YANBU CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

P.O. Box 784, Jeddah, 21421
Tel.: +966 12 283 0112
Fax: +966 12 661 2788
jeddah@bdoalamri.com

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF YANBU CEMENT COMPANY (A SAUDI JOINT STOCK COMPANY)

Opinion

We have audited the consolidated financial statements of Yanbu Cement Company - A Saudi Joint Stock Company - (" the Company" or "the Parent Company") and its subsidiary ("the Group''), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by another auditor who expressed an unqualified opinion on those statements on 10 Rajab 1441(H), corresponding to 5 March 2020.

Key audit matters

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

We have fulfilled the responsibilities described in "the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement in the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF YANBU CEMENT COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)

Key audit matters (continued)

The key audit matter	How the matter was addressed in our audit
Existence and valuation of inventories As disclosed in note (17) to the accompanying consolidated financial statements, raw material inventories amount to SR 26.3 million (mainly limestone, sand, slag, gypsum, iron ore and kraft paper) and work in progress amounts to SR 422.6 million (mainly clinker which are stored in purpose built shed and stockpiles) as at 31 December 2020. Since the weighing of these inventories is not practicable, management assesses the quantities on hand at the year-end by obtaining measurements of the stockpiles and converting these measurements to unit of volumes by using the angle of repose and the bulk density. In doing so, management appoints an independent surveyor to estimate the quantities by using certain scientific systematic measurements calculations, and applying the density conversion methods which are applied for similar stock in the cement industry. Due to the significance of the inventory balances and related estimations involved in the determination of the quantities, this is considered a key audit matter. Refer to note (4) to the consolidated financial statements for the significant accounting policy, note (5) for the significant accounting estimates and note (17) which details the inventories.	We have performed the following procedures in respect of validating the existence and valuation of inventories: • Observe the physical inventory count performed by the Group and the independent surveyor. • Evaluated the competence, capabilities and objectivity of the surveyor. • Obtained and reviewed the inventory count report of the external surveyor's for the major stock items on a sample basis. • Assessed the management's measurements of stockpiles during the physical count and recalculated the conversion to the volumes. • Tested the valuation of year-end inventories on a sample basis, including testing judgements applied regarding obsolescence and net realizable value.. • Assessed the completeness and sufficiency of disclosures relating to the inventories in the consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF YANBU CEMENT COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)

Key audit matters (continued)

The key audit matter	How the matter was addressed in our audit

Provision of slow-moving spares parts
 	
As disclosed in note (17) to the accompanying consolidated financial statements, the Group holds spare parts inventory for the machinery of its plant held longer than one reporting period. This might impact the valuation of spare parts and involves judgment in estimating spares parts inventory provision.
 	
Judgment is required to assess the appropriate level of provisioning for spare parts inventory items, which may be ultimately disposed or sold below cost as a result of obsoleteness or the retirement of related machinery. These judgments include management's expectations for future utilization, disposal or sale plans for the spare parts.
 	
Due to the significance of the spare parts provision and related estimations involved, this is considered a key audit matter.
 	
Refer to note (4) to the accompanying consolidated financial statements for the significant accounting policy, note (5) for the significant accounting estimates and note (17) which details, disclosures of movement in provision for slow moving spare parts.
	We have performed the following procedures in respect of validating the appropriateness of provision recorded against spare parts:
	
	• Assessed the appropriateness of key assumptions used by the Group to determine the provision assessment.
	
	• We attended spares parts counts at the year-end to observe and understand the Group's procedures for identifying obsolete spare parts inventory and we observed such spares parts at the count.
	
	• Performed the following procedures on a sample basis:
	  ➢ tested ageing of spares parts
	  ➢ tested accuracy of the ageing reports
	
	Furthermore, we recalculated the expected provision based on key assumptions to ensure the mathematical accuracy of the calculation.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF YANBU CEMENT COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)

Key audit matters (continued)

<table>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Revenue recognition

The Group has recognised revenue from operations of SR 940 million. The Group expect the revenue recognition to occur a point in time when control over the goods are transferred to the customer generally on delivery of goods. Accordingly, this requires the management to establish the fact that control over goods is transferred at the time of dispatch in accordance with IFRS 15. The Group focuses on revenue as a key performance measure which could create an incentive for revenue to be recognised before the control has been transferred.

Accordingly, due to the significant risk associated with revenue recognition in accordance with terms of IFRS 15, 'Revenue from contract with customers' it was determined to be a key audit matter.

Refer to note (4) for the accounting policy and note (8) for related disclosure</td><td>Our audit procedures to assess the recognition of revenue include the following:
Access Group's revenue recognition policy and its compliance in terms of IFRS 15 'Revenue from contract with customers.
Assessed the design and implementation of internal controls related to revenue recognition.
Performed the test of controls on revenue related transactions recorded in the financial statements and also, performed the relevant IT applications controls test.
Performed sample tests of individual sales transactions and traced to sales invoices, sales orders and other related documents. Further in respect of the samples tested we checked that the revenue has been recognised per the shipping terms.
Selected sample of revenue transactions made pre and post-year end, agreeing the period of revenue recognition to third party support such as transporter invoice and customer confirmation of receipt of goods
Performed revenue analysis by stream to identify any usual trends.
Assessed the completeness and sufficiency of disclosure related to revenue in the consolidated financial statements.</td></tr>
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF YANBU CEMENT COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)

Other information included in the Group's 2020 annual report

Other information consists of the information included in the Group's 2020 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2020 annual report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF YANBU CEMENT COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)

Auditor's responsibilities for the audit of the consolidated 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

For Dr. Mohamed Al-Amri & Co.

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

د. محمد العمري وشركاه - محاسبون قانونيون
شركة مهنية رقم ٣٢٣/١١/٦٦
س.ت ٤٠٣٠٢٧٥٣٣٠
Jeddah
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

Rajab 4, 1442(H)
February 16, 2021 (G)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	**2020** SR	2019 SR
Revenue	8	939,987,770	975,736,355
Cost of revenue		(598,205,480)	(640,935,805)
GROSS PROFIT		341,782,290	334,800,550
Selling and distribution expenses	9	(13,221,411)	(11,098,625)
General and administrative expenses	10	(27,920,104)	(42,615,949)
PROFIT FROM OPERATIONS		300,640,775	281,085,976
Other income, net	12	4,922,522	2,776,865
Share of net loss in associate	27	(326,077)	-
Gain / (loss) on derivative instruments at fair value through profit or loss	13	829,234	(372,840)
Finance costs		(5,288,879)	(8,023,864)
Finance income		1,098,892	1,308,573
PROFIT BEFORE ZAKAT		301,876,467	276,774,710
Zakat	14	(18,601,210)	(19,098,803)
NET PROFIT FOR THE YEAR		283,275,257	257,675,907
Attributable to:			
Owners of the Parent Company		281,022,273	257,822,975
Non-controlling interests	7	2,252,984	(147,068)
		283,275,257	257,675,907
EARNINGS PER SHARE			
Basic and diluted earnings per share attributable to owners of the Parent Company	25	**1.78**	1.64

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 SR	2019 SR
Net profit for the year		**283,275,257**	257,675,907
Other comprehensive income			
Items not to be reclassified to consolidated statement of profit or loss in subsequent periods:			
Re-measurement (loss) / gain on employees' benefit liabilities	28	(5,317,988)	2,222,372
Total comprehensive income for the year		**277,957,269**	259,898,279
Attributable to:			
Owners of the Parent Company		275,781,163	260,004,999
Non-controlling interests		2,176,106	(106,720)
		277,957,269	259,898,279

