,754
Accumulated depreciation:								
Balance as at 1 January 2019 (Restated)	-	500,632,667	160,850,642	67,868,647	10,617,211	12,193,991	-	752,163,158
Depreciation during the year	-	53,882,765	18,027,595	4,921,247	755,350	1,301,808	-	78,888,765
Balance as at 31 December 2019 (Restated)	-	554,515,432	178,878,237	72,789,894	11,372,561	13,495,799	-	831,051,923
Depreciation during the year	-	54,273,878	17,875,894	4,788,142	677,667	1,209,343	-	78,824,924
Balance as at 31 December 2020	-	608,789,310	196,754,131	77,578,036	12,050,228	14,705,142	-	909,876,847
Net book value:								
As at 31 December 2020	3,600,000	975,010,644	415,824,898	49,934,844	752,982	2,004,533	6,517,006	1,453,644,907
As at 31 December 2019 (Restated)	3,600,000	1,021,149,161	433,700,792	53,445,738	787,848	2,978,342	2,561,976	1,518,223,857
As at 1 January 2019 (Restated)	3,600,000	951,757,869	426,006,447	57,938,800	1,543,198	3,831,694	135,353,388	1,580,031,396

- The Company uses quarries of raw materials leased from the Ministry of Industry and Mineral Resources under a license of raw materials query for a 30-year Hijri from 15/9/1426 H.

- The Company had capital commitments amounting to SAR 6,517,006 at 31 December 2020 in respect of ongoing projects (2019: SAR 2,561,976 million). The majority of the capital commitments for the existing production facilities and IT equipment.

(All amounts in Saudi Riyals unless otherwise stated)

6. Right - of - use assets

	leased land	leased building	Total
Cost:			
Balance as at 31 December 2019	5,949,492	1,723,428	7,672,920
Balance as at 31 December 2020	5,949,492	1,723,428	7,672,920
Accumulated depreciation:			
Balance as at 31 December 2019	1,800,204	430,857	2,231,061
Depreciation	1,800,204	861,714	2,661,918
Balance as at 31 December 2020	3,600,408	1,292,571	4,892,979
Net book value:			
As at 31 December 2020	2,349,084	430,857	2,779,941
As at 31 December 2019	4,149,288	1,292,571	5,441,859

7. Investments in equity instruments at fair value through OCI

		As at 31 December	
	Shares	2020	2019
Saudi Arabian Oil Company (Aramco) a Saudi joint stock company	92,245	2,951,840	2,951,840
Gains on change in fair value		276,735	-
Total investment in shares		3,228,575	2,951,840

On 3 December 2019, the Board of Directors approved the investment in Saudi Arabian Oil Company (Aramco) shares and was subscribed in 92,245 shares with a total of SAR 2,951,840. This is from the company's own sources and in accordance with its future flows and plans.

Saudi Arabian Oil Company (Aramco) - A Saudi Joint Stock Company announced the distribution of cash dividends during 2020 resulting in dividends amounted SAR 104,163, which are included in other revenues (Note 22).

(All amounts in Saudi Riyals unless otherwise stated)

8. Inventory

	As at 31 December 2020	2019 (Restated)	As at 1 January 2019 (Restated)
Work in progress - Clinker	**55,250,346**	127,526,712	177,507,461
Finished goods	**5,749,234**	5,134,445	5,991,621
Raw materials	**17,782,703**	12,414,379	14,976,009
Spare parts	**69,363,977**	68,840,620	75,191,270
	148,146,260	213,916,156	273,666,361
impairment in inventory	**(3,000,000)**	(1,000,000)	-
	145,146,260	212,916,156	273,666,361

The movement of impairment in inventory is as follow:

	As at December 31, 2020	2019 (Restated)	As at 1 January 2019 (Restated)
Balance at the beginning of the year	**1,000,000**	1,000,000	-
Additions during the year	**2,000,000**	-	-
Balance at the end of the year	**3,000,000**	1,000,000	-

9. Trade receivables

	As at 31 December 2020	2019
Trade receivables	**41,260,502**	41,026,047
Provision for expected credit losses	**(1,491,104)**	(1,251,104)
	39,769,398	39,774,943

The movement of expected credit losses provision is as follow:

	As at 31 December 2020	2019
Balance at the beginning of the year	**1,251,104**	1,011,147
Additions during the year	**240,000**	239,957
Balance at the end of the year	**1,491,104**	1,251,104

The trade receivables are fully covered by bank guarantees amounted SAR 16,500,000, and promissory notes amounted to SAR 32,770,000.