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	**2020** SR	2019 SR
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	2,631,098,412	2,759,042,370
Intangible assets	16	4,225,187	3,201,452
TOTAL NON-CURRENT ASSETS		2,635,323,599	2,762,243,822
CURRENT ASSETS			
Inventories	17	671,139,754	563,957,102
Trade receivables	18	161,598,756	169,760,791
Prepayments, advances and other receivables	19	24,368,460	17,813,553
Cash and bank balances	20	137,015,441	176,751,996
TOTAL CURRENT ASSETS		**994,122,411**	928,283,442
TOTAL ASSETS		**3,629,446,010**	3,690,527,264
EQUITY AND LIABILITIES			
EQUITY			
Share capital	21	1,575,000,000	1,575,000,000
Statutory reserve	22	787,500,000	787,500,000
Retained earnings		634,041,255	909,510,092
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		2,996,541,255	3,272,010,092
Non-controlling interests	23	32,126,604	29,950,498
TOTAL EQUITY		**3,028,667,859**	3,301,960,590
NON-CURRENT LIABILITIES			
Term loans	26	25,944,444	64,861,111
Employee benefits' liabilities	28	76,645,958	64,556,905
Other non-current liability	32	6,135,672	6,477,160
TOTAL NON-CURRENT LIABILITIES		**108,726,074**	135,895,176
CURRENT LIABILITIES			
Trade payables		60,156,929	32,287,067
Financial derivatives	13	1,234,421	2,063,655
Current portion of term loans	26	51,888,889	51,888,889
Dividends payable		276,156,597	77,304,031
Accrued expenses and other current liabilities	29	85,424,459	73,037,425
Zakat payable	14	17,190,782	16,090,431
TOTAL CURRENT LIABILITIES		492,052,077	252,671,498
TOTAL LIABILITIES		**600,778,151**	388,566,674
TOTAL EQUITY AND LIABILITIES		**3,629,446,010**	3,690,527,264

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

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

	Attributable to owners of the parent					
	Share capital	Statutory reserve	Retained earnings	Total	Non-controlling interests	Total equity
	SR	SR	SR	SR	SR	SR
As at 1 January 2019	1,575,000,000	787,500,000	846,380,093	3,208,880,093	32,057,218	3,240,937,311
Net profit for the year	-	-	257,822,975	257,822,975	(147,068)	257,675,907
Other comprehensive income for the year	-	-	2,182,024	2,182,024	40,348	2,222,372
Total comprehensive income for the year	-	-	260,004,999	260,004,999	(106,720)	259,898,279
Dividends (note 24)	-	-	(196,875,000)	(196,875,000)	-	(196,875,000)
Dividends to non-controlling interests	-	-	-	-	(2,000,000)	(2,000,000)
Balance at 31 December 2019	**1,575,000,000**	**787,500,000**	**909,510,092**	**3,272,010,092**	**29,950,498**	**3,301,960,590**
Net profit for the year	-	-	281,022,273	281,022,273	2,252,984	283,275,257
Other comprehensive loss for the year	-	-	(5,241,110)	(5,241,110)	(76,878)	(5,317,988)
Total comprehensive income for the year	-	-	275,781,163	275,781,163	2,176,106	277,957,269
Dividends (note 24)	-	-	(551,250,000)	(551,250,000)	-	(551,250,000)
Balance at 31 December 2020	**1,575,000,000**	**787,500,000**	**634,041,255**	**2,996,541,255**	**32,126,604**	**3,028,667,859**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 SR	2019 SR
OPERATING ACTIVITIES			
Profit before zakat		301,876,467	276,774,710
Adjustment to reconcile operating income to net cash flows:			
Depreciation of property, plant and equipment	15	191,896,246	192,888,466
Amortization of intangible assets	16	1,892,333	1,600,726
Finance costs		5,288,879	8,023,864
Gain on disposal of property, plant and equipment	12	-	(482,845)
(Gain)/Loss on derivative instruments at fair value through profit or loss	13	(829,234)	372,840
Provision for employee benefits' liabilities	28	8,533,142	9,903,270
Charge / (Reversal) of provision against slow moving parts	17	-	2,189,439
Allowance for expected credit losses / (gains)	18	(899,460)	2,434,426
		507,758,373	493,704,896
Working capital adjustments:			
Inventories		(107,182,652)	42,230,344
Trade receivables		9,061,495	(7,364,841)
Prepayments, advances and other receivables		(6,554,907)	3,475,284
Trade payables		27,869,862	948,586
Accrued expenses and other current liabilities		12,387,034	(9,197,091)
		443,339,205	523,797,178
Employee benefits' liabilities paid	28	(1,762,077)	(9,762,396)
Finance cost paid		(4,980,367)	(7,691,830)
Zakat paid	14	(17,500,859)	(11,922,793)
Net cash generated from operating activities		**419,095,902**	494,420,159
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	15	(63,952,288)	(61,213,330)
Proceeds from sales of property, plant and equipment		-	500,001
Intangible assets	16	(2,916,068)	-
Net cash generated from investing activities		**(66,868,356)**	(60,713,329)
FINANCING ACTIVITIES			
Repayment of lease liability		(650,000)	(650,000)
Repayment of term loans		(38,916,667)	(51,888,889)
Net movement of short-term borrowings		-	(57,533,847)
Dividends paid to equity holders of the Parent	24	(352,397,434)	(196,335,172)
Dividends paid to non-controlling interests		-	(2,000,000)
Net cash used in financing activities		**(391,964,101)**	(308,407,908)
INCREASE/DECREASE IN CASH AND BANK BALANCES		(39,736,555)	125,298,922
Cash and bank balances at the beginning of the year		176,751,996	51,453,074
CASH AND BANK BALANCES AT THE END OF THE YEAR	20	**137,015,441**	176,751,996
MAJOR NON-CASH TRANSACTIONS:			
Re-measurement gain on employee benefits' liabilities	28	**(5,317,988)**	2,222,372
Right-of-use asset and lease liabilities	4	-	7,153,653

1. CORPORATE INFORMATION

Yanbu Cement Company ("the Company" or "the Parent Company") - a Saudi Joint Stock Company – established in accordance with Company's regulations in the Kingdom of Saudi Arabia by the Royal Decree No. M/10 dated on 4 Rabi' I 1397H (corresponding to 22 February 1977) and it is registered in Yanbu city under Commercial Registration (CR) No. 4700000233 dated on 21 Dhul-Qi'dah 1398H (corresponding to 24 October 1978). The Company's shares are listed in the Capital Market Authority (CMA) in the Kingdom of Saudi Arabia.

The Company is mainly engaged in manufacturing, producing and trading in cement and its related products as per industrial license No. 2239 issued on 10 Sha'ban 1439H (corresponding to 26 April 2018) which ends on 10 Sha'ban 1442H (corresponding to 23 March 2021).

The Company has branches in Jeddah and Madina with CR numbers 4030021367 and 4650020461, respectively.

The registered address of the Company is Yanbu Cement building located at Al Baghdadiyah Al Gharbiyah District, P. O. Box 5530, Jeddah 21422, Kingdom of Saudi Arabia.

The consolidated financial statements comprise the financial statements of the Parent Company, its subsidiary and associate given below:

Interest in subsidiary

			Percentage of ownership	
Name of subsidiary	**Principal activities**	**Country of incorporation**	**31 December 2020**	**31 December 2019**
Yanbu Saudi Kuwaiti Paper Products Company	Manufacturing of cement bags	Saudi Arabia	60%	60%

Interest in associate

During year 2020, the Company has invested 49% interest in Knowledge Center for Cement Training Limited (the associate company), a mixed limited liability company registered in the Kingdom of Saudi Arabia and have a share capital of SR 500,000. The associate company is established to conduct short term cement training programs. The remaining 51% shareholding is held by FLSmidth Company.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

2.2 Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis except otherwise disclosed.

2.3 Functional and presentation currency

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

2. BASIS OF PREPARATION (continued)

2.4 Going concern assessment

The outbreak of novel coronavirus ("COVID-19") since early 2020, spread globally caused disruptions to businesses and economic activity globally including the Kingdom of Saudi Arabia, however the Group managed to maintain its profitable position and incurred net profit of SR 283.3 million compared to SR 257.7 million despite the lockdown period during second quarter of year ended 31 December 2020. The COVID-19 pandemic, though impacted the economic activities and businesses across the world, has not impacted the economic activity and the Group's business considering its customer base is represented by cement sector which was not affected significantly in Saudi Arabia on account of, inter alia, government expenditure on public projects. However, the construction activities in the export market were slowed due to stringent lockdown measures including limited working days and suspension of residential construction activities.

The Group has performed an assessment of whether it is going concern in the light of current economic conditions and all available information about future risk and uncertainties. The projections have been prepared covering the Group's future performance and liquidity. Even during the challenging time, the Group was able to manage its liquidity position by proactively controlling cost components and managing capital expenditure within the budgets. Further, the Group is low-leveraged and consequently the management believes that it is better placed off the headwinds as compared to its competitors.

Management foresee improvement in local market on account of, inter alia, recent announcement of new public projects. Management is determined on the following:

- Developing strategies to concentrate and expand the Cement sales volume at local level;
- Strict working capital management and managing working capital in line with the activity level;
- Restricting capital expenditure to essential maintenance level; and
- Deferment of all non-essential and discretionary expenditure for a conceivable future.

Management is cognizant of the challenges that lie ahead and will continue proactively adapt in order to ensure optimum performance of the Group.

Management believes that the above action, combined with other strategies and operational measures taken by the Board of Directors, are realistic and reasonable and will effectively maintain the profitability of the Group and improve its ability to generate future profits and cash flows and continue its operations in the future period.

The impact of COVID-19 may continue to evolve, but at present time the projections demonstrate that the Group has sufficient resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a results, these consolidated financial statements continue to be prepared on a going concern basis.

The Group will continue to closely monitor the impact of COVID-19 as the situation progresses to manage the potential business disruption, COVID-19 outbreak may have its operational and financial performance in 2021.

2.5 Basis of consolidation and equity accounting

I) Subsidiaries

Control is achieved when the Group is exposed, or has rights, to variable returns from its transactions with the investee and has the ability to affect those returns through exercising its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its transactions with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has control over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

2. BASIS OF PREPARATION (continued)

2.5 Basis of consolidation and equity accounting (continued)

I) Subsidiaries (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the it ceases to control the subsidiary.

Statement of profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in consolidated statement of profit or loss. Any investment retained is recognized at fair value.

II) Associates

Associates are all entities over which the Group has significant influence but no control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method, after initially being recognized at cost.

Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of other comprehensive income of the investee in other comprehensive income. After the share in the investee is reduced to zero, a liability is recognised only to the extent that there is an obligation to fund the investee's operations or any payments have been made on behalf of the investee. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in the other comprehensive income ("OCI") of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate and joint venture are eliminated to the extent of the interest in the associate or joint venture. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group.

When necessary, adjustments are made to bring the accounting policies of the associate or joint venture in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the loss as 'Share of profit of an associate and a joint venture' in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

3. STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO EXISTING STANDARDS

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

a. New standards, interpretations and amendments not yet effective

IFRS	Summary	Effective date
Annual Improvements to IFRS: 2018-2020 Cycle	In May 2020, the IASB issued minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.	1 January 2022
Conceptual Framework for Financial Reporting (Amendments to IFRS 3)	In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.	1 January 2022
IAS 16 (Amendment – Proceeds before Intended Use)	In May 2020, the IASB issued amendments to IAS 16, which prohibit a company from deducting amounts received from selling items produced while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognise such sales proceeds and any related costs in profit or loss.	1 January 2022
IAS 37 (Amendment – Onerous Contracts – Cost of Fulfilling a Contract)	In May 2020, the IASB issued amendments to IAS 37, which specify the costs a company includes when assessing whether a contract will be loss-making and is therefore recognised as an onerous contract. These amendments are expected to result in more contracts being accounted for as onerous contracts because they increase the scope of costs that are included in the onerous contract assessment.	1 January 2022
IAS 1 (Amendment – Classification of Liabilities as Current or Non-Current)	In January 2020, the IASB issued amendments to IAS 1, which clarify how an entity classifies liabilities as current or non-current. The amendments initially had an effective date of 1 January 2022, however, in July 2020 this was deferred until 1 January 2023 as a result of the COVID-19 pandemic. At the IFRS Interpretations Committee's December meeting, the Committee discussed the amendments due to feedback from stakeholders which indicated that the requirements of the amendments may be unclear. These amendments are expected to have a significant impact on many entities, with more liabilities being classified as current, particularly those with covenants relating to borrowings.	1 January 2023
IFRS 4	Insurance Contracts-Amendments regarding the expiry date of the deferral approach	1 January 2023
IFRS 9	Amendments regarding the interaction of IFRS 4 and IFRS 9	1 January 2023

3. STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO EXISTING STANDARDS (Continued)

a. New standards, interpretations and amendments not yet effective (Continued)

IFRS	Summary	Effective date
IFRS 17	IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous (non-IFRS) accounting approaches to continue to be followed. IFRS 17 will result in significant changes for many insurers, requiring adjustments to existing systems and processes.	1 January 2023

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

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

IFRS	Summary	Effective date
IAS 1 and IAS 8 (Amendment – Disclosure Initiative - Definition of Material)	Materiality decisions are common in determining the level of precision in applying accounting policies in practice. These amendments are a component of the IASB's 'Disclosure Initiative' project, which is intended to simplify financial statements and increase their usability.	1 January 2020
IFRS 3 (Amendment – Definition of Business)	As a result of the post-implementation review of IFRS 3, these amendments modify the definition of a business. These changes will result in fewer acquisitions being accounted for as a business combination within the scope of IFRS 3. The amendments also introduce an optional 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is a business.	1 January 2020
Conceptual Framework for Financial Reporting (Revised)	The Conceptual Framework contains the improved definitions that underpin all requirements in IFRS (e.g. the definition of an asset, liability, income, expense, the objectives of general purpose financial reporting, etc.).	1 January 2020
IBOR Reform and its Effects on Financial Reporting – Phase 1	The amendments modify the requirements relating to hedge accounting in order to provide relief from potential consequences of IBOR reform, during the period before the related changes to benchmark rates take place. Additionally, the standards were amended to require additional disclosures explaining how an entity's hedging relationships are affected by the uncertainties involving IBOR reform.	1 January 2020
IFRS 16 (Amendment – COVID-19-Related Rent Concessions)	In response to the COVID-19 pandemic, in May 2020 the IASB issued amendments to IFRS 16, which permits lessees not to assess whether a rent concession received meets the definition of a lease modification, if certain criteria are satisfied. Instead, lessees apply other applicable IFRS standards, which will often result in a rent concession being recorded as a negative variable payment.	1 June 2020

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any noncontrolling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognized in the consolidated statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in consolidated statement of profit or loss.

B) Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the consolidated statement of financial position, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the consolidated statement of financial position.

The Group classifies all other liabilities as non-current.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) Fair value measurement

Financial instruments

The Group measures financial instruments, such as derivatives at fair value at each financial position date.

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

- In the principal market for the assets or liabilities, or
- In the absence of a principal market, in the most advantageous market for the assets or liabilities

The principal or the most advantageous market must be accessible by the Group.

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

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

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

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

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

D) Revenue

The Group is engaged in selling packed, bulk cement and cement bags. The sale is performed by sales invoices and / or specific contracts independently entered into with customers.

(a) Sale of goods

Sale of cement is the sole performance obligation, The Group has concluded that revenue from sale should be recognized at the point in time when control of asset is transferred to the customer, generally on delivery. Revenue is measured at the fair value of the consideration received or receivable, considering contractually defined terms of payment and excluding taxes or duty.

(b) Presentation and disclosure requirements

The group has separated the revenue from contracts with customers into categories that illustrates how the economic factors affect the nature, amount, timing and uncertainty of revenues and cash flows for each category, see note 8.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Costs and expenses

Cost of revenue
Production costs and direct manufacturing expenses are classified as cost of revenue. This includes raw material, direct labor and other attributable overhead costs.

Selling and distribution expenses
These include any costs incurred to carry out or facilitate selling activities of the Group. These costs typically include salaries of the sales staff, distribution and other contingent related expenses.

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

Allocation of overheads between cost of revenue, selling and distribution expenses, and general and administrative expenses, where required, is made on a consistent basis.

F) Finance income
Finance income is recognized on an accrual basis using the effective yield basis.

G) Zakat
Zakat is provided in accordance with the Regulations of the General Authority of Zakat and Tax (“GAZT”) in the Kingdom of Saudi Arabia and on accruals basis. The provision is charged to the consolidated statement of profit or loss. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization.

H) Foreign currency transactions and balances
Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in the consolidated statement of profit or loss.

I) Cash dividend to equity holders
The Group recognizes a liability to make cash distribution to equity holders of the Parent Company when the distribution is authorized and the distribution is no longer at the discretion of the Group. Distribution authorization is assessed in line with the Companies Law in the Kingdom of Saudi Arabia, of which a distribution is authorized when approved by the shareholders. A corresponding amount is recognized directly in equity. Interim dividends, if any, are recorded when approved by the Board of Directors.