10. Investments in equity instruments at fair value through profit or loss

	As at 31 December	
	2020	**2019**
Balance at the beginning of the year	**485,840,830**	10,193,195
Purchases during the year	**580,800,000**	522,400,000
Sales during the year	**(829,600,000)**	(50,171,817)
Gains on change in fair value	**5,057,987**	3,419,452
Balance at the end of the year	**242,098,817**	485,840,830

The investments represent units in open local investment funds with an objective of providing a reasonable amount of income as well as liquidity from short-term investments in Saudi Riyals.

11. Prepayments and other receivables

	As at 31 December	
	2020	**2019**
Advances to suppliers	**6,549,081**	9,850,687
Prepaid expenses	**3,109,280**	3,463,219
Refundable insurance	**853,714**	645,431
others	**1,091,232**	561,746
	11,603,307	14,521,083

12. Cash and cash equivalents

	As at 31 December	
	2020	**2019**
Cash at bank – current accounts	**49,965,941**	68,412,628
Cash in hand	**95,247**	43,156
	50,061,188	68,455,784

(All amounts in Saudi Riyals unless otherwise stated)

13. Statutory reserve

In accordance with the Companies Law and the Company's Articles of Association (Article 129), the Board of Director shall transfer 10% from the net profit of each year end to the statutory reserve, and the ordinary general assembly meeting of the Company could decide to cease such transfer when it reaches 30% from the share capital. This reserve is not available for dividends.

	As at 31 December	
	2020	**2019 (Restated)**
Balance at the beginning of the year	**153,421,380**	134,411,672
Addition during the year	**22,049,312**	19,009,708
Balance at the end of the year	**175,470,692**	153,421,380

14. Employees' end-of-service benefits

The Company's policy stated that the end-of-service benefit is due to all employees who complete the qualifying period of service under the Saudi Labour Law.

The annual employee's end of service liability is based on actuarial evaluation, and the most recent actuarial evaluation was conducted by an appointed independent expert by the Company's management, using the actuarial methodology of the expected credit unit as at 31 December 2020.

	As at 31 December	
	2020	**2019**
Balance at 1 January	**14,069,654**	11,541,606
Included in profit or loss statement		
Current service cost	**2,267,493**	2,131,078
Interest cost (Note 23)	**478,373**	531,656
Included in OCI		
Actuarial losses	**975,337**	1,344,867
Paid	**(442,882)**	(1,479,553)
	17,347,975	14,069,654

(All amounts in Saudi Riyals unless otherwise stated)

Actuarial assumptions

During the year, actuarial assumptions were conducted under the expected credit unit method using. The following important assumptions:

	As at 31 December	
	2020	**2019**
Financial assumption	**%-Year**	%-Year
Discount rate	**%2.75**	%3.45
Salary increase	**%3**	%3
Demographic assumptions:		
Withdrawal rates	**From 5 to 20**	From 5 to 20
Retirement age	**60 Years**	60 Years

Sensitivity in defined benefit obligation

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the employee retirement benefits to significant actuarial assumptions, the same method (present value of the employee retirement benefits calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the employee retirement benefits recognised in the statement of financial position as described below:

	Reasonable potential changes	**EMOLOYEES' END OF SERVICE BENIFITS LIABILITIES**	
		Increase	**Decrease**
Discount rate	(- / +) (1%)	**(1,787,798)**	2,140,831
Salary increase	(- / +) (1%)	**2,112,675**	(1,799,818)
Withdrawal rates	(- / +) (20%)	**(311,787)**	317,126
Mortality rate	(- / +) (20%)	**(4,292)**	4,301

(All amounts in Saudi Riyals unless otherwise stated)

15. Lease liability

	As at 31 December	
	2020	**2019**
Non-current portion of lease liability	-	2,882,552
Current portion of lease liability	**2,413,041**	2,198,704
	2,413,041	5,081,256

The amount of interest expense related to the lease liability for the year ended 31 December 2020 amounted Saudi Riyals 208,101 (31 December 2019: Saudi Riyals 287,735), (Note 23).

16. Provision for rehabilitation of areas subject to franchise license

The provision movement is as follow:

	As at 31 December		As at
	2020	**2019 (Restated)**	**1 January 2019 (Restated)**
Financial impact of the initial measurement of provision	-		5,733,514
Balance at the beginning of the year	**6,201,368**	5,962,854	-
Effective interest (Note 23)	**248,056**	238,514	229,340
Balance at the end of the year	**6,449,424**	6,201,368	5,962,854

17. Accruals and other payables

	As at 31 December	
	2020	**2019**
Accrued expenses	**14,206,204**	9,672,236
Accrued quarry fees	**19,030,595**	19,156,896
Accrual for governmental authorities	**270,248**	302,386
Provision for vacation and travel tickets	**2,608,243**	2,462,359
Board and committee members' bonuses (Note 30)	**1,400,000**	1,400,000
Advances from costumers	**5,764,131**	3,011,074
Retention held from subcontractors	**277,147**	200,286
Value add tax (VAT)*	**6,955,628**	1,961,072
Others	**239,969**	787,034
	50,752,165	38,953,343

* The VAT inspection until 2019 was settled, the resulted tax differences amounted to Saudi Riyals 8,256, and the Company paid it in November 2020.

(All amounts in Saudi Riyals unless otherwise stated)

18. Provision for Zakat

A) The main elements of Zakat base are as follows:

	As at 31 December	
	2020	**2019**
Net profit for the year before zakat	**237,146,893**	195,925,985
Non-current assets	**(1,494,433,942)**	(1,578,224,999)
Non-current liabilities	**17,000,000**	17,552,206
Equity	**1,624,251,802**	2,066,229,693
Provision for expected credit losses	**1,492,104**	1,251,104
Provision for zakat	-	170,859
Impairment in inventory	**3,000,000**	3,500,000
Prepayments	-	200,286
Zakat base	**388,456,857**	706,605,134
Zakat rate 2.5%	**9,711,421**	17,665,128

B) The movement in Zakat provision is as follows:

	As at 31 December	
	2020	**2019 (Restated)**
Balance at the beginning of the year	**11,656,243**	13,161,843
Paid during the year	**(11,656,243)**	(12,990,984)
Zakat differences	-	(3,917,415)
Additions during the year	**9,711,421**	15,402,799
Balance at the end of the year	**9,711,421**	11,656,243

C) During 2019, the Company received a final Zakat assessment for the years from 2006 to 2016.

D) During the year 2020, the Company received a final Zakat assessment for 2017 and 2018.

E) The Company submitted the financial statements and zakat returns for the year ended 31 December 2019, paid the due amount and obtained a certificate valid until 30 April 2021.

(All amounts in Saudi Riyals unless otherwise stated)

19. Sales

	For the year ended 31 December	
	2020	**2019 (Restated)**
Ordinary portland cement	**520,207,070**	495,892,136
Sulphate resistant cement	**52,522,617**	35,460,810
Export cement	**-**	24,570
	572,729,687	531,377,516

20. Selling and marketing expenses

	For the year ended 31 December	
	2020	**2019 (Restated)**
Salaries, wages and employee's benefits	**3,817,819**	3,808,633
Transportation expenses	**3,095,827**	1,948,053
Advertising and promotion	**762,092**	136,930
Depreciation	**150,832**	98,616
Sales department expenses	**65,006**	67,067
Others	**848,613**	579,276
	8,740,189	6,638,575

(All amounts in Saudi Riyals unless otherwise stated)

21. General and administrative expenses

	For the year ended 31 December	
	2020	**2019 (Restated)**
Salaries, wages and employee's benefits	**19,852,455**	21,399,386
Governmental fees	**1,638,233**	852,592
Donations	**1,614,824**	955,522
Depreciation	**1,582,489**	1,135,909
Board of directors' remuneration (Note 30)	**1,400,000**	1,400,000
Professional and consulting fees	**798,145**	1,754,761
Board of directors' attendance allowance (Note 30)	**234,400**	231,000
Bank charges	**187,082**	105,111
Subscriptions and fees	**180,348**	305,839
Repair and maintenance	**139,593**	93,571
Services	**114,828**	115,428
Withholding tax	**41,791**	174,230
Rents	-	541,925
Others	**388,791**	377,122
	28,172,979	29,442,396

22. Other income

	For the year ended 31 December	
	2020	**2019 (Restated)**
Revenue from environmental services	**4,013,668**	2,487,476
Income from bank deposits	**1,951,488**	5,631,638
Gain on foreign currency translation differences	**204,696**	567
Settlement of contractors' guarantee retention	-	226,880
Dividends on investments at fair value through OCI	**104,163**	-
	6,274,015	8,346,561

(All amounts in Saudi Riyals unless otherwise stated)

23. Finance cost

	For the year ended 31 December	
	2020	**2019 (Restated)**
Interest cost on employees end of service liability	**478,373**	531,656
Interest cost on lease liability	**208,101**	287,735
Interest cost of provision for rehabilitation of areas subject to franchise license	**248,056**	238,514
	934,530	1,057,905