J) Property, plant and equipment
Capital work in progress is stated at cost, net of accumulated impairments losses, if any. Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a comprehensive inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in consolidated statement of profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	25 – 40 years	Quay	20 years
Vehicles and dump trucks	4 – 6.67 years	Furniture and other assets	4 - 6.67 years
Machines and equipment	25 – 40 years	Paper factory equipment	Units of productions

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) Property, plant and equipment (Continued)

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

The residual values, useful lives and depreciation methods for property, plant and equipment are reviewed on annual basis at the end of each fiscal year and adjustments are made whenever necessary.

K) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets – Leasehold land

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives. Currently, right-of-use assets are depreciated using an average range rate from 6% to 11%. Right-of-use assets are subject to impairment.

ii. Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii. Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

L) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale as part of the cost of the asset. All other costs are expensed in the period in which they are due. Borrowing costs consist of interest cost and other costs that an entity incurs in connection with the borrowing of funds.

M) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets (excluding capitalized development costs) are not capitalized and expenditure is recognized in the consolidated statement income when it is incurred.

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

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

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.
The estimated useful life of software is 5 years. The amortization method, useful life and residual value are reviewed at each reporting date and the changes are adjusted, if appropriate.

N) 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.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of debt financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (D) Revenue from contracts with customers.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N) Financial instruments (continued)

i) Financial assets (continued)

Initial recognition and measurement (continued)

In order for a debt financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognized in consolidated statement of profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes trade and other receivables.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to statement of profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N) Financial instruments (continued)

i) Financial assets (continued)

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to statement of profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognized as other income in the consolidated statement of profit or loss when the right of payment has been established.

The Group uses derivatives financial instruments such as interest rate swap and currency swap to manage its interest rate and currency risks (see note 13).

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N) Financial instruments (continued)

i) Financial assets (continued)

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through statement of profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and other receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below: Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N) Financial instruments (continued)

ii) Financial liabilities (continued)

Loans and borrowings
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in consolidated statement of profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of profit or loss.

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

iii) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

O) Derivative financial instruments
The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

P) Inventories
Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a weighted average basis
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognized in OCI, in respect of the purchases of raw materials.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Q) Impairment of non-financial assets
The Group assesses, at the date of preparing the financial statements, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset or CGU’s fair value less costs of disposal or its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate future cash inflows that are largely independent of those from other assets or Groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account- if available or an appropriate valuation model is used.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q) Impairment of non-financial assets (continued)

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's Cash Generating Units ("CGUs") to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. To cover longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment of goods, are recognized in the consolidated statement of profit or loss in expense category consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at the date of preparing each consolidated statement of financial position to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

R) Cash and bank balances

Cash and cash balances in the consolidated statement of financial position comprise of cash at banks, and cash on hand.

S) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

T) Employee benefits liabilities

This represents end-of-service ("employee benefits") under defined unfunded benefit plans. End-of-service benefits, as required by Saudi Arabia Labor Law, are required to be provided based on the employees' length of service.

The Group's net obligations in respect of employee benefits ("the obligations") is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs.

The discount rate used is the market yield on high quality corporate bonds at the reporting date that has maturity dates and the risk profile approximating the terms of the Group's obligations. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method to determine the Group's present value of the obligation, with actuarial valuations to be carried out every third year and updated for the following two years for material changes, if any. The defined benefit liability comprises the present value of defined benefit obligation as adjusted for any past service cost not yet recognized. Currently there are no past service costs. The full amount of actuarial gains and losses are recognized in consolidated statement of comprehensive income in the year in which they arise.

5. CRITICAL JUDGEMENTS, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosure of contingent liabilities at the date of preparing the financial statements. Uncertainty about these assumptions and estimates could result in making material adjustments to the carrying amount of asset or liabilities affected in future years.

5.1 Critical judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

A) Component parts of property, plant and equipment

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

B) Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset)

5.2 Estimates and assumptions

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

A) Provision for expected credit losses of trade receivables

By adopting IFRS 9, the Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

5. CRITICAL JUDGEMENTS, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

5.2 Estimates and assumptions (continued)

A) Provision for expected credit losses of trade receivables (continued)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 18.

B) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates

C) Useful life of intangible assets

The Group's management determines the estimated useful lives of its intangible assets for calculating amortization. This estimate is determined after considering the expected benefit obtained from the usage of the intangible assets. Management reviews the carrying value and useful lives annually and future amortization charge would be adjusted where the management believes the useful lives differ from previous estimates.

D) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal is based on available data from binding sales of long-term transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the estimated budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is based on the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

E) Provision for material extraction

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

F) Employee benefit liabilities

The cost of defined benefit liabilities regarding employee's end of service are determined using actuarial valuations. An actuarial valuation requires making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, the defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each annual reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the commission rates of corporate bonds in currencies consistent with the currencies of the post-employment defined liabilities with at least an 'AA' rating or above, as set by an internationally acknowledged rating agencies, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the respective countries. Those mortality tables are subject to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the respective countries and future salary increases.

5. CRITICAL JUDGEMENTS, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

5.2 ESTIMATES AND ASSUMPTIONS (continued)

G) Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the Discounted Cash Flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

H) Going concern

The Group's management has assessed the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the consolidated financial statements have been prepared on a going concern basis.

I) Provision for slow moving parts

The Group holds spare parts inventory for the machinery of its plant held longer than one reporting period. This might impact the valuation of spare parts and involves judgment in estimating spares parts inventory provision. Judgment is required to assess the appropriate level of provisioning for spare parts inventory items, which may be ultimately disposed or sold below cost as a result of obsoleteness or the retirement of related machinery. These judgments include management's expectations for future utilization, disposal or sale plans for the spare parts.

J) Existence of inventories

Inventories comprise of purchased raw materials (limestone, sand, slag, gypsum, iron ore and bauxite) and work in progress (mainly clinker which are stored in purpose built shed and stockpiles). Since the weighing of these inventories is not practicable, management assesses the quantities on hand at the year-end by obtaining measurements of the stockpiles and converting these measurements to unit of volumes by using the angle of repose and the bulk density. In doing so, management appoints an independent surveyor to estimate the quantities by using certain scientific systematic measurements calculations and applying the density conversion methods which are applied for similar stock in the cement industry.

K) Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

6. SEGMENT INFORMATION

The Group is engaged in one operating segment engaged in manufacturing cement and operates completely within the Kingdom of Saudi Arabia. Accordingly, the financial information was not divided into different geographic or business segments. The financial information of the subsidiary is not significant to Group's consolidated financial statements for the purpose of segment information.

7. MATERIAL SUBSIDIARY

Referring to note 1, the financial information of the subsidiary that have material non-controlling interest is provided below:

Subsidiary	Country of Incorporation	%Ownership 2020	2019
Yanbu Saudi Kuwaiti for Paper Products Company (A Limited Liability Company)	Kingdom of Saudi Arabia	40%	40%

The tables below represent the financial information of the subsidiary, Yanbu Saudi Kuwaiti for Paper Products Company (A Limited Liability Company):

Accumulated balance of non-controlling interests:	**31 December 2020 SR**	31 December 2019 SR
Yanbu Saudi Kuwaiti for Paper Products Company (A Limited Liability Company)	**32,126,604**	29,950,498

Profit / (loss) attributable to non-controlling interests for the year:	**For the year ended 31 December 2020 SR**	**2019 SR**
Yanbu Saudi Kuwaiti for Paper Products Company (A Limited Liability Company)	**2,252,984**	(147,068)

7. MATERIAL SUBSIDIARY (continued)

The following is a summary of the financial information of the subsidiary "Yanbu Saudi Kuwaiti for Paper Products Company (A Limited Liability Company)". This information is based on amounts before intercompany eliminations:

	2020	2019
	SR	SR
Revenue	91,379,899	78,683,234
Cost of revenue	(83,021,617)	(77,313,246)
GROSS PROFIT	**8,358,282**	**1,369,988**
Selling and distribution expenses	(88,025)	(78,800)
General and administrative expenses	(1,836,755)	(1,128,103)
PROFIT FROM OPERATION	**6,433,502**	**163,085**
Other income	355,452	357,919
PROFIT BEFORE ZAKAT	**6,788,954**	**521,004**
Zakat	(1,156,494)	(888,674)
NET PROFIT / (LOSS) FOR THE YEAR	**5,632,460**	**(367,670)**
Other comprehensive income not to be reclassified to the statement of income in subsequent periods	(192,196)	100,869
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	**5,440,264**	**(266,801)**
Profit / (loss) attributable to:		
Shareholders of the Parent Company	3,379,476	(220,602)
Non-controlling interests	2,252,984	(147,068)
	5,632,460	**(367,670)**

Summarized statement of comprehensive income for the year:

	2020	2019
	SR	SR
Other comprehensive income attributable to:		
Shareholders of the Parent Company	(115,318)	60,521
Non-controlling interests	(76,878)	40,348
	(192,196)	100,869

7. MATERIAL SUBSIDIARY (continued)

Summarized statement of financial position:

	2020 SR	2019 SR
Non-current assets	39,458,868	41,518,171
Current assets	68,276,269	44,785,905
Non-current liabilities	(2,451,313)	(2,035,566)
Current liabilities	(24,967,307)	(9,392,261)
Total equity	**80,316,517**	74,876,249
Attributable to:		
Equity holders of parent	48,189,913	44,925,751
Non-controlling interest	32,126,604	29,950,498

Summarized cash flow information for the year:

	2020 **SR**	2019 SR
Operating activities	8,019,035	20,672,071
Investing activities	(411,793)	(106,464)
Financing activities	-	(3,802,635)
Net changes in cash and bank balances	**7,607,242**	16,762,972

8. REVENUE

	2020 **SR**	2019 SR
Bulk cement	538,625,645	454,213,549
Packed cement	283,764,064	259,464,032
Cement bags	73,820,969	60,677,038
Raw cement (clinker)	43,777,092	201,381,736
Total revenue (*)	**939,987,770**	975,736,355
Total revenue inside the Kingdom of Saudi Arabia	864,219,874	742,728,096
Total revenue outside the Kingdom of Saudi Arabia	**75,767,896**	233,008,259

(*) The timing of the revenue recognition from the above goods is at a point in time basis.

9. SELLING AND DISTRIBUTION EXPENSES

	2020 **SR**	2019 SR
Salaries and employees' related costs (note 11)	7,322,831	7,059,684
Donations and social responsibility	3,724,003	2,064,272
Depreciation (note 15)	1,166,987	1,167,175
Secondment expenses	68,088	130,184
Repair and maintenance	16,229	3,842
Advertising expenses	40,382	79,774
Others	882,891	593,694
	13,221,411	11,098,625

10. GENERAL AND ADMINSTRATIVE EXPENSES

	2020 **SR**	**2019** **SR**
Salaries and employees' related costs (note 11)	16,753,663	21,266,220
Remuneration of Board of Directors	3,138,835	3,834,000
Consulting and professional fees	3,526,916	3,482,049
Amortization (note 16)	1,600,726	1,600,726
Repair and maintenance	1,560,037	1,379,964
Subscriptions fees	582,774	924,262
Communications and telephone	607,199	432,245
Allowance for expected credit loss	(899,460)	2,434,426
Depreciation (note 15)	202,211	185,913
Others	847,203	7,076,144
	27,920,104	42,615,949

11. SALARIES AND EMPLOYEES' RELATED COSTS

a) Salaries and employees' related costs (including employee benefits' liabilities) for the year were allocated as follows:

	2020 **SR**	2019 SR
Cost of revenue	103,448,186	96,827,141
Selling and distribution expenses (note 9)	7,322,831	7,059,684
General and administrative expenses (note 10)	16,753,663	21,266,220
	127,524,680	125,153,045

12. OTHER INCOME, NET

	2020 **SR**	2019 SR
Gain on disposal of property, plant and equipment	**-**	482,845
Scrap sales	2,313,333	357,919
Insurance companies' compensation	227,190	-
Foreign exchange differences	196,763	68,266
Others	2,185,236	1,867,835
	4,922,522	2,776,865

13. FINANCIAL DERIVATIVES

The Parent Company has engaged in an interest rate swap contract with one of the local commercial banks to manage interest rates fluctuations. As at 31 December 2020, the fair value of the contract was amounting to SR 1,234,421 (31 December 2019: SR 2,063,655). Accordingly, the Parent Company recognized valuation gains during the year ended 31 December 2020 amounting to SR 829,234 (2019: SR 372,840 (valuation losses)). The notional amount of interest rate swap contract as at 31 December 2020 amounting to SR 64,861,111 (31 December 2019: SR 116,750,000).

14. ZAKAT

a) Provision charged for the year:

The Parent Company and its subsidiary provide separate financial statements for zakat on a non-consolidated basis using the equity method. The principal elements of the zakat base for each Company form the Company's shareholders' equity, provisions as at the beginning of the year, adjusted net income, minus the net book value of property, plant and equipment and investments and other different items. If the zakat base is negative, the Company does not have zakat payable for the year.

	2020 **SR**	2019 SR
Zakat charged for the year	**18,601,210**	19,098,803

b) The movement in zakat payable as follows:

	2020 **SR**	2019 SR
Balance at beginning of the year	16,090,431	8,914,421
Zakat charge:		
Current year	16,651,578	15,888,674
Adjustment relating to prior years	1,949,632	3,210,129
Provided during the year	18,601,210	19,098,803
Paid during the year	(17,500,859)	(11,922,793)
Balance at the end of the year	**17,190,782**	16,090,431

14. ZAKAT (continued)

c) Zakat status

Parent Company:
Zakat assessment has been finalized with the General Authority for Zakat and Tax (“GAZT”) up to the year ended 31 December 2019 and paid the zakat liabilities for those years due as per the returns. During year 2020, the Company received an assessment order for the year from 2014 to 2017 with an additional zakat liability of SR 8.5 million. The Company applied to the GAZT resolution committee to settle the above objected amount as a result the zakat liability was reduced to SR 1.8 million vide GAZT resolution committee letter dated 08 January 2021 and the same was paid accordingly.

Subsidiary:
The Company has submitted its zakat returns with General Authority for Zakat and Tax (“GAZT”) for the years up to 31 December 2019 and paid the zakat liabilities for those years due as per the returns. Zakat assessments up to 31 December 2016 have also been finalized. During year 2020, the Company received an additional assessment for the year 2017 and 2018 with an additional zakat liability of SR 207,080 and SR 58,642 respectively and filed objections against these assessments which were rejected by GAZT. Management has further objected and filed the appeal to the General Secretariat of the Tax Committees, Preliminary Appeals Committee, which is still under their study.

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Right-of use asset (leasehold lands)	Factory buildings on leasehold land	Production buildings of paper factory on leasehold land	Buildings and other constructions	Quay	Machinery and equipment	Paper factory machinery and equipment	Vehicles	Furniture and other assets	Construction work in progress	Total
	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR
Cost:												
1 January 2019	4,805,116	-	358,073,888	23,682,301	616,013,798	16,360,228	4,747,111,894	45,026,388	30,453,952	33,125,987	15,019,220	5,889,672,772
Additions	-	7,153,653	-	-	616,380	-	9,854,348	-	408,064	740,408	49,594,130	68,366,983
Disposals	-	-	-	-	-	-	(7,803,363)	-	(140,850)	(19,100)	-	(7,963,313)
Transfers	-	-	-	-	2,152,166	-	617,879	-	-	-	(2,770,045)	-
As at 31 December 2019	4,805,116	7,153,653	358,073,888	23,682,301	618,782,344	16,360,228	4,749,780,758	45,026,388	30,721,166	33,847,295	61,843,305	5,950,076,442
Additions	-	-	-	-	1,119,385	-	12,410,440	65,000	459,327	1,755,626	48,142,510	63,952,288
Disposals	-	-	-	-	-	-	-	-	(1,627,082)	-	-	(1,627,082)
Transfers	-	-	-	-	-	-	43,067,674	-	-	-	(43,067,674)	-
As at 31 December 2020	4,805,116	7,153,653	358,073,888	23,682,301	619,901,729	16,360,228	4,805,258,872	45,091,388	29,553,411	35,602,921	66,918,141	6,012,401,648