24. Earnings per share

Basic earnings per share was calculated by dividing the year's net profit by the weighted average number of shares during the year:

	For the year ended 31 December	
	2020	**2019 (Restated)**
Net profit for the year	**220,493,117**	190,097,083
	Share	**Share**
Weighted average number of shares after diluted impact	**180,193,443**	189,200,000
	SAR / Share	SAR / Share
Basic and diluted earnings per share from the net profit of the year	**1,22**	1,00

The Company reduced its share capital from Saudi Riyals 1,892,000,000 to Saudi Riyals 1,400,000,000, at a reduction rate of 26 % of the Company's share capital. Consequently, reducing the number of shares of the Company from 189,200,000 shares to 140,000,000 shares by cancelling 49,200,000 ordinary shares, at nominal value of Saudi Riyals 10 of each share, and a total value of Saudi Riyals 492,000,000, and compensated the eligible shareholders, who are entitled to this reduction, at the nominal value of the share at Saudi Riyals 10 of each cancelled share for the holders of the shares at the end of trading on 08/03/1442H (corresponding to: 25/10/2020), accordingly the weighted average number of shares has been calculated, after the reduction effect, at 180,193,443 shares as a result of the capital's reduction.

(All amounts in Saudi Riyals unless otherwise stated)

25. Dividends

25.1 On 29 June 2020, the shareholders in their ordinary General Assembly Meeting approved dividends of SAR 140,000,000 (SAR 1 per share) which was paid on 5 November 2020.

25.2 The Board of Directors have proposed, for shareholder's approval at the General Assembly Meeting, a dividend of SAR 75,680,000 million (SAR 0.40 per share) and 4% of Company's share capital for the year ended 31 December 2018 which was paid on 4 April 2020.

26. Financial facilities

The Company has available financial facilities from local banks amounted to Saudi Riyals 90.7 million guaranteed by promissory note, the Company has not used until the date of the financial statements, except for what was mentioned in Note 27, and there are no obligations as a result of not using these facilities.

27. Contingent liabilities

The contingent liabilities against letters of credit are SAR 7,200,000 for the purchase of raw materials as at 31 December 2020.

The contingent liabilities against letters of guarantee are SAR 174,290 as at 31 December 2020.

28. General

As disclosed in the financial statements for the year ended 31 December 2019, the Company received a statement of prosecution. The Company has assigned an external legal advisor to deal with this matter and make the necessary defences, the matter is still being in the phase of exchanges correspondences, and there are no updates on this matter.

29. Segment reporting

	For the year ended at 31 December 2020		For the year ended at 31 December 2019	
Geographical area	**Cement sales (Note: 19)**	**Revenue from environmental services (Note: 22)**	**Cement sales (Note: 19)**	**Revenue from environmental services (Note: 22)**
Kingdom of Saudi Arabia	**572,729,687**	**4,013,668**	531,352,946	2,487,476
Bahrain Kingdom	**-**	**-**	24,570	-
Total	**572,729,687**	**4,013,668**	531,377,516	2,487,476

30. Transactions with related parties

Transactions with related parties consist mainly in salaries, allowances and key executive personnel remuneration.

Key management personnel are those who exercise authority and responsibility in directly or indirectly planning, directing and monitoring the company's activities, including the members of board meeting.

Members of the Board of Directors do not receive any remuneration for their role in managing the Company unless approved by the General Assembly. Members of the Board of Directors receive an attendance allowance for Board and Board Committee meetings. Executive Directors receive fixed remuneration as a result of their direct duties and responsibilities.

The following table illustrates details of remuneration and compensation paid to Directors and Key Management Personnel.

		For the year ended at 31 December	
Related parties	**Nature of the transaction**	**2020**	**2019**
Members of Board of the directors and Key Management Personnel	Salaries, wages, and equivalent and board remuneration and attendance allowances	**8,323,187**	6,611,832

31. Financial instruments and risk management

The Company's activities expose it to a variety of financial risks, market risk, credit risk, and liquidity risk.

Financial instruments in the Company's statement of financial position include investments at fair value through profit or loss and other comprehensive income, cash and cash equivalents, other assets, account receivable, and other liabilities.

a) Market risk

Market price risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices, such as, commission rates, commodity prices and foreign currency exchange rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Commission rate risk

Commission rate Risk is the exposure associated with the effect of fluctuations in the prevailing commission rates on the Company's financial position and cash flows.

(All amounts in Saudi Riyals unless otherwise stated)

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in currency that is not the Company's currency. The Company exposure to foreign currency risk is primarily limited to transactions in United State Dollars ("USD") and Euro.

The fluctuation in exchange rates against USD and EUR are monitored on a continuous basis. Quantitative data regarding the Company's exposure to currency risk is represented by:

	U.S. dollar	**Euro**
31 December 2020		
Cash and cash equivalents	**2,319,967**	**1,817,757**
Advances to suppliers	**270,829**	**545,813**
Trade payables	**(670,906)**	**(164,995)**
	1,919,890	**2,198,575**
31 December 2019		
Cash and cash equivalents	6,916,158	4,685,655
Advances to suppliers	141,193	622,414
Trade payables	(714,516)	(99,647)
	6,342,835	5,208,422

b) Credit risk

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

	As at 31 December	
	2020	**2019**
Cash and cash equivalents	**50,061,188**	68,455,784
Trade receivables	**41,260,502**	41,026,047
	91,321,690	109,481,831

(All amounts in Saudi Riyals unless otherwise stated)

The carrying amount of financial assets represents the maximum credit exposure.

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.

The movement on the provision of expected credit losses related to the trade receivables is as follows:

	As at 31 December	
	2020	**2019**
Balance as at 1 January	**1,251,104**	1,011,147
Additions during the year	**240,000**	239,957
Balance as at 31 December	**1,491,104**	1,251,104

c) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities at the end of the reporting period of financial liabilities. The amounts are grossed and undiscounted and include estimated interest payments.

As at 31 December 2020	Book value	Less than one year	From 1 year to 5 years	Total
Lease liability	**2,413,041**	**2,413,041**	-	**2,413,041**
Trade payables	**16,744,015**	**16,744,015**	-	**16,744,015**
Accrual and other payables	**50,752,165**	**50,752,165**	-	**50,752,165**
	69,909,221	**69,909,221**	-	**69,909,221**
Lease liability	5,081,256	2,198,704	2,882,552	5,081,256
Trade payables	15,124,667	15,124,667	-	15,124,667
Accrual and other payables	38,953,343	38,953,343	-	38,953,343
	59,159,266	56,276,714	2,882,552	59,159,266

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Company's future commitments. The Company's terms of sales require amounts to be paid either on a cash on delivery or on a terms basis.

(All amounts in Saudi Riyals unless otherwise stated)

Financial instruments at fair value

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

2020	Book value	Level 1	Fair Value Level 2	Level 3	Total
Financial assets					
Investment in equity instruments at fair value through other comprehensive income (Note 7)	**3,228,575**	**3,228,575**	-	-	**3,228,575**
Investment in equity instruments at fair value through profit or loss (Note 10)	**242,098,817**	**242,098,817**	-	-	**242,098,817**
	245,327,392	**245,327,392**	-	-	**245,327,392**

2019	Book value	Level 1	Fair Value Level 2	Level 3	Total
Financial assets					
Investment in equity instruments at fair value through other comprehensive income (Note 7)	2,951,840	2,951,840	-	-	2,951,840
Investment in equity instruments at fair value through profit or loss (Note 10)	485,840,830	485,840,830	-	-	485,840,830
	488,792,670	488,792,670	-	-	488,792,670

- There were no transfers between the fair value levels during the year.
- The carrying value of financial assets and financial liabilities at amortized cost approximates their fair value in the financial position date.

(All amounts in Saudi Riyals unless otherwise stated)

32. Restatements

The Company restated certain amounts and balances included in the prior year financial statements as the transactions to which these balances relate, had not been accounted for correctly, and accordingly adjusted in accordance with the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The details of each of such restatements have been summarized below:

31 December 2019	Previously Reported	Restatement (1,2,3,4,5)	Re-classification (2,6)	Restated
Statement of financial position				
Property, plant and equipment	1,450,063,366	17,439,885	50,720,606	1,518,223,857
Capital work in progress	2,561,976	-	(2,561,976)	-
Spare parts	116,999,250	-	(116,999,250)	-
Inventories	144,075,536	-	68,840,620	212,916,156
Prepayments and other receivables	14,989,190	-	(468,107)	14,521,083
Statuary reserve	(152,371,733)	(1,049,647)	-	(153,421,380)
Other reserves	-	-	1,417,014	1,417,014
Retained earning	(201,458,566)	(10,366,583)	(1,417,014)	(213,242,163)
Current portion of lease liability	(2,666,811)	-	468,107	(2,198,704)
Provision for rehabilitation of areas subject to franchise license	(600,000)	(5,601,368)	-	(6,201,368)
Zakat provision	(11,233,956)	(422,287)	-	(11,656,243)
Statement of profit or loss				
Cost of sales	310,077,225	(9,812,411)	-	300,264,814
Finance cost	819,391	238,514	-	1,057,905
Zakat expense	14,980,512	422,287	-	15,402,799