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land SR	Right-of use asset (leasehold lands) SR	Factory buildings on leasehold land SR	Production buildings of paper factory on leasehold land SR	Buildings and other constructions SR	Quay SR	Machinery and equipment SR	Paper factory machinery and Equipment SR	Vehicles SR	Furniture and other assets SR	Construction work in progress SR	Total SR
Depreciation:												
1 January 2019	-	-	238,424,160	9,559,863	254,562,513	16,360,228	2,416,016,944	16,268,408	29,441,040	25,458,607	-	3,006,091,763
Depreciation	-	455,726	7,861,867	756,773	16,326,913	-	161,875,541	1,368,532	774,415	3,468,699	-	192,888,466
Disposals	-	-	-	-	-	-	(7,803,363)	-	(123,694)	(19,100)	-	(7,946,157)
As at 31 December 2019	-	455,726	246,286,027	10,316,636	270,889,426	16,360,228	2,570,089,122	17,636,940	30,091,761	28,908,206	-	3,191,034,072
Depreciation	-	457,828	7,794,367	817,585	16,919,310	-	161,447,018	1,503,075	296,950	2,660,113	-	191,896,246
Disposals	-	-	-	-	-	-	-	-	(1,627,082)	-	-	(1,627,082)
As at 31 December 2020	**-**	**913,554**	**254,080,394**	**11,134,221**	**287,808,736**	**16,360,228**	**2,731,536,140**	**19,140,015**	**28,761,629**	**31,568,319**	**-**	**3,381,303,236**
Net Book Value:												
As at 31 December 2020	4,805,116	6,240,099	103,993,494	12,548,080	332,092,993	-	2,073,722,732	25,951,373	791,782	4,034,602	66,918,141	2,631,098,412
As at 31 December 2019	4,805,116	6,697,927	111,787,861	13,365,665	347,892,918	-	2,179,691,636	27,389,448	629,405	4,939,089	61,843,305	2,759,042,370

15. PROPERTY, PLANT AND EQUIPMENT (continued)

a) Depreciation for the year was allocated as follows:

	2020 SR	2019 SR
Cost of revenue	190,527,048	191,535,378
Selling and Distribution expenses (note 9)	1,166,987	1,167,175
General and Administrative expenses (note 10)	202,211	185,913
	191,896,246	192,888,466

b) The plants are situated on land leased from the Deputy Ministry For Mineral Resources, of Ras Baridi in Yanbu, for 30 Hijra years commencing 4 Rabi' I 1398H (corresponding to 12 February 1978). The lease has been renewed for a similar period for 30 years on 3 Rabi' I 1428H (corresponding to 22 March 2007). The lease is renewable for further similar periods subject to the agreement of both parties.

16. INTANGIBLE ASSETS

	Software 2020 SR	Software 2019 SR
Cost:		
At 1 January	8,003,629	8,003,629
Additions	2,916,068	-
Balance at 31 December	**10,919,697**	8,003,629
Amortization:		
At 1 January	4,802,177	3,201,451
Amortization during the year (Note a)	1,892,333	1,600,726
Balance at 31 December	**6,694,510**	4,802,177
Net Book Value:		
31 December	**4,225,187**	3,201,452

a) Ammortisation for the year was allocated as follows:

	2020 SR	2019 SR
Cost of revenue	291,607	-
General and Administrative expenses (note 10)	1,600,726	1,600,726
	1,892,333	1,600,726

17. INVENTORIES

Inventories as at 31 December 2020 and 31 December 2019 comprised of the following:

	2020 SR	2019 SR
Spare parts, net (note below)	201,044,683	186,172,853
Work in process	422,615,439	341,830,436
Raw materials	26,327,133	15,422,007
Fuel	16,605,157	18,561,439
Packaging materials	2,962,362	1,151,088
Other materials	1,584,980	819,279
	671,139,754	563,957,102

As at 31 December 2020, the Group maintains provision against slow moving parts amounting to SR 102.4 million (2019: SR 102.4 million).

18. TRADE RECEIVABLES

	2020 SR	2019 SR
Trade receivables	163,557,722	172,619,217
Allowance for expected credit losses (a)	**(1,958,966)**	(2,858,426)
	161,598,756	169,760,791

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

a) The movement in the allowance for expected credit losses of trade receivables is as follows:

	2020 SR	2019 SR
At the beginning of the year	2,858,426	424,200
Provision for expected credit losses	70,792	2,858,426
Reversal of provision for the year	(970,252)	(424,200)
At the end of the year	**1,958,966**	2,858,426

The information about the credit exposures are disclosed in note 33.

19. PREPAYMENTS, ADVANCES AND OTHER RECEIVABLES

	2020	2019
	SR	SR
Advances to suppliers	11,272,225	4,099,693
Employees advances	8,835,110	6,651,695
Prepaid expenses	4,254,475	7,012,020
Others	6,650	50,145
	24,368,460	17,813,553

20. CASH AND BANK BALANCES

	2020	2019
	SR	SR
Cash in hand	17,089	53,629
Bank balances	136,998,352	176,698,367
	137,015,441	176,751,996

21. SHARE CAPITAL

The Parent Company's authorized and paid up capital is divided into 157,500,000 shares as at 31 December 2020 (2019: 157,500,000 shares) stated at SR 10 per share. Refer to note 37 for the information related to the decrease in share capital after the year end.

22. STATUTORY RESERVE

In accordance with the Parent Company's By-laws, the Parent Company is required to transfer at least 10% of net income to the statutory reserve. The Parent Company may cease such transfers when the statuary reserve equals 30% of the capital.

23. NON-CONTROLLING INTERESTS

Non-controlling interests represent the portion of the Group's income or loss and the net assets not held by the Group that have been presented as a separate item in the consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of changes in equity in the consolidated statement of financial position separately from the parent company's equity. Non-controlling interests as at 31 December 2020 and 2019 represent 40 % of the share capital of Yanbu Saudi Kuwaiti for Paper Products Company (A Limited Liability Company).

24. DIVIDENDS DISTRIBUTION

a) Dividends for the year ended 31 December 2020:

- On 5 March 2020 (corresponding to 10 Rajab 1441H), the Board of Directors of the Parent Company announced the distribution of cash dividend amounting to SR 196.9 million (SR 1.25 per share) for the second half of the year 2019 which represents 12.5% of the nominal value of the shares.

- On 22 July 2020 (corresponding to 1 Dhul-Hijjah 1441H), the Board of Directors of the Parent Company, recommended to the General Assembly a distribution of cash dividend amounting to SR 157.5 million (SR 1 per share) for the first half of the year 2020 which represents 10% of the nominal value of the shares.

- On 12 December 2020 (corresponding to 27 Rabi-Al thani 1442H), the Board of Directors of the Parent Company, recommended to the General Assembly a distribution of cash dividend amounting to SR 196.9 million (SR 1.25 per share) for the second half of the year 2020 which represents 12.5% of the nominal value of the shares.

b) Dividends for the year ended 31 December 2019:

- On 19 March 2019 (corresponding to 12 Rajab 1440H), the Board of Directors of the Parent Company, recommended to the General Assembly a distribution of cash dividend amounting to SR 78.75 million (SR 0.5 per share) for the second half of the year 2018 which represents 5% of the nominal value of the shares. The General Assembly meeting held on 10 June 2019 (corresponding to 7 Shawwal 1440H) approved the above board of directors' dividends recommendation.

- On 6 August 2019 (corresponding to 5 Dhul-Hijjah 1440H), the Board of Directors of the Parent Company announced the distribution of cash dividend amounting to SR 118.13 million (SR 0.75 per share) for the first half of the year 2019 which represents 7.5% of the nominal value of the shares.

25. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the income for the year attributable to equity holders in the Parent Company by the weighted average number of ordinary shares which are 157.5 million shares.