(All amounts in Saudi Riyals unless otherwise stated)

1 January 2019	**Previously Reported**	**Restatement (1,2,3,4,5)**	**Re-classification (2,6)**	**Restated**
Statement of financial position				
Property, plant and equipment	1,390,629,598	7,227,474	182,174,324	1,580,031,396
Capital work in progress	135,353,388	-	(135,353,388)	-
Spare parts	121,012,205	-	(121,012,205)	-
Inventories	198,475,092	-	75,191,269	273,666,361
Retained earning	(115,498,021)	(2,264,620)	(72,147)	(117,834,788)
Other reserves	-	-	72,147	72,147
Provision for rehabilitation of areas subject to franchise license	-	(5,962,854)	-	(5,962,854)

31 December 2019 Statement of cash flows	**Previously Reported**	**Restatement**	**Re-classification**	**Restated**
Net profit for the year before zakat	195,925,985	9,573,897	-	205,499,882
Depreciation	88,983,649	(7,712,411)	-	81,271,238
Provision of obsolescence of spare parts	1,500,000	(1,500,000)	-	-
Provision for factory dismantling	400,000	(400,000)	-	-
Provision for site rehabilitation	200,000	(200,000)	-	-
Finance cost	819,391	238,514	-	1,057,905
Inventories	53,399,556	-	6,350,649	59,750,205
Prepayments and other receivables	3,840,248	-	468,107	4,308,355
Change in spare parts inventory	2,512,955	-	(2,512,955)	-
Purchase of property, plant and equipment and capital work in progress	(8,117,012)	-	(8,964,214)	(17,081,226)
Capital work in progress	(5,126,520)	-	5,126,520	-
Repayments of lease liability	(2,411,292)	-	(468,107)	(2,879,399)

These modifications are summarised as follows:

Restatement (1)

The impact of calculating the depreciation of property, plant and equipment as a result of the change in the useful life of property, plant and equipment in 2019, to comply with the requirements of IAS (8) "Accounting Policies, Changes in Accounting Estimates and Errors".

Restatement (2)

The impact of reclassifying the spare parts account in accordance with the requirements of IAS 16 into strategic and reserve spare parts that have been classified into machinery and equipment, and consumable spare parts that have been classified into inventory. The Company depreciates spare parts included in the machinery and equipment. This amendment is retrospectively in order to comply with the requirements of IAS (8) "Accounting Policies, Changes in Accounting Estimates and Errors".

Restatement (3)

The impact of recognizing the provision for the rehabilitation of areas subject to a franchise license at the present value of the expected cost of rehabilitation the site and the plan land of the Company. The present value of the provision was estimated and the provision was recorded at the expected present value at the end of the factory's useful life, and this requires retrospective adjustment as a result of non-recognition of this provision initially.

Restatement (4)

The calculation of 10% of net income for 2019 was corrected to form the regular reserve for 2019, which was calculated on the basis of comprehensive income rather than the net profit.

Restatement (5)

The calculation of the 2019 Zakat provision has been corrected.

Re-classification (6)

Some comparison figures for the financial year ended 31 December 2019 and the opening balance of 2019 amounts have been reclassified to be consistent with the current presentation of financial statements.

33. Significant events

In response to the spread of the Covid-19 in the Kingdom of Saudi Arabia and its resulting disruptions to the social and economic activities in those markets, the management of the Company had proactively assessed its impacts on its operations and took a series of preventive measures, including the creation of on-going crisis management teams and processes, to ensure the health and safety of its employees, customers, and the wider community as well as to ensure the continuity of supply of its products throughout its markets. The management of the Company believes that the Covid-19 pandemic has had no material effect on the Company's reported financial results.

The Company continues to monitor the Covid-19 situation closely although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the Company's operations during 2021.

34. Subsequent events

There are no subsequent events have occurred after the end of the year until the approval of this financial statements, which require adjustment or disclosure.

35. Approval of the financial statements

These financial statements were approved by the Board of Directors on 16 RAJAB 1442 (H) Corresponding to 28 FEBRUARY 2021 (G)