The table below reflects the details of the net profit for the year and the number of shares used in calculating basic and diluted earnings per share:

	2020 **SR**	2019 SR
Profit for the year attributable to ordinary equity holders of the Parent Company (SR' 000)	**281,022**	257,823
Weighted average number of outstanding ordinary shares (000' shares)	**157,500**	157,500
Basic and diluted earnings per share attributable to shares holders of the Parent Company (Saudi Riyals)	**1.78**	1.64

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

26. TERM LOANS

National Commercial Bank loan

During 2015, the Parent Company entered into bank facilities contracts amounting to SR 250 million with the National Commercial Bank ("NCB") to finance the construction of power generating plant from waste thermal energy project. The loan balance has been fully utilized in prior years. The loan is repayable in monthly installments of SR 4.32 million each with last installment due in June 2022. The loan is subject to interest costs as per prevailing Saudi rates (SIBOR) plus fixed commission rate. The power generating plant from waste thermal energy project was mortgaged completely as a guarantee to NCB.

The outstanding term loans as at the consolidated statement of financial position are as follows:

	Loan type	**2020 SR**	2019 SR
National Commercial Bank loan	Murabaha	77,833,333	116,750,000
Current portion		(51,888,889)	(51,888,889)
Non-current portion		**25,944,444**	64,861,111

Below is the summary of the undiscounted loans repayment schedule

	2020 SR	2019 SR
2020	-	55,298,923
2021	54,399,014	53,420,818
2022	26,362,799	13,054,190
	80,761,813	121,773,931

Gulf International Bank

During the year 2020, the Parent Company entered into an Islamic Financing Facility contract with Gulf International Bank amounting to SR 100 million at SIBOR plus agreed commission rate to meet its working capital requirements. The facility availed during the year was also fully paid off during year 2020.

27. INVESTMENT IN ASSOCIATE

The movement of investment in associate is as follow:

	2020 SR	2019 SR
Cost of investment	**245,000**	-
Share of net loss from associate (*)	**(245,000)**	-
	-	-

(*) The share of net loss from the associate during the year amounted to SR 326,077 and the amount in excess of cost of investment is recognised as provision for loss under accrued expenses and other current liabilities

28. EMPLOYEE BENEFITS' LIABILITIES

	2020 **SR**	2019 SR
Balance at the beginning of the year	64,556,905	66,638,403
Current service cost	6,216,116	6,700,841
Interest cost	2,317,026	3,202,429
Re-measurement loss / (gain)	5,317,988	(2,222,372)
Paid during the year	(1,762,077)	(9,762,396)
Balance at the end of the year	**76,645,958**	64,556,905

The following is the breakup of the re-measurement loss / (gain) on employee benefits liabilities:

	2020 **SR**	2019 SR
Demographic assumptions	1,732,056	(1,812,781)
Financial assumptions	511,503	1,122,507
Experience adjustment	3,074,429	(1,532,098)
	5,317,988	(2,222,372)

Employee benefits' liabilities expense:

	2020 **SR**	2019 SR
Current service cost	6,216,116	6,700,841
Interest cost on defined benefits obligation	2,317,026	3,202,429
Employee benefits' liabilities expense	**8,533,142**	9,903,270

The principle actuarial assumptions used in the calculation of the employee benefits' liabilities are as follows:

	2020	2019
Discount rate	2.10%	3.50%
Salary increase rate	2 %	2.50%
Mortality rate	AM 80	AM 80

28. EMPLOYEE BENEFITS' LIABILITIES (continued)

The effect of the change of one of the actuarial assumptions that has a reasonable change in the rate in the defined benefit obligation, with all other variable assumptions constant, is presented as follows:

	2020	2019
	SR	SR
Discount rate +0.5%	(3,333,024)	(3,287,729)
Discount rate - 0.5%	3,603,693	3,903,509
Long term salary increases +0.5%	3,030,446	4,048,994
Long term salary increases -0.5%	(2,838,154)	(3,467,451)

29. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2020	2019
	SR	SR
Accrued expenses against limestone extraction fees	30,114,501	25,108,622
Service payable accounts	11,608,250	10,288,290
Advances from customers	16,347,412	17,397,292
Other accrued expenses	18,801,187	16,141,857
VAT payable	5,510,895	766,495
Other payables	3,042,214	3,334,869
	85,424,459	73,037,425

30. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, Board of Directors, the Group's key management personnel and enterprises managed or significantly influenced by those parties. The following are the details of major related parties' transactions during the year ended 31 December 2020:

- Allowances and compensation of the Board of Directors and senior executives

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

Board of Directors and committees' compensation charged during the year amounting to SR 3.1 million (2019: SR 3.8 million) (see note 9).

- Key management personnel compensation comprised the following:

	2020	2019
	SR	SR
Short term employee benefits	5,985,241	5,025,933
Post-employment benefits	435,400	415,718
	6,420,641	5,441,651

- The Group entered into transaction with its associate under mutually agreed terms and conditions:

Associate	**Amount of transaction**		**Due to related party**	
(Nature of transaction)	**2020**	2019	**2020**	2019
	SR	SR	**SR**	SR
Training cost charges by associate	1,877,646	-	109,813	-

31. CONTINGENCIES AND CAPITAL COMMITMENTS

As at 31 December 2020, the capital commitments related to projects under construction is amounting to SR 26.4 million (31 December 2019: SR 49.4 million).

As at 31 December 2020, the contingencies against bank letters of guarantees issued on behalf of the Group is amounting to SR 33.2 million (31 December 2019: SR 8.1 million).

As at 31 December 2020, the Group has bank letters of credit issued amounting to SR 15.2 million (31 December 2019: SR 3.7 million) issued from bank in the Kingdom of Saudi Arabia.

32. LEASES

Group as a lessee

The Group has lease contracts for various leased properties. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

The Group also has certain lease contracts for leased properties with lease terms of 12 months or less and with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Below are the carrying amounts of right-of-use assets and leased liabilities recognized and the movements during the year.

	Consolidated statement of financial position	
	Right-of-use asset (Leasehold lands)	Lease liabilities
As at 1 January 2020 (note 15)	6,697,927	6,835,687
Depreciation expense (note 15 and (a) below)	(457,828)	-
Interest expense (note (a) below)	-	308,512
Payments made	-	(650,000)
As at 31 December 2020	6,240,099	6,494,199

a) The Group recognized depreciation expense relating to right-of-use asset and interest expense relating to lease liabilities for the year ended 31 December 2020 under cost of revenue and finance cost, respectively.

b) As at 31 December 2020, right-of-use asset is recorded as part of property, plant and equipment (note 15) amounting to SR 6,240,099 while lease liability has been classified under "other non-current liability" amounting to SR 6,135,672 and current lease liability under "accrued expenses and other current liabilities" amounting to SR 358,527.

c) The Group had total cash outflows for leases of SR 650,000 in 2020 (2019: SR 650,000).

33. RISK MANAGEMENT OBJECTIVES AND POLICIES

Risks are part of the Group's operations and are managed through a continuous mechanism including the identification and then assessment of risks with follow up in line with other approved restrictions and controls. Risk management is important for the Group's ability to achieve gains. Every employee in the Group is responsible for risk management related to his roles and responsibilities. The Group is exposed to market risk, commission rate risk, currencies risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include term loans and derivative financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's term loans obligations and short-term borrowings with floating interest rates. The Group manages the commission risks mainly by entering into interest rate swap agreements with one of the local commercial banks (note 13).

Currency risk

Currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities. The Group is not exposed to any significant currency risk as the Group did not have any significant balances as at 31 December 2020 denominated other than Saudi Riyal and US Dollars.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of guarantees or other forms of credit insurance obtained from reputable banks.

The five largest customers account for 87% of outstanding trade receivables as at 31 December 2020 (31 December 2019: 86%). Sales to such customers represent 50% of the total sales of the Group for the year ended 31 December 2020 (31 December 2019: 29%).

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 33. The Group does not hold collateral as security. The letters of guarantees and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment. At 31 December 2020, 84% (2019: 84%) of the Groups trade receivables are covered by letters of credit and other forms of credit insurance.

The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

33. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Trade receivables (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

31 December 2020	Trade receivables						
		Days past due					
	Current SR	< 90 days SR	91-180 days SR	181-270 days SR	271-360 days SR	>360 days SR	Total SR
Expected credit loss rate	0.08%	0.28%	1.36%	3.82%	5.88%	100%	1.2%
Estimated total gross carrying amounts at default	129,316,375	28,720,942	1,552,101	1,129,684	1,186,793	1,651,827	163,557,722
Expected credit loss	**99,259**	**79,970**	**21,150**	**43,178**	**69,769**	**1,645,640**	**1,958,966**

31 December 2019	Trade receivables						
		Days past due					
	Current SR	< 90 days SR	91-180 days SR	181-270 days SR	271-360 days SR	>360 days SR	Total SR
Expected credit loss rate	0.09%	0.10%	-	-	-	83.23%	1.66%
Estimated total gross carrying amounts at default	90,429,145	76,725,912	148,511	797,721	1,273,875	3,244,053	172,619,217
Expected credit loss	81,751	76,604	-	-	-	2,700,071	2,858,426

Liquidity risk

The Group monitors its risk of a shortage of funds using a liquidity planning tool.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. Approximately 80% of the Group's debt will mature in less than one year at 31 December 2020 (2019: 80%) based on the carrying value of borrowings reflected in the financial statements. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

33. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	< 3 months	3- 12 months	1 to 5 years	> 5 years	Total
31 December 2020	**SR**	**SR**	**SR**	**SR**	**SR**
Term loans	-	-	26,362,799	-	26,362,799
Other non-current liability	-	-	2,600,000	6,650,000	9,250,000
Trade payables	-	60,156,929	-	-	60,156,929
Financial derivatives	-	1,234,421	-	-	1,234,421
Current portion of term loans	13,995,369	40,403,645	-	-	54,399,014
Dividends payable	-	276,156,597	-	-	276,156,597
Accrued expenses and other current liabilities	-	85,424,459	-	-	85,424,459
	13,995,369	**463,376,051**	**28,962,799**	**6,650,000**	**512,984,219**

33. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

31 December 2019	< 3 months SR	3- 12 months SR	1 to 5 years SR	> 5 years SR	Total SR
Term loans	-	-	66,475,008	-	66,475,008
Other non-current liability	-	-	2,600,000	6,650,000	9,250,000
Trade payables	-	32,287,067	-	-	32,287,067
Financial derivatives	-	2,063,655	-	-	2,063,655
Current portion of term loans	13,995,369	41,303,554	-	-	55,298,923
Dividends payable	-	77,304,031	-	-	77,304,031
Accrued expenses and other current liabilities	-	73,037,425	-	-	73,037,425
	13,995,369	225,995,732	69,075,008	6,650,000	315,716,109

Capital management
For the purpose of the Group's capital management, the Group's capital includes issued share capital and all other equity reserves attributable to the equity holders of the Parent Company. The primary objective of the Group's capital management is to maximize the shareholder value.

The Group manages its capital structure and adjusts in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital and net debt.

The Group's overall strategy remains unchanged from the previous year. The Group's capital structure consists of net debt (term loans, trade payables and accrued expenses and other current liabilities for cash and bank balances), equity (consisting of share capital, statutory reserve and retained earnings).

	2020 SR	2019 SR
Term loans	77,833,333	116,750,000
Other non-current liability	6,135,672	6,477,160
Financial derivatives	1,234,421	2,063,655
Trade payables	60,156,929	32,287,067
Accrued expenses and other current liabilities	85,424,459	73,037,425
Less: Cash and bank balances	(137,015,441)	(176,751,996)
Net debt	**93,769,373**	53,863,311
Total equity	**3,028,667,859**	3,301,960,590
Net debt to equity ratio	**3.10%**	1.63%

34. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2020 SR	Cash flows SR	Others SR	31 December 2020 SR
Current portion of term loans	51,888,889	(51,888,889)	51,888,889	51,888,889
Term loans	64,861,111	-	(38,916,667)	25,944,444
Short term borrowings	-	-	-	-
Dividends payable	77,304,031	(352,397,434)	551,250,000	276,156,597
Total liabilities from financing activities	**194,054,031**	**(404,286,323)**	**564,222,222**	**353,989,930**

	1 January 2019 SR	Cash flows SR	Others SR	31 December 2019 SR
Current portion of term loans	51,888,889	(51,888,889)	51,888,889	51,888,889
Term loans	116,750,000	-	(51,888,889)	64,861,111
Short term borrowings	57,533,847	(57,533,847)	-	-
Dividends payable	76,764,203	(196,335,172)	196,875,000	77,304,031
Total liabilities from financing activities	**302,936,939**	**(305,757,908)**	**196,875,000**	**194,054,031**

The ‘Others’ column includes the effect of reclassification of non-current portion of term loans to current portion of term loans and dividend declared and accrued during the year that were not yet paid at the year-end. The Group classifies finance cost paid as cash flows from operating activities.

35. FAIR VALUE MEASUREMENT

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

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

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

35. FAIR VALUE MEASUREMENT (continued)

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

		Fair value measurement using			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities measured at fair value	**Date of Valuation**	**SR**	**SR**	**SR**	**SR**
Financial derivatives	31 December 2020	**1,234,421**	**-**	**1,234,421**	**-**

		Fair value measurement using			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities measured at fair Value	**Date of Valuation**	**SR**	**SR**	**SR**	**SR**
Financial derivatives	31 December 2019	2,063,655	-	2,063,655	-

The Group enters into derivative financial instrument principally with financial institutions having investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs is interest rate swaps. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations.

As at 31 December 2020 and 31 December 2019, the fair values of the Group's financial instruments are estimated to approximate their carrying values and are classified under level 2 of the fair value hierarchy. Fair value of trade receivables as at 31 December 2020 and 31 December 2019 is carrying amount because of short term nature of the balance.

Fair values of the Group's borrowings are determined by using DCF method using discount rate that reflects the borrowing rate as at the end of the reporting period. As at 31 December 2020 and 31 December 2019, the carrying amounts of borrowings were not materially different from their calculated fair values.

During the year ended 31 December 2020 and 2019, there were no movements between the levels.

36. IMPACT OF COVID 19

The outbreak of novel coronavirus ("COVID-19") since early 2020, its spread across mainland China and then globally caused disruptions to businesses and economic activity globally including the Kingdom of Saudi Arabia. The declaration of this pandemic by the World Health Organization necessitated the Group's management to revisit its significant judgments in applying the Group's accounting policies and the methods of computation and the key sources of estimation during the current year ended 31 December 2020.

Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Group's management carried out an impact assessment on the overall Group's operations and business aspects including factors like supply chain, travel restrictions, product demand, etc. and concluded that, as of the issuance date of these consolidated financial statements, no significant changes are required to the judgements and key estimates. However, in view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective development and will take further actions as necessary and appropriate in response to the economic disruption and other COVID-19 consequences.

Below are the key assumptions about the future and other key sources of estimations that may have significant risk of causing a material adjustment to these consolidated financial statements:

a) Provision of expected credit losses (ECL) of trade receivables

The uncertainties caused by COVID 19 has required the Group to reassess the input and assumptions used for the determination of ECL as at year end. The Group has considered the relevant forward-looking information with respect to; macro-economic scenario of the market it operates in; significant increase in credit risk; and assessing the indicator of impairment for the exposure in potentially affected sector.

In determining the recoverability of trade receivables, the Group considers any significant change in the credit quality of trade receivables from the date credit was initially granted up to the reporting date. Since the majority of trade receivable are secured against guarantees or letter of credits, management believes that the allowance for ECL (Refer Note 18) at the reporting date is appropriate.

b) Impairment of non-financial assets

Referring to the improved financial performance of the Group reported in these consolidated financial statements despite COVID-19 pandemic and going concern assessment mentioned in Note 2.4, management believes that the COVID-19 does not give rise to any impairment indicator. Accordingly, no impairment assessment is performed by the management.

b) Fair value of financial instrument

The Group has assessed the appropriateness of valuation techniques in line with the volatile environment due to current market conditions and has concluded that there is no material impact of COVID-19.

c) Going concern

Refer to Note 2.4 for no implications of COVID-19 on the going concern assumption used in the preparation of these consolidated financial statements.

37. SUBSQUENT EVENTS

The Board of Director vide its meeting dated 30 January 2021 recommended to decrease the existing share capital of the Company from SR 1,575 million to SR 1,000 million by cancelling 57,500,000 shares (36.5%) of the Company. The process for the above reduction of the share capital is not yet completed by the dates of the issuance of these consolidated financial statements.

38. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements for the Group for the year ended 31 December 2020, were approved by the Board of Directors on Rajab 1, 1442 (corresponding to February 13, 2021).